HCMO-1: Notice of Material Change Transaction

Attachment L

Detailed Information About Wallowa County Health Care District

1. Describe the Participating Entity.

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

Wallowa County Health Care District is a 501(c)(3) hospital district organized under Oregon law. It owns and operates Wallowa Memorial Hospital, a 25-bed critical access hospital located in Enterprise, Oregon. It also owns and operates four primary care clinics and a senior living center. Wallowa County Health Care District's business lines or segments include inpatient services, outpatient services, emergency medical services, family birthing services, laboratory services, outpatient infusion, surgical services, orthopedic services, podiatry services, rehabilitation therapy, specialty/visiting provider care services (dietitian services, rheumatology, psychiatry, oncology, hearing care, cardiology, electrophysiology, audiology), swing bed/transitional care services, therapy services, urology services, wound care services.

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

Wallowa County Health Care District is a 501(c)(3) hospital district governed by a five-member board of directors. It owns and operates Wallowa Memorial Hospital, four primary care clinics, and a senior living center. The governance documents for Wallowa County Health Care District are attached as **Attachment L, Exhibit 1.b.**

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

See **Attachment L, 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 L, 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 L, Exhibit 1.e**.

f. Describe and identify the Participating Entity's health care business. Provide responses to i-ix as applicable:

i. Provider type (hospital, physician group, etc.)
Wallowa County Health Care District is a 501(c)(3) hospital district governed by a five-member board of directors. It owns and operates Wallowa Memorial Hospital, four primary care clinics, and a senior living 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
Wallowa County Health Care District has 235 employees and 164 FTEs (both in Oregon and overall).

v. Geographic areas served, both overall and in Oregon
Wallowa Memorial Hospital serves Wallowa County and the surrounding areas.

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

vii. Annual number of people served in Oregon, for all business, not just business related to transaction
Wallowa County Health Care District served about 7,391 people in 2025.

viii. Annual number of services provided in Oregon
Wallowa County Health Care District annually handles about 44,300 patient encounters.

ix. For hospitals, number of licensed beds
Wallowa Memorial Hospital 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

N/A

Attachment L

Exhibit 1.b.

Governance Documents

WALLOWA COUNTY HEALTH CARE DISTRICT

BYLAWS

ARTICLE I

NAME; STATUTORY AUTHORIZATION; PURPOSES

Section 1. Name and Statutory Authorization. The Wallowa County Health Care District ("the District") was formed and shall be operated as a municipal corporation in accordance with the provisions of ORS chapter 440, with district boundaries coterminous with the boundaries for the County of Wallowa. All power and authority of the District is vested in and shall be exercised by the District's board of directors ("the Board").

Section 2. Purposes and Powers. The purposes and powers of the District shall be as defined in ORS 440.320 and 440.360, including but not limited to:

A. Providing clinically related diagnostic, treatment and rehabilitative services on an inpatient or outpatient basis;

B. Providing outreach programs in health care education, health care research and patient care;

C. Serving as a resource for health care providers in the district;

D. Promoting the physical and mental health and well-being of district residents;

E. Providing directly or indirectly any physical or mental health related service;

F. Entering into any contract or agreements to purchase and lease real and personal property; to enter into business arrangements or relationships with public or private entities; to create and participate fully in the operation of any business structure, including the development of business structures and arrangements for health care delivery systems and managed care plans;

G. Participating in community sponsored health screening, prevention, wellness, improvement or other activities that address the physical or mental health needs of district residents. Such participation may include clinical, financial, administrative, volunteer or other support considered appropriate by the board;

H. Performing any other acts that in the judgment of the board are necessary or appropriate to accomplish the purposes of ORS 440.315 to 440.410.

ARTICLE II.

SEPARATE OPERATING ENTITIES

Section 1. Authority to Create Separate Operating Entities. ORS 440.360(2) provides that health districts have the power, *inter alia*, "to create and participate fully in the operation of any business structure, including the development of business structures and arrangements for health care delivery systems."

~~A.~~ Pursuant to this authority, the Board may, by resolution, designate any number of separate operating entities to conduct the business of the District. Each separate operating entity will be identified with an assumed business name (ABN) of the District.

B. The District shall be the sole owner of the assets of each separate operating entity or division.

C. Each separate operating entity of the District shall maintain a general ledger which is separate from that of each other operating entity of the District.

D. The Board shall appoint an administrator or CEO for each separate operating entity. The administrator or CEO of each separate operating entity shall report to the Board.

Section 2. Wallowa Memorial Hospital and Medical Clinics. Pursuant to the authority described in this Section, the Board has created separate operating entity of the District with the ABN of "Wallowa Memorial Hospital and Medical Clinics."

Section 3. Wallowa Valley Senior Living. Pursuant to the authority described in this Section, the Board has created separate operating entity of the District with the ABN of "Wallowa Valley Senior Living."

ARTICLE III

BOARD OF DIRECTORS

Section 1. Members and Terms. The Board shall consist of five directors ("Directors") who shall serve terms of four (4) years each unless earlier resigning or removed as provided herein. The Directors shall be divided into two classes of two and three members, respectively, at the time of the original election, and the terms of each class

shall expire in alternate election years from that of the other class. The manner of election of directors shall be as provided by ORS chapter 255 and chapter 440.

Section 2. Qualifications. All Directors shall be electors of the District and no individual who is an employee of the District may serve as a Director. Upon a Director's entry into District employment, change in residence from within the District boundaries, or failure to continue to meet any other qualification then required for election to the position, a Director's position shall be deemed vacated.

Section 3. Duties and Powers. All business, transactions, programs, and powers of the District shall be subject to and exercised under the authority of the Board. The Board shall, among other things:

A. Organize itself and the administration of the District's facilities and programs in a manner that facilitates expedient performance of assigned duties, including adopting suitable Bylaws and establishing a plan of organization that provides clear lines of authority and responsibility;

B. Formulate the mission and policies of the District to provide direction to its management;

C. For each operating entity, appoint Administrators or Chief Executive Officers who are qualified by education and experience to perform the responsibilities of the position, and delegate responsibility to such person for administrative action;

D. Evaluate in June of each year the performance and salary of each Administrator or CEO, or when deemed necessary by the Board.

E. Define the mission, role and programs of the District, and develop the staffing plan necessary to accomplish them, consistent with the District's organizational documents and applicable laws;

F. Identify the changing needs of the community and changes in the legal and regulatory climate, and with the involvement of administrators and professional staff of each operating entity as appropriate, plan long-range and short-term District responses within available resources;

G. Reconcile and coordinate professional interests with administrative, financial and community needs and considerations;

H. Develop policies to protect patients from unlawful discrimination and ensuring that District services are not inappropriately denied to those entitled to receive them;

I. Establish rules to prevent any member of the Board or any other agent of the District from

using his/her affiliation for personal, financial or material gain;

J. Provide for the orientation and continuing education of Board members, including orientation of new Board members, reasonable participation in both in-service educational programs and periodic external seminars, and publications addressing relevant legal and regulatory developments, industry standards, and the Board's responsibility for promoting quality in District facilities and performing its role in the Quality Improvement Program;

K. Arrange for annual Board assessment, with input from the operating entity Administrators/CEOs and President of the Professional Staff, to consider issues for Board and Board committee meetings; development of relevant expertise and knowledge; fostering good community-District relations; development of interpersonal skills; effectiveness of services as an officer or Chair of the Board or its Committees, and other matters concerning the District's welfare;

L. Review and determine the policies and programs of the District with respect to voters and the community at large, patients, Professional Staff and employees; assist in the implementation of such public relations policies and programs;

M. Review and determine marketing policy for the District and assist in its implementation;

N. Select and review the performance and compensation of any general management contractors of the District;

O. Review and approve a quality improvement system designed to evaluate care rendered in District facilities (regardless of the provider) and ensure uniformity in the level of care throughout the District's facilities and programs;

P. Ensure appropriate management of the financial affairs of the District to ensure legal compliance and best practices; including review of expenditures, policy, budget, authorization requirements and accounting procedures as required by ORS 440.400, and specifying the level of authority of the operating entity Administrators/CEOs to approve payments;

Q. Determine the bank(s) or other financial institutions in which District funds may be deposited and the manner of investment of District assets as authorized by ORS 440.400 and ORS 294.035-294.040.

R. In its discretion and pursuant to a Board resolution, apportion tax revenues among the District's various operating entities or divisions.

S. Training on Public Meetings Law. Each elected member of the Board shall attend or view training on public meetings law, prepared under the direction of the Oregon Government Ethics Committee, at least once during the member's term of office.

Section 4. Attendance: All Directors shall faithfully attend and participate in meetings of the Board, giving all matters appropriate attention and judgment. Pursuant to ORS 440.330(5), the term of a Director will expire when the director is absent from four (4) or more consecutive regular meetings of the board and the board declares the position vacant.

Section 5. Vacancies: If a majority of the positions on the Board are not then vacant, the remaining members of the Board of Directors shall fill any vacancy on the Board as provided by ORS 198.320 (1) and (2), until the time of the next election, at which time a Director shall be elected for the balance of the vacated term. If a majority of the positions on the Board are vacant, the Wallowa County Board of Commissioners shall fill the vacant positions until the next election.

Section 6. Compensation. Pursuant to ORS 198.190, each Director may receive an amount not to exceed $50 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. Board members also may be reimbursed for actual costs incurred when engaging in authorized District business.

ARTICLE IV

BOARD MEETINGS

Section 1. General. Unless an Executive Session is declared, all meetings of the Board shall be open to the public and shall be conducted in accordance with Oregon's Open Meetings Law. Neither the Board nor any committee of the Board shall meet to deliberate toward a decision or decide any issue at any place which practices discrimination on the basis of race, color, creed, sex, sexual orientation, gender identity, national origin, age or disability.

Section 2. Annual Meeting. The regular board meeting in July shall be the annual meeting. At that meeting the Board shall elect officers, determine its monthly meeting schedule, establish any ad hoc committees then required for the conduct of business and fix their purposes and powers, read the conflict-of-interest policies, and conduct such other business as properly comes before the meeting.

Section 3. Other Regular Meetings. The Board shall hold at least one (1) regular monthly meeting at such day, time and place within the District as the board fixes from time to time for its regular meetings, except in November, when the meeting may be

cancelled at the discretion of the Board Chair. No notice to the Directors, other than adoption of the resolution stating the regular meeting date, time and place, shall be required for the Board's annual or regular meetings. At the April or May meeting the Budget Committee members and the District's Budget Officer shall be selected for the next fiscal year.

Section 4. Special Meetings. Special meetings of the Board may be called by the Board Chair and shall be called by the Chair upon receipt of a written petition for such a meeting, signed by any two (2) Directors and stating therein the purpose of such meeting. Notice of any special meeting and the purpose thereof shall be delivered to each Director not less than three (3) days prior to the meeting, absent an actual emergency requiring action in less than three (3) days, in which case advance notice of whatever duration is feasible under the circumstances, given to all directors, shall suffice. The business to be conducted at a special meeting of the Board shall be limited to the subjects stated in the notice.

Section 5. Notice. Whenever personal notice of a meeting is required by these Bylaws, it shall be deemed given when the required information is communicated by any means (including personal delivery, U. S. Mail, delivery service, fax, telephone, e-mail or in-person communication) to the intended individual, or to his or her office or home or other designated place for receipt of notice. If delivered in person, by fax, or telephone, the notice shall be deemed delivered when the information is communicated to a person at the intended location or number. If delivered by mail or delivery service, the notice shall be deemed delivered two (2) days after being mailed or given to the service for deliver, properly addressed and with adequate prepaid delivery charges.

Section 6. Quorum and Method of Acting. A majority of the Board shall constitute a quorum for the transaction of business. The affirmative action of a majority of Directors voting on a matter with a quorum present shall be required for Board action on the matter.

Section 7. Telephonic Meetings.

A. The Board may conduct its meetings by use of telephone or other electronic communication in accordance with ORS 192.670, but if the meeting is convened to reach a decision or deliberate toward a decision and is not an executive session, at least one place shall be provided where the public can contemporaneously hear the communications.

B. Any Director wishing to participate in a meeting by telephonic or other electronic means shall be responsible for making adequate arrangements in advance. A

Director participating by such means shall be deemed in personal attendance at the meeting for purposes of establishing a quorum and for voting.

C. Pursuant to ORS 198.670(3), all Board meetings, excluding executive sessions, must provide to members of the general public, to the extent reasonably possible, an opportunity to:

1) Access and attend the meeting by telephone, video or other electronic or virtual means;

2) If in-person oral testimony is allowed, submit during the meeting oral testimony by telephone, video or other electronic or virtual means; and

3) If in-person written testimony is allowed, submit written testimony, including by electronic mail or other electronic means, so that the governing body is able to consider the submitted testimony in a timely manner.

D. The media shall be given access to executive sessions held by telephone, video, or other electronic or virtual means if they would be entitled to attend if the meeting were held in person.

Section 8. Duty to Object. Any Director attending a meeting without, upon his or her arrival or the opening of the meeting (whichever comes first), objecting to the transaction of business because of a purported defect in notice of the meeting or the subjects permitted to be considered shall be deemed to have waived the right to object to the defect.

Section 9. Smoking. Smoking is not permitted in any District vehicle, at any public meeting of the District, or on District property.

Section 10. Minutes. Minutes shall be taken at all Board meetings, including executive sessions. The minutes shall include at a minimum, the following: A list of all members present; a brief description of all motions, proposals, resolutions, orders and measures considered and their disposition; the result of all votes by member name or position number; the substance of the discussion; and reference to any documents discussed at the meeting (excluding any information permitted or required to be withheld under public records laws). Except for discussions in executive sessions, minutes of meetings subject to this section shall be in writing.

ARTICLE V

OFFICERS

Section 1. Positions and Terms. At their annual meeting, the Directors shall elect from among them the following officers ("Officers"): Chair, Vice Chair, Secretary, and Treasurer. Except in the event of resignation or removal as provided by law or herein, each Officer shall serve for a term of one (1) year or until his or her successor is elected and qualified. The Board may from time to time elect additional officers to serve at its pleasure to assist the Officers in performance of their duties, or to perform their duties when the Officer is absent, unavailable, disqualified, or otherwise unable or unwilling to act.

Section 2. Duties.

A. Chair. The Chair shall, in consultation with the operating entity Administrators/CEOs, determine the agenda for all annual and regular Board meetings; call special Board meetings as appropriate; preside over Board meetings; appoint the members and Chairs for all Board Committees; have the power to remove members or Chairs of any Board Committee other than the Budget Committee, without cause; and, as authorized by the Board, execute District documents that require the Chair's signature. As an elected member of the Board, the Chair shall be entitled to and is expected to vote on issues coming before the Board.

B. Vice Chair. The Vice Chair shall perform the duties of the Chair (with the exception of removal of members or Chairs for committees) whenever the Chair is absent, disqualified, disabled, or otherwise is temporarily unable or unwilling to perform the duties of his or her office.

C. Secretary and Treasurer. The Secretary and Treasurer shall perform such duties as are customary to the office.

D. Other Officers. Upon designating any other officers, the Board shall fix the person's powers, duties and term of service.

Section 3. Resignation, Removal or Vacancies. Any person removed from or resigning from the Board shall automatically be deemed removed from any office or committee appointment held at the time. Any officer may resign his office (with or without resigning his Board position) by written notice to the Chair. All resignations shall be effective without further action upon receipt or on the date stated therein, if later. The Chair, Vice Chair, Secretary or Treasurer shall be subject to removal by action of the Board solely for stated cause, including dereliction of duty or malfeasance in office. All other officers serve at the pleasure of the Board and may be removed with or without

cause. All removals from office are effective immediately upon notice. All vacancies in office shall be filled by action of the Board for the remainder of the original term.

ARTICLE VI

COMMITTEES

Section 1. General Authority; Public Meeting Requirements. Board Committees may make recommendations to the Board, but the Board delegates no final authority to a Committee or sub-committee except as specifically described in these Bylaws.

Meetings of Board committees are public meetings subject to applicable notice requirements. Minutes shall be taken at all Committee meetings.

Section 2. Standing Committees. The Board shall have the following standing committees:

A. Budget. The Budget Committee shall consist of the Board as a whole together with an equal number of electors of the District elected by the Board, if electors willing to serve without compensation can be found. Officers, employees and agents of the District shall not be eligible to serve on the Budget Committee as electors. The elector-members of the Budget Committee shall serve staggered three-year terms (with approximately one-third of the positions expiring every year). If the number of Directors is reduced or increased by law or charter amendment, the Board shall adjust the number of elector members of the Budget Committee accordingly, in a manner that preserves, as far as is feasible, the staggered terms of the elector group. Notwithstanding provisions applicable to other committees, the Budget Committee shall elect its own Chair and secretary from among its members.

The Budget Officer shall provide the members of the Budget Committee a copy of the budget documents not more than 7 days prior to the public meeting at which the Committee is scheduled to receive the budget documents and the operating entity Administrator's/CEO's budget message. Public notice of the meeting shall be given as required by ORS chapter 294. The Administrator's/CEO's budget messages at the meeting shall include an outline of the proposed financial policies of the District operating entities for the ensuing year, an explanation of the budget documents and their important features, and the salient changes from the previous year's appropriation and revenue items and financial policy, if any. A copy of each budget document shall be filed as a public document in each Administrator's/CEO's office immediately following presentation to members of the Budget Committee. At the meeting, the Budget Committee shall hear persons wishing to address budget issues,

schedule any further meetings necessary to receive comment, obtain from District employees and officers any further information it requires to review the budget document as presented, and approve the budget document, as submitted or with such revisions as it deems appropriate, for further processing and publication as provided by ORS chapter 294.

B. Extended Care Facility, Residential Care Facility and Medical Clinic Governing Bodies. The Board as a whole, together with such additional executives, professional personnel and community members as required by licensing, certification or accreditation bodies having authority over the District's Extended Care Facility, Residential Care Facility, and Medical Clinic facilities shall meet at required intervals to perform such functions as required by those laws or standards.

C. Bylaws. The Board as a whole shall serve as the Bylaws Committee. One Board member and the Hospital CEO, with the assistance of counsel or other appropriate resources, shall annually review these Bylaws, together with recent developments in relevant statutes and regulations, Professional Staff bylaws and other inter-related documents, to determine whether this document reflects current and desirable practices and is consistent with other related documents; identify areas requiring change; and propose to the Board appropriate language to implement such change.

D. Nominating. The Board comprises the Nominating Committee. At the annual July meeting the Committee shall nominate one or more Board members for each office. The Board shall then elect officers for the new fiscal year from the list of nominees.

E. CEO Review. The Board as a whole shall serve as the CEO Review Committee. The Committee shall consult with its members, and may consult with Professional Staff leaders, Hospital management, and community leaders, and may review available community or patient satisfaction surveys, industry standards, job description, Board-directed areas of focus, current salary information and other relevant data to determine the level of performance of each Administrator/CEO and the appropriateness of the compensation.

The Committee shall prepare a draft summary of its findings and conclusions and make written recommendations for each Administrator/CEO's compensation and areas of suggested discussion for the Board to pursue. The Committee may present its report to the Board in executive session pursuant to ORS 192.660(2)(i), "to review and evaluate the job-related performance of officers, employees, etc.," provided the person being reviewed does not request an open hearing.

The Committee shall thereafter meet with each Administrator/CEO to convey and discuss with them the results of the review and the Board's areas of commendation

or concern. If a quorum of the Committee participates in the meeting with the Administrator/CEO, the meeting may be held in executive session pursuant to ORS 192.660(2)(i) unless the person being reviewed requests an open hearing. Any final approval of a personnel action and/or final compensation terms must be approved by the Board in a properly noticed open session.

Section 3. Ad hoc Committees. With approval by a majority of the Board, the Board Chair may direct the creation of Ad hoc Committees from time to time to serve special purposes and may likewise direct the dissolution of such committees. The Board shall determine the size, purposes, authority, line of reporting and term of such committees at the time of their creation. Unless and until dissolved by the Board, the following shall be Ad hoc Committees of the Board:

A. Joint Conference. The Joint Conference Committee shall include the President and Vice President of the Professional Staff, the Chair and Vice Chair of the Board, and the Hospital CEO, Hospital CNO, and Hospital CMO.

   Whenever there is a substantive difference between a tentative decision of the Board and the recommendation of the Professional Staff on an issue of appointment or privileges of a Professional Staff member or applicant, or an apparent unresolved difference of opinion between the Board and the Professional Staff on issues relating to Professional Staff Bylaws, Fair Hearing Plan, Rules and Regulations, or policies relating to patient care, the Joint Conference Committee shall meet to discuss the issue and attempt to determine the factual bases for the difference of opinion and to make further recommendations to the Board prior to its final decision. The Committee may be called into session by the Board Chair, President of the Professional Staff, or the Hospital CEO, and shall be chaired by the Board Chair.

B. Administrative Council. Annually at the Board's Strategic Planning Meeting or at periodic intervals to be determined by the Board and Administrative Staff, the Council may propose revisions to the District's stated Mission, Goals and Objectives in light of current needs and conditions.

C. Recruitment. The Recruitment Committee shall include: The Human Resources Executive, the Hospital CEO and the Hospital CNO. At periodic intervals determined by the Board, the Committee shall review the District and Professional Staff staffing plan to determine areas of unmet need; make recommendations to the full Board concerning existing and anticipated areas of shortage in professional personnel, and propose specific plans consistent with Board policy for meeting such needs. At the request of the Board, members of the Recruitment Committee shall assist in development of specific criteria and screening of candidates.

Section 4. Resignation, Removal, Vacancies. Vacancies on any committee shall be filled in the same manner as the original selection for the balance of the original term.

Section 5. Notices, Meetings, Form of Participation. Standing committees (other than Budget Committee) may, by motion, set a regular meeting time which shall not require further notice to the members. Special meetings of any committee may be called by its Chair, who shall call such a meeting upon written request of any two (2) members or the Board Chair. Notice for committees (other than the Budget Committee) shall be the same as for Board meetings, and members may participate by electronic means in the same manner as for Board meetings. A quorum for any committee meeting shall consist of a majority of the voting committee members, and action by the committee shall require affirmative assent of a majority of the members voting. Committee meetings (other than the Budget Committee) may be conducted informally, provided that if a member so requests prior to committee action in a matter, the committee shall operate in accordance with Roberts Rules of Order in that matter.

Section 6. Ex-Officio Members of Committees. The Chair of the Board and the Hospital CEO shall be ex-officio members of all Board committees, entitled to notice. They may participate in a non-voting status unless appointed to a voting position, provided that the Hospital CEO shall not serve on the Hospital CEO-Review Committee. Ex-officio members shall not be counted for determining a quorum.

Section 6. Fiduciary Duties of Staff Appointees and Employees Serving on Board Committees. Professional staff appointees and District employees may be appointed to Board Committees except as specifically excluded by provisions relevant to a particular committee. If appointed, they shall serve as individual members and not representatives or delegates of any group nor shall they be bound to report to or follow directions of any constituency.

ARTICLE VII

CHIEF EXECUTIVE OFFICER

The Board shall select and employ a competent, experienced Administrator/CEO for each operating entity of the District who shall be responsible for day-to-day operations of the District's programs and facilities. Each Administrator/CEO so employed shall be responsible to, and serve at the pleasure of, the Board, subject to any individual contract rights. Each Administrator/CEO shall be given the necessary authority and be held responsible for the management and administration of their District health services and facilities, subject to policies, position description, employment contract and other

directives of the Board.

All District employees shall report directly or indirectly to or through their operating entity Administrator/ CEO, and their Administrator/ CEO shall have authority to recruit, hire, fire, and set the terms of employment for such personnel, in accordance with District policies and budgets. The Administrator/CEOs shall act as the representative of the District in all matters in which the Board has not designated some other person to act.

ARTICLE VII

PROFESSIONAL STAFF

Section 1. Credentials. The Board shall make the final decision with respect to appointment and award of clinical privileges (or removal or qualification of same) to any health care professional seeking to participate in District programs or utilize its facilities, and for reappointments and renewal of clinical privileges, with the sole exception of temporary appointments and temporary clinical privileges which may be made in the manner provided in the approved Professional Staff Bylaws. Ordinarily, the Board shall act on such individual credentials matters only after receiving the recommendation of the Professional Staff, but in circumstances in which the Staff is unable or unwilling to perform that function or fails to do so in a timely manner, the Board may take action based on information derived from alternative sources it determines to be appropriate in the circumstances. The Board reserves to itself the right to determine as a matter of policy within the requirements of the applicable law the classes or categories of professionals who will be permitted to use District facilities as either Staff Appointees or Allied Health Practitioners and terms under which they may do so, as well as the scope and nature of services to be offered by the District.

Section 2. Professional Staff Bylaws, Hearing Plan, Rules and Regulations. The Board shall, as appropriate, recommend for the Staff's consideration changes to the Professional Staff organization and responsibilities as reflected in the Professional Staff Bylaws, Fair Hearing Plan and Rules and Regulations, and shall approve or reject Staff-proposed changes to those documents. Where necessary to comply with the law or to obtain or maintain accreditation sought by the District, or to comply with fiduciary responsibilities or where failure to do so would subvert the stated moral or ethical purposes of the District, the Board reserves the right to take unilateral action with respect to any document relating to the Professional Staff or its responsibilities or prerogatives. In the event of an inconsistency between Professional Staff organizational documents, policies, rules and hearing plans and these Bylaws, these Bylaws shall control.

Section 3. Professional Staff Eligibility for Board. Professional Staff appointees who

are electors of the District and not disqualified as employees of the District are eligible to seek election to the Board, and if elected shall serve subject to the same fiduciary and ethical duties and responsibilities applicable to all Board members.

Section 4. Professional Staff Liaison to the Board. The President of the Professional Staff shall serve as the official liaison between the Staff and the Board, and in that capacity may attend portions of a Board meeting not conducted in Executive Session and, with the consent of the Board, those Executive Sessions in which presentation of Quality Improvement studies, credentials or Staff disciplinary issues or other peer review materials are presented, or health care professional contracts or other issues in which Professional Staff recommendations are required or requested are being presented or considered, provided that the President is not personally disqualified from participation.

Section 5. Professional Staff Authority. The Professional Staff shall have responsibility and authority for the following matters (absent grounds for disqualification or specific alternative delegation):

A. To review individual applications for Professional Staff appointment, reappointment or clinical privileges and make recommendations to the Board concerning the applicant's professional qualifications;

B. To carry out a system of peer review of quality of medical services in the District's facilities through retrospective evaluation, patient care audits, proctoring and monitoring of the quality of patient care, identification and resolution of problems and identification of opportunities for improvement of care as described in the Professional Bylaws;

C. To carry out a system of utilization review which is based on provisions of the District's utilization review plan and designed to detect and remedy matters of inefficient and inappropriate care not justified by patient-specific circumstances;

D. To conduct a continuing professional education program based at least in part on the needs demonstrated through the Quality Assurance and Utilization Review programs;

E. To assist the District in developing and obtaining Professional Staff compliance with approved Professional Staff Bylaws, Rules and Regulations and the District's other procedures, standards and policies;

F. On request, to assist the Hospital CEO and Board in identifying community health needs, setting appropriate institutional goals and designing clinical programs to meet those goals;

G. To assist the District in compliance with licensing, accreditation, and other legal and regulatory standards, including those relating to disaster planning, record maintenance, Professional Review Organization audits and billing requirements.

ARTICLE VIII

CONFLICTS OF INTEREST

Section 1. Actual Conflicts. Any member of the Board or of a Board Committee whose vote or participation in a matter coming before the Board or Committee would assist the member to obtain financial gain for the member, for any member of the member's household, or for a business with which the member or any member of the member's household is associated, shall declare an actual conflict of interest for recordation in the minutes, and abstain from participation or vote in the matter in accordance with ORS 244.040.

No member of the Board or of a Board Committee shall vote in any matter concerning Staff appointment, clinical privileges or discipline if the member is a direct economic competitor of the person under review or has previously voted on or taken an official position in the matter under consideration as part of some other committee, group or office.

A member of the Board or Board Committee with a duality of interest or likely conflict shall declare that interest or conflict when a related issue comes up, answer pertinent questions from other members concerning the nature of his or her interest or likely conflict, and provide any requested information he or she may have about the project or matter under consideration which may be disclosed without violation of law or concurrent duty to the other party. Such member shall declare an actual conflict of interest for recordation in the minutes and abstain from participation or vote in the matter in accordance with ORS 244.040.

Section 2. Potential Conflicts. A member of the Board or Board Committee who is not clearly disqualified by the rules stated in these Bylaws or other applicable statute or regulation but who believes the member may have or be perceived as having a potential conflict of interest shall publicly announce the nature of the potential conflict prior to taking any official action or position in the matter. The potential conflict, as declared, shall be recorded in the minutes of the meeting and need not thereafter be declared again at the same meeting. After making such declaration, the member may vote or take official action in the matter.

Section 3. Ethical Prohibitions.

A. Use of Position for Financial Gain. No member of the Board or any Board Committee

shall use the member's public position to obtain financial gain for the member, for any member of the member's household, or for any business with which the member or any member of the member's household is associated, other than legally permitted gifts (see ORS 244.020(7), honoraria, or reimbursement of expenses.

B. Prohibition on Gifts. No member of the Board or a Board Committee or a member of the household of such a person shall solicit or receive, whether directly or indirectly, during any calendar year, any gift or gifts with an aggregate value in excess of $50 from any single source which could reasonably be known to have a legislative or administrative interest in any component of the District over which that person exercises authority.

C. Promise of Employment. No member of the Board or a Board Committee shall solicit or receive either directly or indirectly, any pledge or promise of future employment based on any understanding that his/her official action or judgment would be influenced thereby.

D. Use of Confidential Information. No member of the Board or a Board Committee shall further his/her personal gain through the use of confidential information gained in the course of or by reason of his/her Board position in any way.

E. No Nepotism. No member of a Board or Committee shall participate in any official decision relating to the employment of any member of such member's household with the District, or act as a supervisor for such person, except as provided in ORS 244.177 and 244.179.

Section 4. Economic Interest Disclosure. If notified pursuant to ORS 244.162, by enactment of relevant local legislation or by act of the Oregon Ethics Commission that a statement of economic interest is required, each elected member of the Board shall complete and file the required statement in a timely fashion.

ARTICLE IX

IMMUNITY AND INDEMNITY

The District shall defend and indemnify its officers, employees and agents to the fullest extent provided by ORS chapter 30 (and specifically ORS 30.285) relating to the defense and indemnification by local public bodies. The District shall further defend and indemnify such officers, employees and agents who are made, or threatened to be made, a party to an administrative, investigative or other action (including action, suit or proceeding by or in the right of the District) by reason of the fact that the person is or was an officer, employee or agent of the District to the extent such defense and

indemnification is covered and assumed by insurance procured by the District, consistent with ORS 30.287.

Pursuant to ORS 244.040(7), no current or former officer, employee, or agent may solicit, receive or use District funds to pay or make payments on a civil penalty imposed on such person by the Oregon Government Ethics Commission.

Pursuant to ORS 244.049(1), no funds of the District may be used by a holder of public office or candidate to make payments in connection with nondisclosure agreement relating to workplace harassment, nor may such person use moneys received from a third party to make payments in connection with a nondisclosure agreement relating to workplace harassment if the alleged harassment occurred when the holder of public office or candidate was acting as a holder of public office or candidate.

ARTICLE X

RESTRICTED PURPOSED, OPERATION AND DISSOLUTION

The District shall be operated exclusively for the purposes set forth in Article I, and within those purposes exclusively for charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future Federal tax laws. No part of the net earnings of the District shall inure to the benefit of any private shareholder or individual. No substantial part of the activities of the District shall be carrying on propaganda, or otherwise attempting to influence legislation, and the District shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

Upon dissolution or final liquidation of the District after payment or provision for payment of all the liabilities of the District, the remaining assets of the District shall be distributed as provided in ORS 198.930 to 198.955, i.e., to a like district which has the authority to and agrees to assume the outstanding indebtedness, if any, and to continue to furnish similar services to the inhabitants of the District or to Wallowa County, Oregon, or the City of Enterprise, Oregon (as appropriate) for public uses. Such assets shall not be distributed to any private individual or organization.

ARTICLE XI

AMENDMENTS

These Bylaws may be amended, altered, repealed, or new bylaws may be adopted in lieu thereof, by affirmative vote of a majority of the positions then specified for the Board, at any regular or special meeting of the Board duly called for that purpose.

ARTICLE XII

AUXILIARY

The District shall organize an Auxiliary to be known as Wallowa Memorial Hospital Auxiliary, which shall be and function as a unit of the District's Hospital. The bylaws or other operating structure of such organization shall be subject to approval by the District Board, and appointments or elections to its board shall not be effective until confirmed by the District Board. All Auxiliary board members shall be subject to removal by the District Board without cause, and all funds of the Auxiliary shall be accounted for and owned by the District. All volunteers working within the Hospital shall be subject to District approval and policy.

The foregoing Amended Bylaws were duly adopted and shall hereafter supersede and replace all prior bylaws, by vote of the Board in accordance with the terms of the prior Bylaws on this ____ day of _____, 2024.

_____
_____, Chairman of the Board

ATTEST:

_____
_____, Secretary of the Board

Attachment L

Exhibit 1.c.

Organizational Chart or Structure

ORGANIZATIONAL CHART
WALLOWA COUNTY HEALTH CARE DISTRICT

Wallowa County Health Care District
(An Oregon Health District)
d/b/a
Wallowa Memorial Hospital
Wallowa Memorial Medical Clinic
Wallowa Memorial Medical Clinic—Downtown
Wallowa Memorial Medical Clinic—Enterprise
Wallowa Memorial Medical Clinic—Joseph
Wallowa Memorial Medical Clinic—Wallowa
Wallowa Valley Senior Living
Wallowa Valley Senior Living Memory Care

Notes:

- Wallowa County Health Care District has no affiliates.

Attachment L

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: Wallowa County Health Care District

Business Name	Assumed Business Name	Business Structure	Date Formed or Incorporated	Jurisdiction	Principal Place of Business	FEIN
Wallowa County Health Care District	Wallowa Memorial Hospital	501(c)(3) public health district	February 20, 1996	Oregon	601 Medical Pkwy, Enterprise, OR 97828	93-6002339
Wallowa County Health Care District	Wallowa Memorial Medical Clinic—Downtown	501(c)(3) public health district	February 20, 1996	Oregon	306 W. North Street, Enterprise, Oregon 97828	93-6002339
Wallowa County Health Care District	Wallowa Memorial Medical Clinic--Enterprise	501(c)(3) public health district	February 20, 1996	Oregon	603 Medical Parkway, Enterprise, Oregon 97828	93-6002339
Wallowa County Health Care District	Wallowa Memorial Medical Clinic--Joseph	501(c)(3) public health district	February 20, 1996	Oregon	800 N. Main Street, Joseph, Oregon 97846	93-6002339
Wallowa County Health Care District	Wallowa Memorial Clinic--Wallowa	501(c)(3) public health district	February 20, 1996	Oregon	701 W. Highway 82, Wallowa, Oregon 97885	93-6002339
Wallowa County Health Care District	Wallowa Valley Senior Living	501(c)(3) public health district	February 20, 1996	Oregon	605 Medical Parkway, Enterprise, Oregon 97828	93-6002339

Attachment L

Exhibit 1.e.

Financial Statements

Financial Statements
June 30, 2023

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Table of Contents
June 30, 2023

Directory of Officials 1

Independent Auditor's Report 2

Management's Discussion and Analysis 6

Financial Statements

- Statement of Net Position 13
- Statement of Revenues, Expenses, and Changes in Net Position 15
- Statement of Cash Flows 16
- Notes to Financial Statements 18

Supplementary Information

- Schedule of Resources and Expenditures – Budget vs. Actual 34
- Schedule of Property Tax Transactions and Outstanding Balances 35
- Schedule of Net Position - Combining 36
- Schedule of Revenues, Expenses, and Changes in Net Position - Combining 38

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* 39

- Schedule of Findings and Responses 41

Additional Required Reports

Audit Comments and Disclosures Required by State Regulations 42

Independent Auditor's Report Required by Oregon State Regulations 43

Directory of Officials

Elected

		Expiration
Board of Directors:	Nick Lunde, Chair P.O. Box 674 Joseph, Oregon 97846	June 30, 2025
	Susan Coleman, Vice Chair 65112 Lostine River Road Lostine, Oregon 97857	June 30, 2027
	Nancy Crenshaw 807 W. 5th Street Wallowa, Oregon 97885	June 30, 2027
	Katherine (Kate) Loftus, Secretary/Treasurer 64707 Lostine River Road Lostine, Oregon 97857	June 30, 2025
	Adrian Harguess P.O. Box 518 Enterprise, Oregon 97828	June 30, 2027

Appointed

Administrator:	Larry Davy 601 Medical Parkway Enterprise, Oregon 97828

Mailing Address

District:	Wallowa Memorial Hospital 601 Medical Parkway Enterprise, Oregon 97828

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Wallowa County Health Care District
dba Wallowa Memorial Hospital
dba Wallowa Valley Senior Living
Enterprise, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wallowa County Health Care District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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

Basis for Opinion

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

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Directory of Officials, Schedule of Resources and Expenditures – Budget vs. Actual, Schedule of Property Tax Transactions and Outstanding Balances, Schedule of Net Position – Combining, and Schedule of Revenues, Expenses and Changes in Net Position – Combining (supplementary information) are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, excluding the Directory of Officials, 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The Directory of Officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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, 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 Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated November 30, 2023, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho

November 30, 2023

Our discussion and analysis of the Wallowa County Health Care District's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the audited financial statements that follow this analysis.

The District is a governmental entity and a political subdivision of the State of Oregon. It was created by the Oregon legislature to provide hospital services and other health care services for the residents of Wallowa County. The District was created by public vote on May 19, 1992. The District operates a 25-bed acute care hospital (the Hospital) and formerly operated a care center as a department of the Hospital. In June of fiscal year 2013, Wallowa Valley Senior Living (WVSL) opened 10-beds as a residential care facility licensed for memory care, and an 18-bed assisted living facility for a total of 28-beds. WVSL is operated under the District as a department.

A five-member Board of Directors governs the District. The members of the Board are elected for terms of four years each. Elections are staggered so no more than sixty percent of the Board is up for election at one time. The Board officers include a chairman, vice-chairman and secretary. The Board delegates the day-to-day operations of the Hospital to the Hospital Administrator and the day-to-day operations of WVSL to its Administrator.

The District is a municipal government entity. As such, the District levies, and the county collects, property taxes from property owners within the Health Care District. These tax revenues are used to support the purposes of the District, which is to provide health care to the citizens of Wallowa County. Tax support represents approximately three percent of the net revenue for the Hospital and for the District.

The Government Accounting Standards Board prescribes the financial reporting of the District, and this is the format followed by the District. The audit reports of the District are reviewed by the office of the Oregon Secretary of State, Division of Audits.

Financial Highlights

- The District had an increase in net position of $2,281,325 in 2023 and an increase in net position of $3,100,602 in 2022. The Hospital's increase in net position was $2,361,847 and WVSL had a decrease in net position of $80,522 for this fiscal year.

- The District had an increase in gross patient charges of $4,541,534 over the prior year. Acute patient days decreased by 170 (14.7%), while Swing Bed days increased by 148 (18.3%) in 2023 over 2022. Inpatient gross charges (including Ancillary Services) increased by $477,492 while Outpatient gross charges increased by $3,035,196. The increase in charges was due to rate increases and increased volumes. The increase in senior care revenue was $172,924. The remaining change relates to clinic capitation revenues.

- For 2023, the District's total operating expenses increased by $2,574,692 or 7.4%. Salaries and benefits increased $1,867,123 or 8.5%. The increase was due to wage increases and service expansion at the hospital. Purchased services increased by $799,642 or 17.1% due to increased need and costs for contract labor.

- Gross patient accounts receivable increased by $375,737 for the Hospital. Net days in accounts receivable increased by 0.7 days from year-end 2023 over 2022.

Using This Annual Report

The District's financial statements consist of three statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purpose by contributors, grantors, or enabling legislation. Included in the audited financial statements for the District is a financial statement for Wallowa Memorial Hospital, a financial statement for WVSL, and a combined statement for the District. WVSL was completed and occupied by the end of June 2013. Tax dollars were received for its funding, and the financing was completed with Zions Bank in June 2012.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities. These statements include all restricted and unrestricted position and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's net position is the difference between its assets, liabilities, and deferred inflows of resources reported on the Statement of Net Position.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

The District's Net Position, Operating Results, and Change in Net Position

The District's net position is the difference between its assets and liabilities reported on the Statement of Net Position, as seen in Table 1 below. Table 2 presents the District's operating results and changes in net position. The amount of increase in fiscal year 2023 for the Hospital was $2,361,847 and for WVSL had a decrease of $80,522. The increase in the Hospital was due to rate increases and increased volumes.

Table 1: Condensed Assets, Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022
Assets		
Current assets	$ 20,140,587	$ 17,608,293
Capital assets, net	24,554,024	23,148,953
Other noncurrent assets	4,384,476	5,900,335
Total assets	$ 49,079,087	$ 46,657,581
Liabilities		
Other current liabilities	$ 3,798,723	$ 3,600,940
Subscription-based IT arrangements	297,046	-
Total liabilities	$ 4,095,769	$ 3,600,940
Deferred Inflows of Resources		
Leases	$ 995,893	$ 1,120,380
Unearned revenue	75,956	306,117
Total deferred inflows of resources	$ 1,071,849	$ 1,426,497
Net Position		
Net investment in capital assets	$ 24,872,039	$ 23,148,953
Restricted		
Expendable for programs	55,823	197,918
Nonexpendable permanent endowments	26,895	26,895
Unrestricted		
Unrestricted	16,310,052	13,524,489
Board designated	2,646,660	4,731,889
Total net position	$ 43,911,469	$ 41,630,144

*The assets and liabilities for fiscal year 2022 were not restated to show the effects of GASB 96.

Table 2: Condensed Operating Results and Changes in Net Position

	2023	2022
Operating Revenues		
Net patient and resident service revenues	$ 36,346,145	$ 33,281,468
Other revenue	788,730	950,533
Total operating revenues	37,134,875	34,232,001
Operating Expenses		
Salaries and benefits	23,869,823	22,002,700
Depreciation	2,038,770	2,285,855
Supplies	4,979,888	5,013,032
Other operating expenses	6,482,171	5,494,373
Total operating expenses	37,370,652	34,795,960
Operating Loss	(235,777)	(563,959)
Nonoperating Revenue (Expense)		
Property taxes	1,025,362	979,321
Motel tax revenue	112,227	108,139
Provider relief fund financial assistance	-	1,296,211
Interest revenue	376,605	109,272
Interest expense	(16,677)	(71,837)
Noncapital grants and contributions	275,583	251,693
Rental revenue and other revenue	309,988	274,012
Employee retention credit	158,358	426,923
Loss on disposal of capital assets	(13,971)	(4,256)
Nonoperating revenue, net	2,227,475	3,369,478
Revenues in Excess of Expenses Before Capital Contributions	1,991,698	2,805,519
Capital Contributions	289,627	295,083
Change in Net Position	2,281,325	3,100,602
Net Position, Beginning of Year	41,630,144	38,529,542
Net Position, End of Year	$ 43,911,469	$ 41,630,144

*The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB 96.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the District, motel tax revenue, donations, provider relief funds, employee retention credit, and interest earnings. Nonoperating expense consists primarily of interest expense.

Grants, Contributions and Endowments

The District receives both capital and operating grants from various state and federal agencies for specific programs. In fiscal year 2023, the Hospital received $199,309 in a capital pass-through grant for the Cloverleaf Hall re-model, as well as $7,139 for the purchase of outdoor fitness equipment for the walking path. The District received $289,627 of both restricted and unrestricted contributions during fiscal year 2023 and $295,083, during fiscal year 2022. The District complied with all covenants attached to restricted donations.

The District's Cash Flows

The decrease in cash and cash equivalents was $1,372,407 in 2023 and an increase of $358,975 in 2022. The decrease for 2023 was due to the construction of the Wallowa Clinic.

Capital Assets and Debt

Additions to capital assets were $3,457,812 in fiscal year 2023 and $2,023,822 in fiscal year 2022. Major additions for 2023 were the Wallowa Clinic, $2,209,694; the steel garage, $395,975; the Ultrasound Machine, $152,825; and ambulance chassis, $102,250. Major additions for 2022 were the Mobile Clinic Trailer, $124,100; the Orthopedic Surgical Table, $101,537; the Joseph Clinic Generator, $62,925; and the Wallowa Clinic Construction, $1,005,338. More detailed information about the capital assets is presented in Note 5 to the financial statements.

Debt to build the new hospital facility was incurred in 2007 and debt to build the medical office building and the WVSL building was incurred in fiscal year 2012. Total long-term debt outstanding as of June 30, 2023 totals $0. Total long-term debt outstanding as of June 30, 2022 was $0. Principal payments of $0 and $3,549,172 were made for the years ended June 30, 2023 and 2022, respectively. No new debt issuances were made during the years then ended.

Issues Facing the Hospital District

There are issues facing the District that could result in material changes in its financial position in the long-term. Among those issues are:

COVID-19 Pandemic
Changes in state and federal healthcare regulations
Payments under the Coordinated Care Organizations
Maintaining Critical Access Hospital status
Risks related to Medicare and Medicaid reimbursement
Increasing numbers of uninsured and underinsured patients
Nursing and other healthcare related labor shortages
Increasing employee benefit costs, especially health insurance and retirement
Ability to recruit Physicians and other providers

The District is certified as a provider under both the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. Approximately fifty-three percent of the District's gross patient revenue for fiscal year ending June 30, 2023 was derived from Medicare and seventeen percent was derived from Medicaid. For Medicare services, the District is paid on a cost reimbursement basis; that is, Medicare reimburses the District for the cost of providing services to Medicare eligible patients. Starting in Fiscal Year 2013, Medicare began withholding 2% of the payment amount due to the District as part of The Budget Control Act of 2011. This withholding was temporarily suspended during the COVID-19 Pandemic, and was restarted in April of 2022. Under Medicaid, the federal government provides grants to states that have programs meeting certain federal guidelines. These funds are sometimes reduced as the federal or state governments try to balance their budgets.

In recent years, both the state and federal governments have increased enforcement of laws designed to combat health care fraud, and additional anti-fraud legislation has been adopted at both the federal and state levels. The fees and fines to a hospital caught in violation of these laws can be substantial. Failure of the District to meet these laws could result in the exclusion of Medicare and Medicaid funds along with fines and criminal penalties.

Risks Related to HIPAA

Under HIPAA, health plans, healthcare clearinghouses and healthcare providers including health districts and their business partners must maintain reasonable and appropriate administrative, technical and physical safeguards to ensure the integrity and confidentiality of protected patient healthcare information. The District must also protect against reasonable foreseeable threats to the security or integrity of the information and protect against unauthorized use or disclosure.

General Risks Affecting Healthcare Facilities

Technology and Services

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety programs and outpatient healthcare delivery may reduce utilization and revenues for the District in the future. Technological advances in recent years have accelerated the trend toward the use of sophisticated equipment and services for diagnosis and treatment of healthcare illnesses and diseases.

Employment and Labor Issues

The District is a major employer with a complex mix of professional, technical, clerical, maintenance, dietary, housekeeping, union and non-union workers. Risks include contract disputes, discrimination claims, personal tort actions, work-related injuries and exposure to hazardous materials. The District has had to adjust some professional salaries in order to retain and recruit nurses, physical/occupational therapists and lab technicians.

Competition

Competition from other hospitals and healthcare providers are a risk to the District's revenue.

Professional Insurance

While the District's malpractice costs have moderately increased over the last several years, this is an area that has been volatile. Past large increases have caused some providers to leave certain geographic areas and certain specialties. Additionally, in Oregon, with no cap on malpractice damages, the exposure is high for healthcare providers and results in higher premiums. Both the cost of insurance and the lack of providers could be potential risks for the District.

Employee Health Insurance

The District has seen large increases in Employee Health insurance costs over the past several years. With the uncertain future of healthcare, and the mandated additional employee coverage (for example, covering children of employees up to age 26 even though they may be married), there is a risk that health insurance costs will increase dramatically.

Assets	
Current Assets	
Cash	$ 971,405
Cash and cash equivalents in external investment pool	9,562,172
Board designated for capital asset replacement in external investment pool	231,029
Receivables	
Patient and resident, net of estimated uncollectibles of $2,278,000	5,012,782
Estimated third-party payor settlements	1,928,302
Property taxes, less allowance	88,788
Other	963,726
Supplies	1,144,436
Prepaid expenses	237,947
Total current assets	20,140,587
Noncurrent Cash and Cash Equivalents in External Investment Pool	
Board designated for capital asset replacement	2,415,631
Principal of permanent endowments	26,895
Total noncurrent cash and cash equivalents in external investment pool	2,442,526
Capital Assets	
Capital assets not being depreciated	997,762
Capital assets being depreciated, net	23,556,262
Total capital assets	24,554,024
Right-to-Use Subcription IT Assets, Net	919,699
Other Assets	
Lease receivable	1,010,401
Other	11,850
Total other assets	1,022,251
Total assets	$ 49,079,087

Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Current maturities of subscription IT liabilities	$ 304,638
Accounts payable	
Trade	1,264,495
Construction	231,029
Estimated third-party payor settlements	61,501
Accrued expenses	
Salaries and wages	864,215
Compensated absences	975,575
Interest	9,640
Employee benefit plans	15,240
Payroll taxes	66,028
Other	6,362
Total current liabilities	3,798,723
Long-Term Subscription based IT arrangements	297,046
Deferred Inflows of Resources	
Leases	995,893
Unearned revenue	75,956
Total deferred inflows of resources	1,071,849
Net Position	
Net investment in capital assets	24,872,039
Restricted	
Expendable for programs	55,823
Unexpendable permanent endowments	26,895
Unrestricted	
Unrestricted	16,310,052
Board designated	2,646,660
Total net position	43,911,469
Total liabilities, deferred inflows of resources, and net position	$ 49,079,087

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

Operating Revenues	
Net patient and resident service revenue, net of provision for bad debts of $367,000	$ 36,346,145
Other revenue	788,730
Total operating revenues	37,134,875
Operating Expenses	
Salaries and wages	18,255,280
Employee benefits	5,614,543
Professional fees and purchased services	5,486,885
Supplies	4,979,888
Insurance	220,093
Depreciation and amortization	2,038,770
Other	775,193
Total operating expenses	37,370,652
Operating Loss	(235,777)
Nonoperating Revenues (Expenses)	
Property tax income, levied for general operations	1,020,874
Property tax income, levied for debt service	4,488
Motel tax revenue	112,227
Interest revenue	376,605
Interest expense	(16,677)
Noncapital grants and contributions	275,583
Rental and other revenue	309,988
Employee retention credit	158,358
Loss on disposal of capital assets	(13,971)
Net nonoperating revenues(expenses)	2,227,475
Revenues in Excess of Expenses Before Capital Contributions	1,991,698
Capital Contributions	289,627
Change in Net Position	2,281,325
Net Position, Beginning of Year	41,630,144
Net Position, End of Year	$ 43,911,469

	2023
Operating Activities	
Receipts from and on behalf of patients and residents	$ 34,935,772
Payments to suppliers and contractors	(11,112,585)
Payments to and on behalf of employees	(23,790,915)
Other receipts and payments, net	710,405
Net Cash from Operating Activities	742,677
Noncapital Financing Activities	
Taxes received	1,091,483
Unearned revenue	(230,161)
Noncapital contributions and grants	433,941
Net Cash from Noncapital Financing Activities	1,295,263
Capital and Capital Related Financing Activities	
Cash paid for subscription liabilities - principal portion	(328,026)
Cash paid for subscription liabilities - interest portion	(8,983)
Cash paid for acquisition of subscription assets	(259,395)
Purchase and construction of capital assets	(3,618,710)
Taxes received	4,488
Capital contributions	289,627
Cash received on lease receivables	118,100
Cash received for interest on lease receivables	15,947
Net Cash used for Capital and Capital Related Financing Activities	(3,786,952)
Net Cash from Investing Activities	
Interest received	376,605
Net Change in Cash and Cash Equivalents	(1,372,407)
Cash and Cash Equivalents, Beginning of Year	14,579,539
Cash and Cash Equivalents, End of Year	$ 13,207,132

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash	$ 971,405
Cash and cash equivalents in external investment pool	9,562,172
Board designated for capital asset replacement in external investment pool	231,029
Noncurrent cash and cash equivalents in external investment pool	2,442,526
Total cash and cash equivalents	$ 13,207,132
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (235,777)
Adjustments to reconcile operating loss to net cash from operating activities	
Rental and other revenue	175,941
Depreciation and amortization	2,308,176
Provision for bad debts	366,677
Changes in assets, liabilities and deferred inflows of resources	
Patient and resident receivables	(708,507)
Other receivables	(255,466)
Supplies	(90,726)
Prepaid expenses	62,524
Other assets	1,200
Accounts payable and other accrued expenses	108,270
Estimated third-party payor settlements	(836,314)
EOCCO capitation	(232,229)
Accrued compensation and related liabilities	78,908
Net Cash from Operating Activities	$ 742,677
Schedule of Noncash Capital Financing Activities	
Capital assets acquired with accounts payable	$ 231,029
Subscription liability for the acquisition of a right to use subscription asset	$ 682,191

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Wallowa County Health Care District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting Entity

Wallowa County Health Care District, doing business as Wallowa Memorial Hospital (the Hospital) and Wallowa Valley Senior Living (WVSL), owns and operates a 25-bed acute care hospital, as well as a 10-bed residential care facility licensed for memory care, and an 18-bed assisted living facility. The District provides health care services to patients in the Wallowa County, Oregon market. The services provided include an acute care hospital, long-term nursing care, emergency room, rural health clinics, ambulance, and the related ancillary procedures (lab, x-ray, etc.) associated with those services.

The District operates under the laws of the State of Oregon for Oregon municipal corporations. It was created on May 19, 1992, by the voters of Wallowa County, to operate, control, and manage all matters concerning the County's health care functions. The District is governed by an elected five-member board. As organized, the District is exempt from payment of federal income tax. All District assets, liabilities, and financial transactions are included in these financial statements. The Board of Directors exercises governing oversight responsibility for the District which includes such duties as budget review, care of patients, and management of the facilities as set forth by the ordinance of the District.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit which meets the GASB criteria.

Measurement Focus and Basis of Accounting

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

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

Budgetary Information

The District adopts an annual budget in accordance with Oregon statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e. the level at which expenses may not legally exceed appropriations) is at the fund level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

Basis of Presentation

The statements of net position display the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted – expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted - nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the District.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash. For purposes of the statement of cash flows, the District considers all cash and cash equivalents with an original maturity of three months or less as cash and cash equivalents.

Current Cash and Cash Equivalents in External Investment Pool

Current cash and cash equivalents in external investment pool are funds without restrictions as to use.

Noncurrent Cash and Cash Equivalents in External Investment Pool

Noncurrent cash and cash equivalents in external investment pool include nonexpendable assets restricted by the donor and internally designated assets set aside by the Board of Directors for future capital replacements and other purposes. Under no circumstances are nonexpendable assets restricted by a donor to be expended. The Board of Directors retains control of the assets designated for future capital replacements, and the Board may at its discretion subsequently use them for other purposes. Cash and cash equivalents that are available for obligations classified as current liabilities are reported in current assets.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

Property Tax Receivable

Property taxes are levied by the District and collected by the Wallowa County Treasurer for operations and debt payments. Taxes estimated to be collectible are recorded as receivables and revenue in the year of the levy. Property taxes are levied by Wallowa County, Oregon (the County) on the District's behalf on July 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of October 1. Property tax balances due to the County after May 15 are considered delinquent.

Levy date	–	July 1
Lien date	–	October 1
Due date	–	May 15

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or market and are expensed when used.

Interest Revenue

Interest earned on cash equivalents is included in nonoperating revenues when earned.

Capital Assets

Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation and amortization is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	15-20 years
Building and improvements	20-40 years
Equipment	3-20 years
Intangibles	3 years
Vehicles	5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as expendable restricted net position.

Right-to-Use Subscription IT Assets

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Subscription Liabilities

Subscription Liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the District.

Lease Receivable

Lease receivables are recorded by the District at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

Compensated Absences

The District's eligible full time and part time employees accrue paid leave hours. PTO hours may be used for vacation after 6 (six) months of employment or designated holidays after 30 (thirty) days of employment. PTO is an employee benefit that compiles hours for holiday, vacation, and sick pay. Relief employees do not accrue PTO hours; however, relief employees do accrue one (1) hour of sick leave for every thirty (30) hours worked, but are not eligible for utilization of the accumulated hours unless they have been employed by the District for 90 calendar days. Relief employees may accrue up to forty (40) hours of sick leave per calendar year with a maximum of eighty (80) hours of sick leave. In the event of death or termination the remaining paid leave, excluding sick leave, is paid to either the employee or their beneficiaries.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are grant funds and leases. Grant funds will be recognized as revenue in the year they become available. The deferred inflow of resources related to leases are recognized as an inflow of resources (revenue) on an effective interest basis over the term of the lease.

Unearned Revenue

Unearned revenue includes grants received in advance of eligible expenditures.

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 and expenses of the District result from exchange transactions associated with providing health care services – the District's principal activity, and the costs of providing those services, including depreciation and amortization and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient and Resident Service Revenues

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, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Charity Care

The District provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The estimated cost of providing these services was $512,000 for the year ended June 30, 2023, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to patients.

Grants and Contributions

The District may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of expenses.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (the Credit) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 (collectively the Acts) expanded the availability of the credit and extended the credit through September 30, 2021. The Acts increased the credit to 70% of qualified wages, capped at $10,000 per quarter, through 2021. As a result of the changes to the credit initiated through the Acts, the maximum credit per employee increased from $5,000 in 2020 to $21,000 in 2021. During the year ended June 30, 2023, the WVSL recorded a $158,358 benefit related to the credit which is presented in the statement of revenues, expenses, and changes in net position as other nonoperating revenues.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset-an intangible asset and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of implementing this standard the District recognized a right-to-use subscription asset and subscription liability of $247,519 and $247,519, as of July 1, 2022, respectively. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 7.

Note 2 - Net Patient and Resident Service Revenue

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: The District is licensed as a Critical Access Hospital (CAH). The District is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the District and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The District's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the District's Medicare cost report, or rates as established by the Medicaid program. The District is reimbursed at a tentative rate with final settlement determined by the program based on the District's final Medicaid cost report. The District's final Medicaid settlements have been processed through the year ended June 30, 2017. Additionally, the final settlement for the year ended June 30, 2019 has also been processed, whereas the final settlement for the year ended June 30, 2018 is still open.

Routine services rendered to nursing home residents, who are beneficiaries of the Medicaid program or who pay from private resources, are paid according to a schedule of prospectively determined daily rates determined by Oregon's Medicaid program. A rate is assigned to each nursing home resident based on the residents' ability to perform certain activities of daily living and on certain other clinical factors. Payments are made for each case-mix category and are adjusted annually by an inflation index. Additional services may be paid on a fee-for-service basis.

The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the District's patient and resident service revenues for the year ended June 30, 2023:

Medicare	53%
Medicaid	17%
Blue Cross and other commercial payors	27%
Self pay and other	3%
	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The District participates in the Eastern Oregon Coordinated Care Organization (EOCCO), which is a Coordinated Care Organization serving Oregon Health Plan members. The District receives amounts related to the EOCCO alternative payment model/shared savings risk contract. As of June 30, 2023, there were receivable amounts of $1,053,993. This receivable is contained within estimated third-party payor settlements. Additional EOCCO funds will be recorded as received. The District also participates in prepayment model with EOCCO hospital capitation program. Funds to be received of $99,660, is recorded as capitation payments receivable within Other Receivables, until the final settlement at which time the amount will be recognized as revenue or returned to EOCCO.

Note 3 - Other Account Receivables

The District has other accounts receivable. As of June 30, 2023, the balance is composed of the following:

Supplemental Wraparound Receivable	$	430,137
Provider Tax Receivable		409,250
EOCCO Capitation		99,660
Miscellaneous Receivables		24,679
	$	963,726

The District receives a supplemental payment from Medicaid for eligible services of the rural health centers. The Hospital pays a provider tax to cover the state's share of the Medicaid program and expects to receive a reimbursement in the amount recorded above. The Hospital participates in a capitation program with Eastern Oregon Coordinated Care Organization (EOCCO) and has recorded amounts receivable subject to final settlement.

Note 4 - Deposits and External Investment Pool

Summary of Carrying Amounts

The carrying amounts of deposits and the Local Government Investment Pool as of June 30, 2023 are as follows:

Carrying Amount	
Cash	$ 971,405
Cash and cash equivalents	12,235,727
Total	$ 13,207,132

Deposits and investment pools are reported in the following statement of net position captions:

Cash	$ 971,405
Cash equivalents in external investment pool	9,562,172
Board designated for capital asset replacement	2,646,660
Principal of permanent endowments	26,895
Total	$ 13,207,132

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository insurance coverage limits, currently set at $250,000, may only be held in a depository qualified by the Oregon Public Funds Collateralization Program. The District's deposit policy does not further restrict bank deposits or limit investment deposits.

The District's deposits in banks at June 30, 2023, were entirely covered by federal depository insurance or by collateral as part of the Oregon Public Funds Collateralization Program.

External Investment Pool

The District is invested in the Local Government Investment Pool (LGIP), which is included in the Oregon Short-Term Fund (OSTF). The OSTF is an external investment pool, as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. The LGIP exchanges shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the net asset value of share investments at $1.00 per share, it is possible to lose money by investing in the pool.

Chapter 294 of the Oregon Revised Statutes authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the State of Oregon local government investment pool; and certain other investments. The District's investment policy specifies that investments will be limited to demand deposits with approved institutions, the Oregon Local Government Investment Pool, direct obligations of the United States and obligations guaranteed by the United States, and certificates of deposit with Oregon banks.

The District's investment in the LGIP is reported at cost, as discussed in Note 1. At June 30, 2023, the LGIP was not rated by an independent rating agency. The District's investments in LGIP at June 30, 2023, and related maturities were as follows:

	Maturities	2023
Oregon State Local Government Investment Pool	Daily	$ 12,235,727

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. State Statutes generally limit investment maturities to 18 months, or the date of anticipated use of the funds. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District matches investment maturities with anticipated cash flow requirements.

Credit Risk

State statute limits the investment in bonds issued by the State of Oregon and its political subdivisions to bonds with one of the three highest credit ratings of a nationally recognized rating. State Statutes limit the investment in bonds issued by the States of California, Idaho, and Washington and political subdivisions of those states to bonds with one of the two highest credit ratings of a nationally recognized rating. The District does not have a formal policy in place that further limits credit risk. The Oregon Local Government Investment Pool does not have a rating. The Investment Pool invests as defined by State Statute.

Concentration of Credit Risk

The District does not have a formal policy in place limiting the amount that may be invested with any one bank or in any specific investment.

Note 5 - Capital Assets

Capital asset additions, retirements, transfers, and balances for year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions and Transfers	Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 576,891	$ 175,399	$ -	$ 752,290
Construction in progress	1,502,873	(1,257,401)	-	245,472
Total capital assets not being depreciated	2,079,764	$ (1,082,002)	$ -	997,762
Capital assets being depreciated				
Land improvements	3,523,490	$ 218,833	$ -	3,742,323
Buildings and improvements	36,400,305	3,645,663	-	40,045,968
Intangibles	12,000	-	-	12,000
Equipment	10,041,548	675,318	(139,454)	10,577,412
Vehicles	56,736	-	-	56,736
Total capital assets being depreciated	50,034,079	$ 4,539,814	$ (139,454)	54,434,439
Less accumulated depreciation and amortization for				
Land improvements	2,577,983	$ 169,815	$ -	2,747,798
Buildings and improvements	18,785,447	1,251,705	-	20,037,152
Intangibles	3,300	800	-	4,100
Equipment	7,552,062	605,812	(125,483)	8,032,391
Vehicles	46,098	10,638	-	56,736
Total accumulated depreciation and amortization	28,964,890	$ 2,038,770	$ (125,483)	30,878,177
Net capital assets being depreciated	$ 21,069,189			$ 23,556,262
Total capital assets, net	$ 23,148,953			$ 24,554,024

Note 6 - Leasing Activities

The District leases its medical office building to physician groups. The remaining receivable for this lease was $1,010,401 for the year ended June 30, 2023. Deferred inflows related to this lease was $995,893 as of June 30, 2023. Interest revenue recognized on this lease was $15,947 for the year ended June 30, 2023. Principal receipts of $118,100 were recognized during the fiscal year. The interest rate on the lease is 1.48%. Final receipt is expected in fiscal year 2031.

The agreement calls for payments that are partially or completely variable and therefore were not included in lease receivable or deferred inflow of resources for leases. These variable payments are a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from the Western Region CPI for the preceding 12-month period not to exceed a 5% increase. A total of $23,786 was recognized as revenue from these variable payments for the year ended June 30, 2023.

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

During the current year, the Hospital recognized SBITA contracts for the use of patient care software. As of June 30, 2023, the value of the subscription liability was $106,373 and the subscription asset was $184,818 with amortization of $40,030, respectively. The District is required to make annual principal and interest payments of approximately $62,000 through September 2024. The subscription has an interest rate of approximately 4.3%.

During the current year, the Hospital recognized SBITA contracts for the use of financial software. As of June 30, 2023, the value of the subscription liability was $234,664 and the subscription asset was $461,251 with accumulated amortization of $83,020, respectively. The District is required to make annual principal and interest payments of approximately $105,000 through March 2027. The subscription has an interest rate of approximately 3.9%.

During the current year, the Hospital recognized SBITA contracts for the use of IT security software, plant services software, patient care software, and other various software offerings. As of June 30, 2023, the value of the subscription liability was $260,647 and the subscription asset was $543,036 with accumulated amortization of $146,356, respectively. The District is required to make annual principal and interest payments of approximately $200,000 through May 2025. The subscription has an interest rate of approximately 4.0%.

Right-to-use subscription IT additions, deletions, and balances for the year ended June 30, 2023, are as follows:

	(Restated) Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right-to-use subscription IT assets being amortized	$ 247,519	$ 941,586	$ -	$ 1,189,105
Less accumulated amortization	-	(269,406)	-	(269,406)
	$ 247,519	$ 672,180	$ -	$ 919,699

A summary of the changes in subscription IT liabilities during the year ended June 30, 2023 is as follows:

	(Restated) Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Subscription IT Liabilities	$ 247,519	$ 682,191	$ 328,026	$ 601,684	$ 304,638

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal	Interest
2024	$ 304,638	$ 87,918
2025	237,593	61,360
2026	33,476	39,650
2027	25,977	20,952
	$ 601,684	$ 209,880

Note 8 - Retirement Benefits

The District has a tax sheltered annuity (TSA) plan under section 403(b) of the Internal Revenue Code that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. In order to receive employer matching the participant must complete one full year of service to the District and must be at least 18 years old. Employer matching begins on the entry date after the completion of the eligibility requirements. The plan also allows the participant to make voluntary contributions.

The District matches employee voluntary contributions at different rates, depending on when the employee was hired. Employee voluntary contributions are matched at a rate between 7% and 9% of compensation, based on the years of service of the employee. Employee annuity contributions are 100% vested. Employer contributions become vested immediately. The District's total matching contributions for the year ended June 30, 2023 were $961,492. Total employee mandatory and voluntary contributions to the plan were $1,197,058 for the year ended June 30, 2023.

Note 9 - Concentrations of Credit Risk

The District grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2023, was as follows:

Medicare	31%
Medicaid	15%
Commercial insurance and other third party payors	20%
Patients and residents	34%
	100%

Note 10 - Contingencies

Risk Management

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

Malpractice Insurance

The District has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $2 million per claim and an annual aggregate limit of $6 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigations, Claims, and Disputes

The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the District.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Collective Bargaining Agreements

As of June 30, 2023, approximately 10% of the District's employees were represented by one separate collective bargaining unit. The labor agreement has been extended until June 30, 2024.

Employee Retention Credit Contingency

The WVSL's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Supplementary Information
June 30, 2023

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	$ 15,012,366	$ 18,256,378	$ 3,244,012
Net operating revenue	36,552,440	37,134,875	582,435
Property/other taxes	1,096,000	1,137,589	41,589
Grants/contributions/other non-operating	130,000	1,033,556	903,556
Interest	109,746	376,605	266,859
Total resources	$ 52,900,552	57,939,003	$ 5,038,451
Expenditures			
Personnel services	$ 26,127,140	23,869,823	$ 2,257,317
Materials and services	12,855,408	11,492,707	1,362,701
Capital outlay	1,383,327	3,618,710	(2,235,383)
Debt service	-	-	-
Net working capital, end of year	-	18,956,712	(18,956,712)
Total expenditures	$ 40,365,875	57,937,952	$ (17,572,077)
Resources Less Than Expenditures		1,051	
Reconciliation of statutory operating expenditures to GAAP basis operating expenses			
Add net working capital, end of year		18,956,712	
Add capital asset additions		3,618,710	
Add long-term debt principal reductions		-	
Less net working capital, beginning of year		(18,256,378)	
Less depreciation and amortization		(2,038,770)	
Total effects of reconciliation		2,280,274	
Change in Net Position		2,281,325	
Net Position, Beginning of Year		41,630,144	
Net Position, End of Year		$ 43,911,469	

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Schedule of Property Tax Transactions and Outstanding Balances
Year Ended June 30, 2023

Fiscal Year	Property Taxes Receivable June 30, 2022	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2023
2022-2023	$ -	$ 1,042,208	$ (27,279)	$ -	$ -	$ (954,838)	$ 60,091
2021-2022	51,545	-	-	4,511	-	(14,881)	41,175
2020-2021	7,649	-	-	-	-	(4,539)	3,110
2019-2020	-	-	-	-	-	(4,538)	(4,538)
2018-2019	-	-	-	-	-	(2,641)	(2,641)
2017-2018	-	-	-	-	-	(299)	(299)
2016-2017	174	-	-	-	-	(195)	(21)
Prior Years	790	-	-	-	-	(379)	411
	60,158	$ 1,042,208	$ (27,279)	$ 4,511	$ -	$ (982,310)	97,288
Less reserve for uncollectible accounts	(8,500)						(8,500)
	$ 51,658						$ 88,788

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Assets				
Current Assets				
Cash	$ 667,479	$ 303,926	$ -	$ 971,405
Cash and cash equivalents in external investment pool	9,562,172	-	-	9,562,172
Board designated for capital asset replacement in external investment pool	231,029	-	-	231,029
Receivables				
Patient and resident accounts, net of estimated uncollectibles of $2,278,000	4,955,543	57,239	-	5,012,782
Estimated third-party payor settlements	1,928,302	-	-	1,928,302
Property taxes, less allowance of $8,500	88,788	-	-	88,788
Other	963,535	191	-	963,726
Supplies	1,144,436	-	-	1,144,436
Prepaid expenses	193,395	44,552	-	237,947
Total current assets	19,734,679	405,908	-	20,140,587
Noncurrent Cash and Cash Equivalents in External Investment Pool				
Board designated for capital asset replacement	2,415,631	-	-	2,415,631
Principal of permanent endowments	26,895	-	-	26,895
Total noncurrent cash and cash equivalents in external investment pool	2,442,526	-	-	2,442,526
Capital Assets				
Capital assets not being depreciated	997,762	-	-	997,762
Capital assets being depreciated, net	19,836,136	3,720,126	-	23,556,262
Total capital assets	20,833,898	3,720,126	-	24,554,024
Right-to-Use Subscription IT assets, Net	919,699	-	-	919,699
Other Assets				
Lease receivable	1,010,401	-	-	1,010,401
Other	11,850	-	-	11,850
Due from Wallowa Valley Senior Living	4,057,902	-	(4,057,902)	-
Total other assets	5,080,153	-	(4,057,902)	1,022,251
Total assets	$ 49,010,955	$ 4,126,034	$ (4,057,902)	$ 49,079,087

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of subscription IT liabilities	$ 304,638	$ -	$ -	$ 304,638
Accounts payable				
Trade	1,202,327	62,168	-	$ 1,264,495
Construction	231,029	-	-	231,029
Estimated third-party payor settlements	61,501	-	-	61,501
Accrued expenses				
Salaries and wages	810,134	54,081	-	864,215
Compensated absences	949,520	26,055	-	975,575
Interest	9,640	-	-	9,640
Employee benefit plans	15,240	-	-	15,240
Payroll taxes	66,028	-	-	66,028
Other	-	6,362	-	6,362
Total current liabilities	3,650,057	148,666	-	3,798,723
Long-term Liabilities				
Due to Hospital	-	4,057,902	(4,057,902)	-
Long-term subscription IT liabilities, less current maturities	297,046	-	-	297,046
Total long-term liabilities	297,046	4,057,902	(4,057,902)	297,046
Total liabilities	3,947,103	4,206,568	(4,057,902)	4,095,769
Deferred Inflows of Resources				
Leases	995,893	-	-	995,893
Unearned revenue	66,687	9,269	-	75,956
Total deferred inflows of resources	1,062,580	9,269	-	1,071,849
Net Position				
Investment in capital assets	21,151,913	3,720,126	-	24,872,039
Expendable for programs	55,823	-	-	55,823
Nonexpendable permanent endowments	26,895	-	-	26,895
Unrestricted				
Unrestricted	20,119,981	(3,809,929)	-	16,310,052
Board designated	2,646,660	-	-	2,646,660
Total net position	44,001,272	(89,803)	-	43,911,469
Total liabilities, deferred inflows of resources and net position	$ 49,010,955	$ 4,126,034	$ (4,057,902)	$ 49,079,087

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living

Schedule of Revenues, Expenses, and Changes in Net Position – Combining

Year Ended June 30, 2023

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Operating Revenue				
Net patient and resident service revenues, net of provision for bad debts of $367,000	$ 34,836,690	$ 1,509,455	$ -	$ 36,346,145
Other revenue	660,995	127,735	-	788,730
Total operating revenues	35,497,685	1,637,190	-	37,134,875
Operating Expenses				
Salaries and wages	17,213,905	1,041,375	-	18,255,280
Employee benefits	5,374,092	240,451	-	5,614,543
Professional fees and purchased services	5,296,922	189,963	-	5,486,885
Supplies	4,840,206	139,682	-	4,979,888
Insurance	198,911	21,182	-	220,093
Depreciation and amortization	1,857,840	180,930	-	2,038,770
Other	708,478	66,715	-	775,193
Total operating expenses	35,490,354	1,880,298	-	37,370,652
Operating Income (Loss)	7,331	(243,108)	-	(235,777)
Nonoperating Revenue (Expense)				
Property taxes, levied for general operations	1,020,874	-	-	1,020,874
Property taxes, levied for debt service	-	4,488	-	4,488
Motel tax revenue	112,227	-	-	112,227
Interest revenue	376,605	-	-	376,605
Interest expense	(16,417)	(260)	-	(16,677)
Noncapital grants and contributions	275,583	-	-	275,583
Rental and other revenue	309,988	-	-	309,988
Employee retention credit	-	158,358	-	158,358
Loss on disposal of capital assets	(13,971)	-	-	(13,971)
Nonoperating revenue, net	2,064,889	162,586	-	2,227,475
Revenues in Excess of Expenses Before Capital Contributions	2,072,220	(80,522)	-	1,991,698
Capital Contributions	289,627	-	-	289,627
Change in Net Position	2,361,847	(80,522)	-	2,281,325
Net Position, Beginning of Year	41,639,425	(9,281)	-	41,630,144
Net Position, End of Year	$ 44,001,272	$ (89,803)	$ -	$ 43,911,469

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CPAs & BUSINESS ADVISORS

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
Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Enterprise, 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 financial statements of the Wallowa County Health Care District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting
In planning and performing our audit 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 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.

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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 statements. 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.

Eide Bailly LLP

Boise, Idaho
November 30, 2023

None reported.

Additional Required Reports
June 30, 2023

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report Required by Oregon State Regulations

To the Board of Directors
Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Enterprise, Oregon

We have audited the basic financial statements of Wallowa County Health Care District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated November 30, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Minimum Standards of Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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 provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards 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:

OAR	Section	Instances of Non-Compliance Identified
162-010-0000	Preface	Not Applicable
162-010-0010	Definitions	Not Applicable
162-010-0020	Summary of Revenue and Expenditures	None noted
162-010-0030	General Requirements	None noted
162-010-0050	Financial Statements	None noted
162-010-0115	Required Supplementary Information (RSI)	None noted
162-010-0120	Supplementary Financial Information	None noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances / Net Position, Budget and Actual (Each Fund)	None noted

OAR	Section	Instances of Non-Compliance Identified
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not Applicable
162-010-0190	Other Financial or Statistical Information	Not Applicable
162-010-0200	Independent Auditor's Review of Fiscal Affairs	None noted
162-010-0230	Accounting Records and Internal Control	None noted
162-010-0240	Public Fund Deposits	None noted
162-010-0250	Indebtedness	None noted
162-010-0260	Budget	None noted
162-010-0270	Insurance and Fidelity Bonds	None noted
162-010-0280	Programs Funded from Outside Sources	None noted
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None noted
162-010-0310	Public Contracts and Purchasing	None noted
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	Not Applicable
162-010-0330	Extensions of Time to Deliver Audit Reports	None noted

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho
November 30, 2023

Financial Statements
June 30, 2025 and 2024

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Table of Contents
June 30, 2025 and 2024

Directory of Officials 1

Independent Auditor's Report 2

Management's Discussion and Analysis 6

Financial Statements

- Statements of Net Position 14
- Statements of Revenues, Expenses, and Changes in Net Position 16
- Statements of Cash Flows 17
- Notes to Financial Statements 19

Supplementary Information

- Schedule of Resources and Expenditures – Budget vs. Actual 37
- Schedule of Property Tax Transactions and Outstanding Balances 38
- Schedule of Net Position - Combining 39
- Schedule of Revenues, Expenses, and Changes in Net Position – Combining 43

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* 45

- Schedule of Findings and Responses 47

Additional Required Reports

Audit Comments and Disclosures Required by State Regulations 48

Independent Auditor's Report Required by Oregon State Regulations 49

Directory of Officials

Elected

		Expiration
Board of Directors:	Nick Lunde, Chair P.O. Box 674 Joseph, Oregon 97846	June 30, 2029
	Susan Coleman, Vice Chair 65112 Lostine River Road Lostine, Oregon 97857	June 30, 2027
	Nancy Crenshaw 807 W. 5th Street Wallowa, Oregon 97885	June 30, 2027
	Katherine (Kate) Loftus, Secretary/Treasurer 64707 Lostine River Road Lostine, Oregon 97857	June 30, 2029
	Adrian Harguess P.O. Box 518 Enterprise, Oregon 97828	June 30, 2027

Appointed

Administrator:	Daniel Grigg 601 Medical Parkway Enterprise, Oregon 97828

Mailing Address

District:	Wallowa Memorial Hospital 601 Medical Parkway Enterprise, Oregon 97828

Independent Auditor's Report

To the Board of Directors
Wallowa County Health Care District
dba Wallowa Memorial Hospital
dba Wallowa Valley Senior Living
Enterprise, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Wallowa County Health Care District (the District) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2025 and 2024, and the respective 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 GAAS, 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 audits 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Resources and Expenditures – Budget vs. Actual, Schedule of Property Tax Transactions and Outstanding Balances, Schedule of Net Position – Combining, and Schedule of Revenues, Expenses, and Changes in Net Position – Combining (supplementary information) are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Directory of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 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, 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 Regulatory Requirements

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

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho

November 21, 2025

Our discussion and analysis of the Wallowa County Health Care District's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the audited financial statements that follow this analysis.

The District is a governmental entity and a political subdivision of the State of Oregon. It was created by the Oregon legislature to provide hospital services and other health care services for the residents of Wallowa County. The District was created by public vote on May 19, 1992. The District operates a 25-bed acute care hospital (the Hospital) and formerly operated a care center as a department of the Hospital. In June of fiscal year 2013, Wallowa Valley Senior Living (WVSL) opened 10-beds as a residential care facility licensed for memory care, and an 18-bed assisted living facility for a total of 28-beds. WVSL is operated under the District as a department.

A five-member Board of Directors governs the District. The members of the Board are elected for terms of four years each. Elections are staggered so no more than sixty percent of the Board is up for election at one time. The Board officers include a chairman, vice-chairman and secretary. The Board delegates the day-to-day operations of the Hospital to the Hospital Administrator and the day-to-day operations of WVSL to its Administrator.

The District is a municipal government entity. As such, the District levies, and the County collects, property taxes from property owners within the Health Care District. These tax revenues are used to support the purposes of the District, which is to provide health care to the citizens of Wallowa County. Tax support represents approximately three percent of the net revenue for the Hospital and for the District.

The Governmental Accounting Standards Board prescribes the financial reporting of the District, and this is the format followed by the District. The audit reports of the District are reviewed by the office of the Oregon Secretary of State, Division of Audits.

Financial Highlights

- For 2025, the District had an increase in net position of $3,126,654 and an increase in net position of $2,891,833 in 2024. The Hospital's increase in net position was $3,508,935 and WVSL had a decrease in net position of $382,281 for this fiscal year.

- For 2024, the District had an increase in net position of $2,891,833 in 2024 and an increase in net position of $2,281,325 in 2023. The Hospital's increase in net position was $3,241,350 and WVSL had a decrease in net position of $349,517 for this fiscal year.

- For 2025, the District had an increase in net patient revenue of $2,184,837 (The Hospital increased by $2,069,101 and WVSL increased by $115,736) over the prior year. Acute patient days increased by 150 (16%) and Swing Bed days decreased by 98 (17.3%) in 2025 over 2024. Daily Hospital Care gross charges increased by $311,895, while Ancillary Services gross charges also increased by $1,211,562 in 2025 over 2024. The change in gross charges was due to rate increases and patient volume mix.

- For 2024, the District had an increase in net patient revenue of $4,594,663 (The Hospital increased by $4,521,637 and WVSL increased by $73,026) over the prior year. Acute patient days decreased by 50 (5.0%), while Swing Bed days decreased by 392 (40.9%) in 2024 over 2023. Daily Hospital Care gross charges decreased by $595,537 while Ancillary Services gross charges increased by $7,670,813 in 2024 over 2023. The change in gross charges was due to rate increases and patient volume mix. The remaining change relates to clinic capitation revenues.

- For 2025, the District's total operating expenses increased by $2,782,710 or 6.8%. Salaries and benefits increased $1,648,515 or 6.5%. The increase was due to wage increases and service expansion at the hospital. Supply expense decreased by $200,812 or 3% due to pharmaceutical mix and a drop in surgery supply expense.

- For 2024, the District's total operating expenses increased by $3,451,900 or 9.2%. Salaries and benefits increased $1,646,557 or 6.9%. The increase was due to wage increases and service expansion at the hospital. Supply expense increased by $1,772,692 or 35.6% due to pharmaceutical cost increases.

- For 2025, gross patient accounts receivable decreased by $39,662 for the Hospital. Net days in accounts receivable increased by 1.4 days from year-end 2025 over 2024.

- For 2024, gross patient accounts receivable increased by $459,905 for the Hospital. Net days in accounts receivable decreased by 6.7 days from year-end 2024 over 2023.

Using This Annual Report

The District's financial statements consist of three statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purpose by contributors, grantors, or enabling legislation. Included in the audited financial statements for the District is a financial statement for Wallowa Memorial Hospital, a financial statement for WVSL, and a combined statement for the District. WVSL was completed and occupied by the end of June 2013. Tax dollars were received for its funding, and the financing was completed with Zions Bank in June 2012.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities. These statements include all restricted and unrestricted net position and all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's net position is the difference between its assets, liabilities, and deferred inflows of resources reported on the Statement of Net Position.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

The District's Net Position, Operating Results, and Change in Net Position

The District's net position is the difference between its assets, liabilities and deferred inflows of resources reported on the Statement of Net Position, as seen in Table 1 below. Table 2 presents the District's operating results and changes in net position. The amount of increase in fiscal year 2025 for the Hospital was $3,508,935 and WVSL had a decrease of $382,281. The increase in the Hospital was due to rate increases and increased volumes.

Table 1: Condensed Assets, Liabilities, Deferred Inflows of Resources and Net Position

	2025	2024	2023
Assets			
Current assets	$ 26,257,098	$ 22,921,252	$ 20,140,587
Capital assets, net	22,090,272	24,415,567	25,473,723
Other noncurrent assets	7,063,476	5,103,290	3,464,777
Total assets	$ 55,410,846	$ 52,440,109	$ 49,079,087
Liabilities			
Other current liabilities	$ 4,638,690	$ 4,476,046	$ 3,798,723
Subscription IT liabilities	90,125	206,715	297,046
Total liabilities	$ 4,728,815	$ 4,682,761	$ 4,095,769
Deferred Inflows of Resources			
Leases	$ 746,920	$ 871,407	$ 995,893
Unearned revenue	5,155	82,639	75,956
Total deferred inflows of resources	$ 752,075	$ 954,046	$ 1,071,849
Net Position			
Net investment in capital assets	$ 21,865,307	$ 23,905,724	$ 24,872,039
Restricted			
Expendable for programs	390,166	51,102	55,823
Nonexpendable permanent endowments	26,895	26,895	26,895
Unrestricted			
Unrestricted	21,389,354	18,498,434	16,310,052
Board designated	6,258,234	4,321,147	2,646,660
Total net position	$ 49,929,956	$ 46,803,302	$ 43,911,469

Table 2: Condensed Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues			
Net patient and resident service revenues	$ 43,125,645	$ 40,940,808	$ 36,346,145
Other revenue	271,380	151,862	788,730
Total operating revenues	43,397,025	41,092,670	37,134,875
Operating Expenses			
Salaries and benefits	27,164,895	25,516,380	23,869,823
Depreciation	2,600,856	2,628,414	2,038,770
Supplies	6,551,768	6,752,580	4,979,888
Other operating expenses	7,287,743	5,925,178	6,482,171
Total operating expenses	43,605,262	40,822,552	37,370,652
Operating Income (Loss)	(208,237)	270,118	(235,777)
Nonoperating Revenue (Expense)			
Property taxes	1,113,823	1,062,056	1,025,362
Motel tax revenue	116,565	116,419	112,227
Interest revenue	1,010,290	788,646	376,605
Interest expense	(14,239)	(19,763)	(16,677)
Noncapital grants and contributions	86,690	1,702	275,583
Rental revenue and other revenue	253,761	278,603	309,988
Employee retention credit	-	-	158,358
Loss on disposal of capital assets	(7,882)	(1,669)	(13,971)
Nonoperating revenue, net	2,559,008	2,225,994	2,227,475
Revenues in Excess of Expenses Before Capital Contributions	2,350,771	2,496,112	1,991,698
Capital Contributions	775,883	395,721	289,627
Change in Net Position	3,126,654	2,891,833	2,281,325
Net Position, Beginning of Year	46,803,302	43,911,469	41,630,144
Net Position, End of Year	$ 49,929,956	$ 46,803,302	$ 43,911,469

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the District, motel tax revenue, donations, employee retention credit, rental, other revenue and interest earnings. Nonoperating expense consists primarily of interest expense.

Grants, Contributions and Endowments

The District receives both capital and operating grants from various state and federal agencies for specific programs. In fiscal year 2025, the Hospital received $38,963 for the Compass Rose EPIC module that assists with care coordination, as well as $37,356 for the Public Health Emergency Preparedness (PHEP) to purchase generators for the community. The District received $861,307 of both restricted and unrestricted contributions during fiscal year 2025 and $395,721, during fiscal year 2024. The District complied with all covenants attached to restricted donations.

The District's Cash Flows

The increase in cash and cash equivalents was $5,919,427 in 2025 and an increase of $3,895,064 in 2024.

Capital Assets and Debt

Additions to capital assets were $262,275 in fiscal year 2025 and $1,237,617 in fiscal year 2024. Major additions for 2025 include the following: Architectural fees for MRI expansion, $69,648; surgery equipment, $65,062; and the surgery sterilization remodel, $20,533. Major additions for 2024 were the down payment for the MRI machine, $302,485; the replacement ambulance, $210,003; the chemistry analyzer in the lab, $121,000; and the Amsco 400 sterilizer for surgery, $108,826. More detailed information about the capital assets is presented in Note 5 to the financial statements.

Debt to build the new hospital facility was incurred in 2007 and debt to build the medical office building and the WVSL building was incurred in fiscal year 2012. Total long-term debt outstanding as of June 30, 2025 totals $0. Total long-term debt outstanding as of June 30, 2024 was $0. Principal payments of $0 and $0 were made for the years ended June 30, 2025 and 2024, respectively. No new debt issuances were made during the years then ended.

Issues Facing the Hospital District

There are issues facing the District that could result in material changes in its financial position in the long-term. Among those issues are:

Changes in state and federal healthcare regulations
Payments under the Coordinated Care Organizations
Maintaining Critical Access Hospital status
Risks related to Medicare and Medicaid reimbursement
Increasing numbers of uninsured and underinsured patients
House Bill 3320 – Prescreening patients for financial assistance
Nursing and other healthcare related labor shortages
Increasing employee benefit costs, especially health insurance and retirement
Ability to recruit Physicians and other providers

The District is certified as a provider under both the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. Approximately fifty percent of the District's gross patient revenue for fiscal year ending June 30, 2025, was derived from Medicare and eighteen percent was derived from Medicaid. For Medicare services, the District is paid on a cost reimbursement basis; that is, Medicare reimburses the District for the cost of providing services to Medicare eligible patients. Starting in Fiscal Year 2013, Medicare began withholding 2% of the payment amount due to the District as part of The Budget Control Act of 2011. Under Medicaid, the federal government provides grants to states that have programs meeting certain federal guidelines. These funds are sometimes reduced as the federal or state governments try to balance their budgets.

In recent years, both the state and federal governments have increased enforcement of laws designed to combat health care fraud, and additional anti-fraud legislation has been adopted at both the federal and state levels. The fees and fines to a hospital caught in violation of these laws can be substantial. Failure of the District to meet these laws could result in the exclusion of Medicare and Medicaid funds along with fines and criminal penalties.

Risks Related to HIPAA

Under HIPAA, health plans, healthcare clearinghouses and healthcare providers including health districts and their business partners must maintain reasonable and appropriate administrative, technical and physical safeguards to ensure the integrity and confidentiality of protected patient healthcare information. The District must also protect against reasonable foreseeable threats to the security or integrity of the information and protect against unauthorized use or disclosure.

General Risks Affecting Healthcare Facilities

Technology and Services

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety programs and outpatient healthcare delivery may reduce utilization and revenues for the District in the future. Technological advances in recent years have accelerated the trend toward the use of sophisticated equipment and services for diagnosis and treatment of healthcare illnesses and diseases.

Employment and Labor Issues

The District is a major employer with a complex mix of professional, technical, clerical, maintenance, dietary, housekeeping, union and non-union workers. Risks include contract disputes, discrimination claims, personal tort actions, work-related injuries and exposure to hazardous materials. The District has invested in professional salaries in order to retain and recruit staff.

Competition

Competition from other hospitals and healthcare providers are a risk to the District's revenue.

Professional Insurance

While the District's malpractice costs have moderately increased over the last several years, this is an area that has been volatile. Past large increases have caused some providers to leave certain geographic areas and certain specialties. Additionally, in Oregon, with no cap on malpractice damages, the exposure is high for healthcare providers and results in higher premiums. Both the cost of insurance and the lack of providers could be potential risks for the District.

Employee Health Insurance

The District has seen large increases in Employee Health Insurance costs over the past several years.

	2025	2024
Assets		
Current Assets		
Cash	$ 1,645,386	$ 1,155,625
Cash and cash equivalents in external investment pool	15,091,108	11,598,529
Board designated for capital asset replacement in external investment pool	-	145,944
Receivables		
Patient and resident, net of estimated uncollectibles of $2,687,000 and $2,380,000, respectively	4,983,837	5,386,204
Estimated third-party payor settlements	1,443,575	1,947,400
Property taxes, less allowance	165,738	103,208
Other	1,530,403	990,650
Supplies	1,108,542	1,236,795
Prepaid expenses	288,509	356,897
Total current assets	26,257,098	22,921,252
Noncurrent Cash and Cash Equivalents in External Investment Pool		
Board designated for capital asset replacement	6,258,234	4,175,203
Principal of permanent endowments	26,895	26,895
Total noncurrent cash and cash equivalents in external investment pool	6,285,129	4,202,098
Capital Assets		
Capital assets not being depreciated	1,479,862	1,395,519
Capital assets being depreciated, net	20,121,630	22,132,791
Right to use subscription IT assets, net	488,780	887,257
Total capital assets	22,090,272	24,415,567
Other Assets		
Lease receivable	768,897	890,542
Other	9,450	10,650
Total other assets	778,347	901,192
Total assets	$ 55,410,846	$ 52,440,109

	2025	2024
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of subscription IT liabilities	$ 134,840	$ 303,128
Accounts payable		
Trade	1,980,110	1,764,383
Construction	-	145,944
Estimated third-party payor settlements	141,623	68,071
Accrued expenses		
Salaries and wages	1,158,171	1,035,929
Compensated absences	1,092,314	1,016,726
Interest	1,695	17,736
Employee benefit plans	22,046	16,127
Payroll taxes	85,939	80,439
Other	21,952	27,563
Total current liabilities	4,638,690	4,476,046
Long-Term Subscription IT Liabilities, Less Current Maturities	90,125	206,715
Total liabilities	4,728,815	4,682,761
Deferred Inflows of Resources		
Leases	746,920	871,407
Unearned revenue	5,155	82,639
Total deferred inflows of resources	752,075	954,046
Net Position		
Net investment in capital assets	21,865,307	23,905,724
Restricted		
Expendable for programs	390,166	51,102
Nonexpendable permanent endowments	26,895	26,895
Unrestricted		
Unrestricted	21,389,354	18,498,434
Board designated	6,258,234	4,321,147
Total net position	49,929,956	46,803,302
Total liabilities, deferred inflows of resources, and net position	$ 55,410,846	$ 52,440,109

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of $551,000 and $260,000, respectively	$ 43,125,645	$ 40,940,808
Other revenue	271,380	151,862
Total operating revenues	43,397,025	41,092,670
Operating Expenses		
Salaries and wages	21,385,971	19,713,490
Employee benefits	5,778,924	5,802,890
Professional fees and purchased services	6,006,033	4,780,816
Supplies	6,551,768	6,752,580
Insurance	229,373	256,796
Depreciation and amortization	2,600,856	2,628,414
Other	1,052,337	887,566
Total operating expenses	43,605,262	40,822,552
Operating Income (Loss)	(208,237)	270,118
Nonoperating Revenues (Expenses)		
Property tax income, levied for general operations	1,112,956	1,060,120
Property tax income, levied for debt service	867	1,936
Motel tax revenue	116,565	116,419
Interest revenue	1,010,290	788,646
Interest expense	(14,239)	(19,763)
Noncapital grants and contributions	86,690	1,702
Rental and other revenue	253,761	278,603
Loss on disposal of capital assets	(7,882)	(1,669)
Net nonoperating revenues (expenses)	2,559,008	2,225,994
Revenues in Excess of Expenses Before Capital Contributions	2,350,771	2,496,112
Capital Contributions	775,883	395,721
Change in Net Position	3,126,654	2,891,833
Net Position, Beginning of Year	46,803,302	43,911,469
Net Position, End of Year	$ 49,929,956	$ 46,803,302

	2025	2024
Operating Activities		
Receipts from and on behalf of patients and residents	$ 44,215,697	$ 40,544,210
Payments to suppliers and contractors	(13,440,636)	(12,367,978)
Payments to and on behalf of employees	(26,955,646)	(25,288,217)
Other receipts and payments, net	(257,757)	281,348
Net Cash from Operating Activities	3,561,658	3,169,363
Noncapital Financing Activities		
Taxes received	1,166,124	1,160,183
Unearned revenue	(77,484)	6,683
Noncapital contributions and grants	86,690	1,702
Net Cash from Noncapital Financing Activities	1,175,330	1,168,568
Capital and Capital Related Financing Activities		
Cash paid for subscription liabilities - principal portion	(285,373)	(512,085)
Cash paid for subscription liabilities - interest portion	(30,280)	(11,667)
Cash paid for acquisition of subscription assets	(19,470)	(4,238)
Purchase and construction of capital assets	(410,194)	(1,237,617)
Proceeds from sale of capital assets	6,679	2,396
Taxes received	867	1,936
Capital contributions	775,883	395,721
Cash received on lease receivables	121,645	119,859
Cash received for interest on lease receivables	12,392	14,182
Net Cash from (used for) Capital and Capital Related Financing Activities	172,149	(1,231,513)
Net Cash from Investing Activities		
Interest received	1,010,290	788,646
Net Change in Cash and Cash Equivalents	5,919,427	3,895,064
Cash and Cash Equivalents, Beginning of Year	17,102,196	13,207,132
Cash and Cash Equivalents, End of Year	$ 23,021,623	$ 17,102,196

	2025	2024
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash	$ 1,645,386	$ 1,155,625
Cash and cash equivalents in external investment pool	15,091,108	11,598,529
Board designated for capital asset replacement in external investment pool	-	145,944
Noncurrent cash and cash equivalents in external investment pool	6,285,129	4,202,098
Total cash and cash equivalents	$ 23,021,623	$ 17,102,196
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	$ (208,237)	$ 270,118
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Rental and other revenue	119,724	144,562
Depreciation and amortization	2,592,974	2,628,414
Provision for bad debts	551,214	260,357
Changes in assets, liabilities and deferred inflows of resources		
Patient and resident receivables	(148,847)	(633,779)
Other receivables	(650,061)	(16,276)
Supplies	128,253	(92,359)
Prepaid expenses	68,388	(118,950)
Other assets	1,200	1,200
Accounts payable and other accrued expenses	210,116	521,089
Estimated third-party payor settlements	577,377	(12,528)
EOCCO capitation	110,308	(10,648)
Accrued compensation and related liabilities	209,249	228,163
Net Cash from Operating Activities	$ 3,561,658	$ 3,169,363
Schedule of Noncash Capital Financing Activities		
Capital assets acquired with accounts payable	$ -	$ 145,944
Subscription liability for the acquisition of a right-to-use subscription asset	$ 28,287	$ 449,979

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Wallowa County Health Care District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting Entity

Wallowa County Health Care District, doing business as Wallowa Memorial Hospital (the Hospital) and Wallowa Valley Senior Living (WVSL), owns and operates a 25-bed acute care hospital, as well as a 10-bed residential care facility licensed for memory care, and an 18-bed assisted living facility. The District provides health care services to patients in the Wallowa County, Oregon market. The services provided include an acute care hospital, long-term nursing care, emergency room, rural health clinics, ambulance, and the related ancillary procedures (lab, x-ray, etc.) associated with those services.

The District operates under the laws of the State of Oregon for Oregon municipal corporations. It was created on May 19, 1992, by the voters of Wallowa County, to operate, control, and manage all matters concerning the County's health care functions. The District is governed by an elected five-member board. As organized, the District is exempt from payment of federal income tax. All District assets, liabilities, and financial transactions are included in these financial statements. The Board of Directors exercises governing oversight responsibility for the District which includes such duties as budget review, care of patients, and management of the facilities as set forth by the ordinance of the District.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit which meets the GASB criteria.

Measurement Focus and Basis of Accounting

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

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

Budgetary Information

The District adopts an annual budget in accordance with Oregon statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e. the level at which expenses may not legally exceed appropriations) is at the fund level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

Basis of Presentation

The statements of net position display the District's assets, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets, including subscription IT assets, reduced by the outstanding balances of any related debt obligations, subscription IT liabilities and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted – expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted - nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the District.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash. For purposes of the statements of cash flows, the District considers all cash and cash equivalents with an original maturity of three months or less as cash and cash equivalents.

Current Cash and Cash Equivalents in External Investment Pool

Current cash and cash equivalents in external investment pool are funds without restrictions as to use.

Noncurrent Cash and Cash Equivalents in External Investment Pool

Noncurrent cash and cash equivalents in external investment pool include nonexpendable assets restricted by the donor and internally designated assets set aside by the Board of Directors for future capital replacements and other purposes. Under no circumstances are nonexpendable assets restricted by a donor to be expended. The Board of Directors retains control of the assets designated for future capital replacements, and the Board may at its discretion subsequently use them for other purposes. Cash and cash equivalents that are available for obligations classified as current liabilities are reported in current assets.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

Property Tax Receivable

Property taxes are levied by the District and collected by the Wallowa County Treasurer for operations and debt payments. Taxes estimated to be collectible are recorded as receivables and revenue in the year of the levy. Property taxes are levied by Wallowa County, Oregon (the County) on the District's behalf on July 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of October 1. Property tax balances due to the County after May 15 are considered delinquent.

Levy date	–	July 1
Lien date	–	October 1
Due date	–	May 15

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or market and are expensed when used.

Interest Revenue

Interest earned on cash equivalents is included in nonoperating revenues when earned.

Capital Assets

Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation and amortization is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	15-20 years
Building and improvements	20-40 years
Equipment	3-20 years
Intangibles	3 years
Vehicles	5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as expendable restricted net position.

Impairment of Long-Lived Assets

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the year ended June 30, 2025 and 2024.

Right to Use Subscription IT Assets

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Lease Receivable

Lease receivables are recorded by the District at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

Compensated Absences

The District's eligible full time and part time employees accrue paid leave hours. PTO hours may be used for vacation after 6 (six) months of employment or designated holidays after 30 (thirty) days of employment. PTO is an employee benefit that compiles hours for holiday, vacation, and sick pay. Relief employees do not accrue PTO hours; however, relief employees do accrue one (1) hour of sick leave for every thirty (30) hours worked, but are not eligible for utilization of the accumulated hours unless they have been employed by the District for 90 calendar days. Relief employees may accrue up to forty (40) hours of sick leave per calendar year with a maximum of eighty (80) hours of sick leave. In the event of death or termination the remaining paid leave, excluding sick leave, is paid to either the employee or their beneficiaries. The liability is measured using the employee's pay rate as of the date of the financial statements and includes salary-related payments that are directly and incrementally associated with the leave.

Subscription IT Liabilities

Subscription IT liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription IT liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the District**.**

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are grant funds and leases. Grant funds will be recognized as revenue in the year they become available. The deferred inflow of resources related to leases are recognized as an inflow of resources (revenue) on an effective interest basis over the term of the lease.

Unearned Revenue

Unearned revenue includes grants received in advance of eligible expenditures.

Operating Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District result from exchange transactions associated with providing health care services – the District's principal activity, and the costs of providing those services, including depreciation and amortization and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient and Resident Service Revenues

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, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Charity Care

The District provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The estimated cost of providing these services was $629,000 and $518,000 for the years ended June 30, 2025 and 2024, respectively, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to patients.

Grants and Contributions

The District may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of expenses.

Reclassifications

Reclassifications have been made to the June 30, 2024 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Net Patient and Resident Service Revenue

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: The District is licensed as a Critical Access Hospital (CAH). The District is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the District and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The District's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the District's Medicare cost report, or rates as established by the Medicaid program. The District is reimbursed at a tentative rate with final settlement determined by the program based on the District's final Medicaid cost report. The District's final Medicaid settlements have been processed through the year ended June 30, 2017. Additionally, the final settlement for the year ended June 30, 2019 has also been processed, whereas the final settlement for the year ended June 30, 2018 is still open.

Routine services rendered to nursing home residents, who are beneficiaries of the Medicaid program or who pay from private resources, are paid according to a schedule of prospectively determined daily rates determined by Oregon's Medicaid program. A rate is assigned to each nursing home resident based on the residents' ability to perform certain activities of daily living and on certain other clinical factors. Payments are made for each case-mix category and are adjusted annually by an inflation index. Additional services may be paid on a fee-for-service basis.

The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the District's patient and resident service revenues for the years ended June 30, 2025 and 2024:

	2025	2024
Medicare	51%	54%
Medicaid	19%	17%
Blue Cross and other commercial payors	21%	21%
Self pay and other	9%	8%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The District participates in the Eastern Oregon Coordinated Care Organization (EOCCO), which is a Coordinated Care Organization serving Oregon Health Plan members. The District receives amounts related to the EOCCO alternative payment model/shared savings risk contract. As of June 30, 2025 and 2024, there were receivable amounts of $379,634 and $442,547, respectively. This receivable is contained within estimated third-party payor settlements. Additional EOCCO funds will be recorded as received. In 2024, the District also participated in prepayment model with EOCCO hospital capitation program. As of June 30, 2024, funds to be received of $110,308 are recorded as capitation payments receivable within Other Receivables, until the final settlement at which time the amount will be recognized as revenue or returned to EOCCO.

Oregon provider tax - The Hospital is subject to a "provider tax" levied by Oregon to provide additional funding for Oregon Health Plan (OHP). The tax is based on patient service revenue, as adjusted, in accordance with the rules governing the program. The District recorded provider taxes of approximately $1,988,451 and $2,002,193, for the years ended June 30, 2025 and 2024, respectively, which are included in other operating expenses in the accompanying statements of revenue, expenses, and changes in net position.

In addition, the District has entered into an agreement with the Oregon Association of Hospitals and Health Systems (OAHHS), which provides that all payments to the Hospital related to beneficiaries of the Oregon Medical Assistance Program are to be remitted directly to OAHHS. OAHHS aggregates these payments, returning a portion to the Hospital. The remaining funds are pooled by OAHHS with like-amounts received on behalf of other hospitals subject to the provider tax, and OAHHS redistributes such funds to qualifying hospitals. Any such amounts received by the District from OAHHS are reflected as a component of patient service revenue in the accompanying statements of revenue, expenses, and changes in net position. Generally, the amount of annual receipts from OAHHS matches the annual amount of taxes paid. As of June 30, 2025 and 2024, other account receivables include approximately $463,457 and $485,906, respectively, of provider taxes receivable due from OAHHS. As of June 30, 2025 and 2024, other accrued liabilities include approximately $464,619 and $487,124, respectively, of provider taxes payable to Oregon.

Note 3 - Other Account Receivables

The District has other accounts receivable. As of June 30, 2025 and 2024, the balance is composed of the following:

	2025	2024
Supplemental Wraparound Receivable	$ 359,437	$ 284,288
Provider Tax Receivable	463,457	485,906
EOCCO Capitation	-	110,308
340B Receivable	614,917	13,235
Miscellaneous Receivables	92,592	96,913
	$ 1,530,403	$ 990,650

The District receives a supplemental payment from Medicaid for eligible services of the rural health centers. The Hospital pays a provider tax to cover the state's share of the Medicaid program and expects to receive a reimbursement in the amount recorded above. The Hospital participated in a capitation program with Eastern Oregon Coordinated Care Organization (EOCCO) and recorded amounts receivable subject to final settlement.

Note 4 - Deposits and External Investment Pool

Summary of Carrying Amounts

The carrying amounts of deposits and the Local Government Investment Pool as of June 30, 2025 and 2024 are as follows:

	2025	2024
Carrying Amount		
Cash	$ 1,645,386	$ 1,155,625
Cash and cash equivalents	21,376,237	15,946,571
Total	$ 23,021,623	$ 17,102,196

Deposits and investment pools are reported in the following statement of net position captions:

	2025	2024
Cash	$ 1,645,386	$ 1,155,625
Cash equivalents in external investment pool	15,091,108	11,598,529
Board designated for capital asset replacement	6,258,234	4,321,147
Principal of permanent endowments	26,895	26,895
Total	$ 23,021,623	$ 17,102,196

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository insurance coverage limits, currently set at $250,000, may only be held in a depository qualified by the Oregon Public Funds Collateralization Program. The District's deposit policy does not further restrict bank deposits or limit investment deposits.

The District's deposits in banks at June 30, 2025 and 2024, were entirely covered by federal depository insurance or by collateral as part of the Oregon Public Funds Collateralization Program.

External Investment Pool

The District is invested in the Local Government Investment Pool (LGIP), which is included in the Oregon Short-Term Fund (OSTF). The OSTF is an external investment pool, as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. The LGIP exchanges shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the net asset value of share investments at $1.00 per share, it is possible to lose money by investing in the pool.

Chapter 294 of the Oregon Revised Statutes authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the State of Oregon local government investment pool; and certain other investments. The District's investment policy specifies that investments will be limited to demand deposits with approved institutions, the Oregon Local Government Investment Pool, direct obligations of the United States and obligations guaranteed by the United States, and certificates of deposit with Oregon banks.

The District's investment in the LGIP is reported at cost, as discussed in Note 1. At June 30, 2025 and 2024, the LGIP was not rated by an independent rating agency. The District's investments in LGIP at June 30, 2025 and 2024, and related maturities were as follows:

	Maturities	2025	2024
Oregon State Local Government Investment Pool	Daily	$ 21,376,237	$ 15,946,571

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. State Statutes generally limit investment maturities to 18 months, or the date of anticipated use of the funds. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District matches investment maturities with anticipated cash flow requirements.

Credit Risk

State statute limits the investment in bonds issued by the State of Oregon and its political subdivisions to bonds with one of the three highest credit ratings of a nationally recognized rating. State Statutes limit the investment in bonds issued by the States of California, Idaho, and Washington and political subdivisions of those states to bonds with one of the two highest credit ratings of a nationally recognized rating. The District does not have a formal policy in place that further limits credit risk. The Oregon Local Government Investment Pool does not have a rating. The Investment Pool invests as defined by State Statute.

Concentration of Credit Risk

The District does not have a formal policy in place limiting the amount that may be invested with any one bank or in any specific investment.

Investment Income

Investment income, primarily interest income, for the years ended June 30, 2025 and 2024 was $1,010,290 and $788,646, respectively.

Note 5 - Capital Assets

Capital asset additions, retirements, transfers, and balances for year ended June 30, 2025 are as follows:

	Balance June 30, 2024	Additions and Transfers	Retirements	Balance June 30, 2025
Capital assets not being depreciated				
Land	$ 752,290	$ -	$ -	$ 752,290
Construction in progress	643,229	84,343	-	727,572
Total capital assets not being depreciated	$ 1,395,519	$ 84,343	$ -	$ 1,479,862
Capital assets being depreciated				
Land improvements	$ 3,741,125	$ -	$ -	$ 3,741,125
Buildings and improvements	40,141,999	-	-	40,141,999
Intangibles	12,000	-	-	12,000
Equipment	10,942,909	177,932	(112,914)	11,007,927
Vehicles	56,736	-	-	56,736
Total capital assets being depreciated	54,894,769	$ 177,932	$ (112,914)	54,959,787
Less accumulated depreciation and amortization for				
Land improvements	2,934,313	$ 187,712	$ -	3,122,025
Buildings and improvements	21,423,375	1,338,239	-	22,761,614
Intangibles	4,900	800	-	5,700
Equipment	8,342,654	655,663	(106,235)	8,892,082
Vehicles	56,736	-	-	56,736
Total accumulated depreciation and amortization	32,761,978	$ 2,182,414	$ (106,235)	34,838,157
Net capital assets being depreciated	$ 22,132,791			$ 20,121,630
Right to use subscription IT assets being amortized	$ 1,493,860	$ 47,757	$ (276,068)	$ 1,265,549
Less accumulated amortization	(606,603)	$ (418,442)	$ 248,276	(776,769)
Net right to use subscription IT assets	$ 887,257			$ 488,780
Total capital assets, net	$ 24,415,567			$ 22,090,272

Capital asset additions, retirements, transfers, and balances for year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Additions and Transfers	Retirements	Balance June 30, 2024
Capital assets not being depreciated				
Land	$ 752,290	$ -	$ -	$ 752,290
Construction in progress	245,472	397,757	-	643,229
Total capital assets not being depreciated	$ 997,762.0	$ 397,757	$ -	$ 1,395,519.0
Capital assets being depreciated				
Land improvements	$ 3,742,323	$ -	$ (1,198)	$ 3,741,125
Buildings and improvements	40,045,968	96,031	-	40,141,999
Intangibles	12,000	-	-	12,000
Equipment	10,577,412	743,829	(378,332)	10,942,909
Vehicles	56,736	-	-	56,736
Total capital assets being depreciated	54,434,439	$ 839,860	$ (379,530)	54,894,769
Less accumulated depreciation and amortization for				
Land improvements	2,747,798	$ 188,911	$ (2,396)	2,934,313
Buildings and improvements	20,037,152	1,386,223	-	21,423,375
Intangibles	4,100	800	-	4,900
Equipment	8,032,391	685,325	(375,062)	8,342,654
Vehicles	56,736	-	-	56,736
Total accumulated depreciation and amortization	30,878,177	$ 2,261,259	$ (377,458)	32,761,978
Net capital assets being depreciated	$ 23,556,262			$ 22,132,791
Right to use subscription IT assets being amortized	$ 1,189,105	$ 454,217	$ (149,462)	$ 1,493,860
Less accumulated amortization	(269,406)	$ (367,155)	$ 29,958	(606,603)
Net right to use subscription IT assets	$ 919,699			$ 887,257
Total capital assets, net	$ 25,473,723			$ 24,415,567

Note 6 - Lessor Activities

The District leases its medical office building to physician groups. The remaining receivable for this lease was $768,897 and $890,542 for the years ended June 30, 2025 and 2024, respectively. Deferred inflows related to this lease was $746,920 and $871,407 as of June 30, 2025 and 2024, respectively. Interest revenue recognized on this lease was $12,392 and $14,182 for the years ended June 30, 2025 and 2024, respectively. Principal receipts of $121,985 were recognized during the fiscal year. The interest rate on the lease is 1.48%. Final receipt is expected in fiscal year 2031.

The agreement calls for payments that are partially or completely variable and therefore were not included in lease receivable or deferred inflow of resources for leases. These variable payments are a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from the Western Region CPI for the preceding 12-month period not to exceed a 5% increase. A total of $33,730 and $29,820 was recognized as revenue from these variable payments for the years ended June 30, 2025 and 2024, respectively.

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

During the year, the Hospital recognized SBITA contracts for the use of patient care software. As of June 30, 2025 and 2024, the value of the subscription liability was $0 and $41,114 and the subscription asset was $186,602 and $184,818 with amortization of $169,150 and $104,478, respectively. The subscription had an interest rate of approximately 4.3%.

During the current year, the Hospital recognized SBITA contracts for the use of financial software. As of June 30, 2025 and 2024, the value of the subscription liability was $87,741 and $132,819 and the subscription asset was $460,652 and $461,251 with accumulated amortization of $297,312 and $212,117, respectively. The District is required to make annual principal and interest payments of approximately $119,000 through February 2028. The subscription has an interest rate of approximately 3.9%.

During the current year, the Hospital recognized SBITA contracts for the use of IT security software, plant services software, and other various software offerings. As of June 30, 2025 and 2024, the value of the subscription liability was $137,224 and $335,910 and the subscription asset was $618,295 and $847,791 with accumulated amortization of $310,307 and $290,008, respectively. The District is required to make annual principal and interest payments of approximately $151,000 through November 2028. The subscription has an interest rate of approximately 4.0%.

A summary of the changes in subscription IT liabilities during the year ended June 30, 2025 and 2024, are as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Subscription IT Liabilities	$ 509,843	$ 28,287	$ (313,165)	$ 224,965	$ 134,840

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Subscription IT Liabilities	$ 601,684	$ 449,979	$ (541,820)	$ 509,843	$ 303,128

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal	Interest
2026	$ 134,840	$ 7,129
2027	61,768	2,877
2028	22,816	889
2029	5,541	31
	$ 224,965	$ 10,926

Note 8 - Retirement Benefits

The District has a tax sheltered annuity (TSA) plan under section 403(b) of the Internal Revenue Code that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. In order to receive employer matching the participant must complete one full year of service to the District and must be at least 18 years old. Employer matching begins on the entry date after the completion of the eligibility requirements. The plan also allows the participant to make voluntary contributions.

The District matches employee voluntary contributions at different rates, depending on when the employee was hired. Employee voluntary contributions are matched at a rate between 7% and 9% of compensation, based on the years of service of the employee. Employee annuity contributions are 100% vested. Employer contributions become vested immediately. The District's total matching contributions for the years ended June 30, 2025 and 2024 were $1,052,499 and $1,037,513, respectively. Total employee mandatory and voluntary contributions to the plan were $1,157,684 and $1,314,184 for the years ended June 30, 2025 and 2024, respectively.

Note 9 - Concentrations of Credit Risk

The District grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2025 and 2024, was as follows:

	2025	2024
Medicare	25%	29%
Medicaid	14%	12%
Commercial insurance and other third party payors	23%	25%
Patients and residents	38%	34%
	100%	100%

Note 10 - Contingencies

Risk Management

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

Malpractice Insurance

The District has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $2 million per claim and an annual aggregate limit of $6 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigations, Claims, and Disputes

The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the District.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Collective Bargaining Agreements

As of June 30, 2025, approximately 7% of the District's employees were represented by one separate collective bargaining unit. The labor agreement has been extended until June 30, 2026.

Employee Retention Credit Contingency

The WVSL's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Supplementary Information
June 30, 2025 and 2024

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	$ 18,490,933	$ 22,819,581	$ 4,328,648
Net operating revenue	42,105,333	43,397,025	1,291,692
Property/other taxes	1,175,000	1,230,388	55,388
Grants/contributions/other non-operating	196,660	1,116,334	919,674
Interest	681,750	1,010,290	328,540
Total resources	$ 62,649,676	69,573,618	$ 6,923,942
Expenditures			
Personnel services	$ 28,070,885	27,164,895	$ 905,990
Materials and services	16,408,684	13,861,632	2,547,052
Capital outlay	3,063,322	410,194	2,653,128
Net working capital, end of year	-	27,647,588	(27,647,588)
Total expenditures	$ 47,542,891	69,084,309	$ (21,541,418)
Resources Over Expenditures		489,309	
Reconciliation of statutory operating expenditures to GAAP basis operating expenses			
Add net working capital, end of year		27,647,588	
Add capital asset additions		410,194	
Less net working capital, beginning of year		(22,819,581)	
Less depreciation and amortization		(2,600,856)	
Total effects of reconciliation		2,637,345	
Change in Net Position		3,126,654	
Net Position, Beginning of Year		46,803,302	
Net Position, End of Year		$ 49,929,956	

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Schedule of Property Tax Transactions and Outstanding Balances
Year Ended June 30, 2025

Fiscal Year	Property Taxes Receivable June 30, 2024	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2025
2024-2025	$ -	$ 1,142,375	$ (29,702)	$ (4,871)	$ -	$ (1,013,143)	$ 94,659
2023-2024	31,499	-	-	(4,442)	-	(18,212)	8,845
2022-2023	46,619	-	-	(9,788)	-	4,863	41,694
2021-2022	37,568	-	-	(6,956)	-	4,912	35,524
2020-2021	3,110	-	-	(41)	-	(2,388)	681
2019-2020	(4,538)	-	-	(39)	-	(38)	(4,615)
2018-2019	(2,641)	-	-	-	-	-	(2,641)
Prior Years	91	-	-	-	-	-	91
	111,708	$ 1,142,375	$ (29,702)	$ (26,137)	$ -	$ (1,024,006)	174,238
Less reserve for uncollectible accounts	(8,500)						(8,500)
	$ 103,208						$ 165,738

Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Schedule of Net Position – Combining
June 30, 2025

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Assets				
Current Assets				
Cash	$ 1,636,846	$ 8,540	$ -	$ 1,645,386
Cash and cash equivalents in external investment pool	15,091,108	-	-	15,091,108
Receivables				
Patient and resident accounts, net of estimated uncollectibles of $2,687,000	4,937,543	46,294	-	4,983,837
Estimated third-party payor settlements	1,443,575	-	-	1,443,575
Property taxes, less allowance of $8,500	165,738	-	-	165,738
Other	1,523,052	7,351	-	1,530,403
Supplies	1,108,542	-	-	1,108,542
Prepaid expenses	267,119	21,390	-	288,509
Total current assets	26,173,523	83,575	-	26,257,098
Noncurrent Cash and Cash Equivalents in External Investment Pool				
Board designated for capital asset replacement	6,258,234	-	-	6,258,234
Principal of permanent endowments	26,895	-	-	26,895
Total noncurrent cash and cash equivalents in external investment pool	6,285,129	-	-	6,285,129
Capital Assets				
Capital assets not being depreciated	1,479,862	-	-	1,479,862
Capital assets being depreciated, net	16,742,088	3,379,542	-	20,121,630
Right to use subscription IT assets, net	488,780	-	-	488,780
Total capital assets	18,710,730	3,379,542	-	22,090,272
Other Assets				
Lease receivable	768,897	-	-	768,897
Other	9,450	-	-	9,450
Due from Wallowa Valley Senior Living	4,132,212	-	(4,132,212)	-
Total other assets	4,910,559	-	(4,132,212)	778,347
Total assets	$ 56,079,941	$ 3,463,117	$ (4,132,212)	$ 55,410,846

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of subscription IT liabilities	$ 134,840	$ -	$ -	$ 134,840
Accounts payable				
Trade	1,943,140	36,970	-	$ 1,980,110
Estimated third-party payor settlements	141,623	-	-	141,623
Accrued expenses				
Salaries and wages	1,099,882	58,289	-	1,158,171
Compensated absences	1,057,019	35,295	-	1,092,314
Interest	1,695	-	-	1,695
Employee benefit plans	22,046	-	-	22,046
Payroll taxes	85,939	-	-	85,939
Other	-	21,952	-	21,952
Total current liabilities	4,486,184	152,506	-	4,638,690
Long-term Liabilities				
Due to Hospital	-	4,132,212	(4,132,212)	-
Long-term subscription IT liabilities, less current maturities	90,125	-	-	90,125
Total long-term liabilities	90,125	4,132,212	(4,132,212)	90,125
Total liabilities	4,576,309	4,284,718	(4,132,212)	4,728,815
Deferred Inflows of Resources				
Leases	746,920	-	-	746,920
Unearned revenue	5,155	-	-	5,155
Total deferred inflows of resources	752,075	-	-	752,075
Net Position				
Investment in capital assets	18,485,765	3,379,542	-	21,865,307
Expendable for programs	390,166	-	-	390,166
Nonexpendable permanent endowments	26,895	-	-	26,895
Unrestricted				
Unrestricted	25,590,497	(4,201,143)	-	21,389,354
Board designated	6,258,234	-	-	6,258,234
Total net position	50,751,557	(821,601)	-	49,929,956
Total liabilities, deferred inflows of resources and net position	$ 56,079,941	$ 3,463,117	$ (4,132,212)	$ 55,410,846

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Assets				
Current Assets				
Cash	$ 1,031,624	$ 124,001	$ -	$ 1,155,625
Cash equivalents in external investment pool	11,598,529	-	-	11,598,529
Board designated for capital asset replacement in external investment pool	145,944	-	-	145,944
Receivables				
Patient and resident accounts, net of estimated uncollectibles of $2,278,000	5,319,141	67,063	-	5,386,204
Estimated third party settlements	1,947,400	-	-	1,947,400
Property taxes, less allowance of $8,500	103,208	-	-	103,208
Other	989,849	801	-	990,650
Supplies	1,236,795	-	-	1,236,795
Prepaid expenses	329,806	27,091	-	356,897
Total current assets	22,702,296	218,956	-	22,921,252
Noncurrent Cash and Cash Equivalents in External Investment Pool				
Board designated for capital asset replacement	4,175,203	-	-	4,175,203
Principal of permanent endowments	26,895	-	-	26,895
Total noncurrent cash and cash equivalents in external investment pool	4,202,098	-	-	4,202,098
Capital Assets				
Capital assets not being depreciated	1,395,519	-	-	1,395,519
Capital assets being depreciated, net	18,582,958	3,549,833	-	22,132,791
Right to use subscription IT assets, net	887,257	-	-	887,257
Total capital assets	20,865,734	3,549,833	-	24,415,567
Other Assets				
Lease receivable	890,542	-	-	890,542
Other	10,650	-	-	10,650
Due from Wallowa Valley Senior Living	4,063,258	-	(4,063,258)	-
Total other assets	4,964,450	-	(4,063,258)	901,192
Total assets	$ 52,734,578	$ 3,768,789	$ (4,063,258)	$ 52,440,109

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of subscription IT liabilities	$ 303,128	$ -	$ -	$ 303,128
Accounts payable				
Trade	1,737,176	27,207	-	1,764,383
Construction	145,944	-	-	145,944
Estimated third-party payor settlements	68,071	-	-	68,071
Accrued expenses				
Salaries and wages	983,618	52,311	-	1,035,929
Compensated absences	991,012	25,714	-	1,016,726
Interest	17,736	-	-	17,736
Employee benefit plans	16,127	-	-	16,127
Payroll taxes	80,439	-	-	80,439
Other	-	27,563	-	27,563
Total current liabilities	4,343,251	132,795	-	4,476,046
Long-Term Liabilities				
Due to Hospital	-	4,063,258	(4,063,258)	-
Long-term subscription IT liabilities, less current maturities	206,715	-	-	206,715
Total long-term liabilities	206,715	4,063,258	(4,063,258)	206,715
Total liabilities	4,549,966	4,196,053	(4,063,258)	4,682,761
Deferred Inflows of Resources				
Leases	871,407	-	-	871,407
Unearned revenue	70,583	12,056	-	82,639
	941,990	12,056	-	954,046
Net Position				
Net investment in capital assets	20,355,891	3,549,833	-	23,905,724
Restricted				
Expendable for programs	51,102	-	-	51,102
Nonexpendable permanent endowments	26,895	-	-	26,895
Unrestricted				
Unrestricted	22,487,587	(3,989,153)	-	18,498,434
Board designated	4,321,147	-	-	4,321,147
Total net position	47,242,622	(439,320)	-	46,803,302
Total liabilities, deferred inflows of resources and net position	$ 52,734,578	$ 3,768,789	$ (4,063,258)	$ 52,440,109

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Operating Revenue				
Net patient and resident service revenues, net of provision for bad debts of $551,000	$ 41,427,428	$ 1,698,217	$ -	$ 43,125,645
Other revenue	255,663	15,717	-	271,380
Total operating revenues	41,683,091	1,713,934	-	43,397,025
Operating Expenses				
Salaries and wages	20,169,941	1,216,030	-	21,385,971
Employee benefits	5,485,446	293,478	-	5,778,924
Professional fees and purchased services	5,802,858	203,175	-	6,006,033
Supplies	6,448,709	103,059	-	6,551,768
Insurance	207,490	21,883	-	229,373
Depreciation and amortization	2,430,564	170,292	-	2,600,856
Other	963,172	89,165	-	1,052,337
Total operating expenses	41,508,180	2,097,082	-	43,605,262
Operating Income (Loss)	174,911	(383,148)	-	(208,237)
Nonoperating Revenue (Expense)				
Property taxes, levied for general operations	1,112,956	-	-	1,112,956
Property taxes, levied for debt service	-	867	-	867
Motel tax revenue	116,565	-	-	116,565
Interest revenue	1,010,290	-	-	1,010,290
Interest expense	(14,239)	-	-	(14,239)
Noncapital grants and contributions	86,690	-	-	86,690
Rental and other revenue	253,761	-	-	253,761
Loss on disposal of capital assets	(7,882)	-	-	(7,882)
Nonoperating revenue, net	2,558,141	867	-	2,559,008
Revenues in Excess (Deficiency) of Expenses Before Capital Contributions	2,733,052	(382,281)	-	2,350,771
Capital Contributions	775,883	-	-	775,883
Change in Net Position	3,508,935	(382,281)	-	3,126,654
Net Position, Beginning of Year	47,242,622	(439,320)	-	46,803,302
Net Position, End of Year	$ 50,751,557	$ (821,601)	$ -	$ 49,929,956

	Wallowa Memorial Hospital	Wallowa Valley Senior Living	Eliminating Entries	Combined Totals
Operating Revenue				
Net patient and resident service revenues, net of provision for bad debts of $260,000	$ 39,358,327	$ 1,582,481	$ -	$ 40,940,808
Other operating revenues	135,524	16,338	-	151,862
Total operating revenues	39,493,851	1,598,819	-	41,092,670
Operating Expenses				
Salaries and wages	18,584,937	1,128,553	-	19,713,490
Employee benefits	5,563,096	239,794	-	5,802,890
Professional fees and purchased services	4,585,644	195,172	-	4,780,816
Supplies	6,625,454	127,126	-	6,752,580
Insurance	225,239	31,557	-	256,796
Depreciation and amortization	2,458,122	170,292	-	2,628,414
Other	829,815	57,751	-	887,566
Total operating expenses	38,872,307	1,950,245	-	40,822,552
Operating Income (Loss)	621,544	(351,426)	-	270,118
Nonoperating (Expense) Revenue				
Property taxes, levied for general operations	1,060,120	-	-	1,060,120
Property taxes, levied for debt service	-	1,936	-	1,936
Motel tax revenue	116,419	-	-	116,419
Interest revenue	788,646	-	-	788,646
Interest expense	(19,736)	(27)	-	(19,763)
Noncapital grants and contributions	1,702	-	-	1,702
Rental revenue	278,603	-	-	278,603
Loss on disposal of capital assets	(1,669)	-	-	(1,669)
Nonoperating revenue, net	2,224,085	1,909	-	2,225,994
Revenue in Excess (Deficiency) of Expenses Before Capital Contributions	2,845,629	(349,517)	-	2,496,112
Capital Contributions	395,721	-	-	395,721
Change in Net Position	3,241,350	(349,517)	-	2,891,833
Net Position, Beginning of Year	44,001,272	(89,803)	-	43,911,469
Net Position, End of Year	$ 47,242,622	$ (439,320)	$ -	$ 46,803,302

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
Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Enterprise, 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 financial statements of the business-type activities of Wallowa County Health Care District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit 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 District'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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on 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 statements. 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.

Eide Bailly LLP

Boise, Idaho
November 21, 2025

None reported.

Additional Required Reports
June 30, 2025

Wallowa County Health Care District dba Wallowa Memorial Hospital and dba Wallowa Valley Senior Living

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

Independent Auditor's Report Required by Oregon State Regulations

To the Board of Directors
Wallowa County Health Care District
dba Wallowa Memorial Hospital and
dba Wallowa Valley Senior Living
Enterprise, Oregon

We have audited the basic financial statements of the business-type activities of Wallowa County Health Care District (the District) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 21, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards of Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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 provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards 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:

OAR	Section	Instances of Non-Compliance Identified
162-010-0000	Preface	Not Applicable
162-010-0010	Definitions	Not Applicable
162-010-0020	Summary of Revenue and Expenditures	None noted
162-010-0030	General Requirements	None noted
162-010-0050	Financial Statements	None noted
162-010-0115	Required Supplementary Information (RSI)	None noted
162-010-0120	Supplementary Financial Information	None noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances / Net Position, Budget and Actual (Each Fund)	None noted

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OAR	Section	Instances of Non-Compliance Identified
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not Applicable
162-010-0190	Other Financial or Statistical Information	Not Applicable
162-010-0200	Independent Auditor's Review of Fiscal Affairs	None noted
162-010-0230	Accounting Records and Internal Control	None noted
162-010-0240	Public Fund Deposits	None noted
162-010-0250	Indebtedness	None noted
162-010-0260	Budget	None noted
162-010-0270	Insurance and Fidelity Bonds	None noted
162-010-0280	Programs Funded from Outside Sources	None noted
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None noted
162-010-0310	Public Contracts and Purchasing	None noted
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	Not Applicable
162-010-0330	Extensions of Time to Deliver Audit Reports	None noted

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 District'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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho
November 21, 2025

Attachment L

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: Wallowa County Health Care District

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
Wallowa Memorial Hospital	601 Medical Parkway, Enterprise, Oregon 97828	Hospital services (inpatient services, outpatient services, emergency services, surgical services, imaging services, laboratory services, dietary services, family birthing services, outpatient infusion, podiatry services, swing bed/transitional services, therapy services (physical, occupational, speech), urology services, and wound care).	97828, 97846, 97885
Wallowa Memorial Medical Clinic – Joseph	800 N. Main Street, Joseph, Oregon 97846	Primary care services, obstetrical services, osteopathic manipulations, surgery, health coaching and	97828, 97846, 97885

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
		group classes, care coordination, end-of-life planning, CDL evaluations, behavioral health services, visiting nurse services, transitional care services, chronic care management, sports coverage	
Wallowa Memorial Medical Clinic – Downtown	306 W. North Street, Enterprise, Oregon 97828	Primary care services, obstetrical services, osteopathic manipulations, surgery, health coaching and group classes, care coordination, end-of-life planning, CDL evaluations, behavioral health services, visiting nurse services, transitional care services, chronic care management, sports coverage	97828, 97846, 97885
Wallowa Memorial Medical Clinic – Wallowa	701 West Highway 82, Wallowa, Oregon 97885	Primary care services, obstetrical services, osteopathic manipulations, surgery, health coaching and group classes, care coordination, end-of-life planning, CDL evaluations, behavioral health services, visiting nurse services, transitional care services,	97828, 97846, 97885

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
		chronic care management, sports coverage	
Wallowa Memorial Medical Clinic – Enterprise	601 Medical Parkway, Enterprise, Oregon 97828	Primary care services, obstetrical services, osteopathic manipulations, surgery, health coaching and group classes, care coordination, end-of-life planning, CDL evaluations, behavioral health services, visiting nurse services, transitional care services, chronic care management, sports coverage	97828, 97846, 97885
Wallowa Valley Senior Living	605 Medical Parkway, Enterprise, Oregon 97828	Assisted living and memory care services	97828, 97846, 97885
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