Lost Rivers Hospital District
doing business as
Lost Rivers Medical Center

Basic Financial Statements and
Independent Auditors' Reports

September 30, 2024 and 2023

ACCOUNTANTS | ADVISORS

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
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ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Arco, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lost Rivers Hospital District doing business as Lost Rivers Medical Center (the District) as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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Auditors' 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 auditors' 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, including omissions, 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

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 30, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended September 30, 2024. We issued a similar report for the year ended September 30, 2023, dated January 2, 2024, which has not been included with the 2024 financial compliance report.

The purpose of those reports 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. Those reports are 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.

DZA PLLC

Spokane Valley, Washington
December 30, 2024

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Statements of Net Position
September 30, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023
Current assets		
Cash and cash equivalents	**$ 4,059,618**	$ 4,036,090
Receivables:		
Patient accounts, net	**1,533,146**	1,127,000
Estimated third-party payor settlements	**743,398**	1,174,907
Grants	**-**	86,878
Taxes	**23,952**	30,846
340B contract pharmacy	**49,233**	53,062
Inventories	**283,770**	303,037
Prepaid expenses	**58,989**	51,069
Total current assets	**6,752,106**	6,862,889
Noncurrent assets		
Investments:		
Restricted for debt service reserve	**218,682**	218,682
Restricted for debt service	**177,712**	145,084
U of U Regional Health Network	**50,000**	50,000
Capital and lease right-of-use assets, net	**5,018,085**	5,475,032
Total noncurrent assets	**5,464,479**	5,888,798
Total assets	**12,216,585**	12,751,687
Deferred outflows of resources		
Deferred charge on debt refunding	**270,160**	297,176
Total assets and deferred outflows of resources	**$ 12,486,745**	$ 13,048,863

See accompanying notes to basic financial statements.

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Statements of Net Position (Continued)
September 30, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
Current liabilities		
Accounts payable	**$ 432,417**	$ 358,726
Accrued compensation and related liabilities	**390,015**	342,473
Accrued interest payable	**16,322**	16,027
Current maturities of long-term debt	**285,000**	240,000
Current maturities of lease liabilities	**188,524**	180,907
Total current liabilities	**1,312,278**	1,138,133
Noncurrent liabilities		
Long-term debt, net of current maturities	**3,733,976**	4,099,374
Lease liabilities, net of current maturities	**396,337**	580,683
Total noncurrent liabilities	**4,130,313**	4,680,057
Total liabilities	**5,442,591**	5,818,190
Net position		
Net investment in capital assets	**2,828,243**	3,437,891
Restricted by bond agreement	**177,712**	145,084
Unrestricted	**4,038,199**	3,647,698
Total net position	**7,044,154**	7,230,673
Total liabilities and net position	**$ 12,486,745**	$ 13,048,863

See accompanying notes to basic financial statements.

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues		
Net patient revenue	**$ 12,880,521**	$ 12,116,085
Grants	**189,195**	316,356
Other	**67,823**	76,079
Total operating revenues	**13,137,539**	12,508,520
Operating expenses		
Salaries and wages	**5,157,674**	4,727,409
Employee benefits	**725,136**	607,823
Professional fees and other purchased services	**5,625,024**	5,110,087
Supplies	**1,488,779**	1,044,736
Lease and rentals	**7,016**	5,469
Depreciation and amortization	**755,553**	750,147
Insurance	**120,530**	181,120
Utilities	**138,369**	142,406
Repairs and maintenance	**11,363**	13,492
Other	**281,158**	223,489
Total operating expenses	**14,310,602**	12,806,178
Operating loss	**(1,173,063)**	(297,658)
Nonoperating revenues (expenses)		
Taxation for bond principal and interest	**437,221**	434,464
Taxation for maintenance and operations	**506,553**	545,581
Other COVID-19 grants	**-**	149,118
Investment income	**207,983**	177,817
Interest expense	**(165,213)**	(208,705)
Total nonoperating revenues, net	**986,544**	1,098,275
Change in net position	**(186,519)**	800,617
Net position, beginning of year	**7,230,673**	6,430,056
Net position, end of year	**$ 7,044,154**	$ 7,230,673

See accompanying notes to basic financial statements.

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 12,909,713**	$ 11,247,445
Other receipts	**67,823**	76,079
Receipts from grants	**276,073**	391,503
Payments to and on behalf of employees	**(5,835,268)**	(5,358,596)
Payments to suppliers and contractors	**(7,587,201)**	(6,631,557)
Net cash from operating activities	**(168,860)**	(275,126)
Cash flows from noncapital financing activities		
Principal paid on long-term debt	**(275,000)**	(270,000)
Interest paid on long-term debt	**(45,743)**	(114,968)
Property taxes	**513,447**	547,187
Other COVID-19 grants	**-**	149,118
Net cash from noncapital financing activities	**192,704**	311,337
Cash flows from capital and related financing activities		
Property taxes for bond principal and interest	**437,221**	434,464
Purchase of capital assets	**(298,606)**	(904,988)
Principal paid on long-term debt and lease liabilities	**(176,729)**	(214,740)
Interest paid on long-term debt and lease liabilities	**(137,557)**	(96,091)
Net cash from capital and related financing activities	**(175,671)**	(781,355)
Cash flows from investing activities		
Interest income received	**181,714**	157,288
Purchase of investments	**(448,026)**	(454,154)
Sale of investments	**441,667**	457,021
Net cash from investing activities	**175,355**	160,155
Net change in cash and cash equivalents	**23,528**	(584,989)
Cash and cash equivalents, beginning of year	**4,036,090**	4,621,079
Cash and cash equivalents, end of year	**$ 4,059,618**	$ 4,036,090

See accompanying notes to basic financial statements.

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Statements of Cash Flows (Continued)
Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	**$ (1,173,063)**	$ (297,658)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	**755,553**	750,147
Provision for bad debts	**938,136**	667,347
Change in assets:		
Receivables:		
Patient accounts, net	**(1,344,282)**	(725,088)
Estimated third-party payor settlements	**431,509**	(781,733)
Grants	**86,878**	75,147
340B contract pharmacy	**3,829**	(29,166)
Inventories	**19,267**	(73,060)
Prepaid expenses	**(7,920)**	148,752
Change in liabilities:		
Accounts payable	**73,691**	13,550
Accrued compensation and related liabilities	**47,542**	(23,364)
Net cash from operating activities	**$ (168,860)**	$ (275,126)

See accompanying notes to basic financial statements.

Noncash Capital Financing Activities

During the years ended September 30, 2024 and 2023, the District recognized right-of-use lease assets and lease liabilities totaling $0 and $696,289, respectively.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Lost Rivers Hospital District doing business as Lost Rivers Medical Center (the District) operates a licensed 14-bed acute care hospital and a rural health clinic in Arco, Idaho. The District also operates a rural health clinic in Mackay, Idaho, as provided under the laws of the state of Idaho for Idaho State municipal corporations. The District is exempt from federal income tax, pursuant to Internal Revenue Code Section 115. The Board of Trustees consists of seven community members elected for six-year terms.

b. Summary of Significant Accounting Policies

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

Enterprise fund accounting – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Inventories – Inventories are stated at-cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Restricted investments – Investments restricted as to use consist of proceeds from the 2021 advanced refund of the 2014 bond issuance, and are held by the bond trustee for debt service and debt service reserve.

Compensated absences – The District's employees earn paid time off (PTO) hours at varying rates, depending on years of service. Accumulated PTO is limited to a maximum accrual at varying amounts depending on years of service. All PTO benefits are accrued and expensed when earned.

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net assets that do not meet the definition of *net investment in capital assets* or *restricted*.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued)**:

   b. Summary of Significant Accounting Policies (continued)

   Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities, associated with providing healthcare services — the District's principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

   Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

   Grants and contributions – From time to time, the District receives grants from the state of Idaho, 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 capital purposes. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

   Reclassifications – Certain amounts have been reclassified in the 2023 financial statements in order to be consistent with the 2024 financial statements. These reclassifications had no effect on the previously reported change in net position.

   Subsequent events – The District has evaluated subsequent events through December 30, 2024, the date on which the financial statements were available to be issued.

2. **Bank Deposits and Investments:**

   Custodial credit risk – Custodial credit risk is the risk that, in the event of a depository institution's failure, the District's deposits may not be refunded to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2024 and 2023, the District had uninsured and uncollateralized deposit balances of $3,671,224 and $3,612,392, respectively.

   The District's investments consisted of Treasury Portfolio Short-Term Investments Trust of $396,394 and $363,766, respectively, and an equity investment with the University of Utah (U of U) Regional Health Network of $50,000 as of September 30, 2024 and 2023, respectively.

   Fair value – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Treasury Portfolio Short-Term Investments Trust is a Level 1 investment and valued using current market rates. The investment in U of U Regional Health Network is not subject to fair value measurements and is valued under the cost method.

2. Bank Deposits and Investments (continued):

Interest rate risk – This 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. 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. State statutes limit the investments in bonds, debentures, or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients did not change significantly from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consist of these amounts:

		2024		2023
Receivables from patients and their insurance carriers	**$**	**950,010**	$	773,720
Receivables from Medicare		**796,977**		482,804
Receivables from Medicaid		**120,159**		97,476
Total patient accounts receivable		**1,867,146**		1,354,000
Less allowance for uncollectible accounts		**334,000**		227,000
Patient accounts receivable, net	**$**	**1,533,146**	$	1,127,000

4. Capital and Lease Right-of-Use Assets:

Capital assets are assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets, other than lease assets, are recorded at historical cost, if purchased or constructed. Donated capital assets are stated at estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses. Lease assets are stated at the present value of the future payments under the agreement, plus any payments made at or before the start of the contract and costs to place the assets in service.

All capital assets, other than land and construction in progress, are being depreciated by the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Useful lives have been estimated as follows:

Building and improvements	5 to 40 years
Equipment	3 to 25 years
Lease right-of-use assets:	
Buildings	5 years
Equipment	3 to 6 years

Capital assets additions, retirements, transfers, and balances are as follows:

	Balance September 30, 2023	Additions	Retirements	Transfers	Balance September 30, 2024
Capital assets not being depreciated or amortized					
Construction in progress	$ 389,716	$ 302,455	$ (28,866)	$ (653,796)	**$ 9,509**
Capital assets being depreciated or amortized					
Building and improvements	3,636,057	-	-	531,295	**4,167,352**
Equipment	6,235,676	25,017	-	122,501	**6,383,194**
Lease right-of-use assets:					
Building	21,965	-	-	-	**21,965**
Equipment	1,171,500	-	-	-	**1,171,500**
Total capital assets being depreciated or amortized	11,065,198	25,017	-	653,796	**11,744,011**
Less accumulated depreciation and amortization for					
Building and improvements	(2,158,446)	(113,088)	-	-	**(2,271,534)**
Equipment	(3,297,488)	(486,533)	-	-	**(3,784,021)**
Lease right-of-use assets:					
Building	(4,792)	(4,393)	-	-	**(9,185)**
Equipment	(519,156)	(151,539)	-	-	**(670,695)**
Total accumulated depreciation and amortization	(5,979,882)	(755,553)	-	-	**(6,735,435)**
Total capital assets being depreciated or amortized, net	5,085,316	(730,536)	-	653,796	**5,008,576**
Capital and lease right-of-use assets, net	**$ 5,475,032**	**(428,081)**	**(28,866)**	-	**$ 5,018,085**

4. Capital and Lease Right-of-Use Assets (continued):

	Balance September 30, 2022	Additions	Retirements	Transfers	Balance September 30, 2023
Capital assets not being depreciated					
Construction in progress	$ 1,005,920	$ 890,735	$ -	$ (1,506,939)	**$ 389,716**
Capital assets being depreciated or amortized					
Building and improvements	3,622,642	-	-	13,415	**3,636,057**
Equipment	5,055,231	14,253	-	1,166,192	**6,235,676**
Lease right-of-use assets:					
Building	-	-	-	21,965	**21,965**
Equipment	413,732	696,289	(243,888)	305,367	**1,171,500**
Total capital assets being depreciated or amortized	9,091,605	710,542	(243,888)	1,506,939	**11,065,198**
Less accumulated depreciation and amortization for					
Building and improvements	(2,044,706)	(104,315)	-	(9,424)	**(2,158,445)**
Equipment	(3,163,506)	(470,740)	-	336,757	**(3,297,489)**
Lease right-of-use assets:					
Building	-	(4,792)	-	-	**(4,792)**
Equipment	(265,411)	(170,300)	243,888	(327,333)	**(519,156)**
Total accumulated depreciation and amortization	(5,473,623)	(750,147)	243,888	-	**(5,979,882)**
Total capital assets being depreciated or amortized, net	3,617,982	(39,605)	-	1,506,939	**5,085,316**
Capital and lease right-of-use assets, net	**$ 4,623,902**	**851,130**	-	-	**$ 5,475,032**

5. Long-term Debt and Lease Liabilities:

Schedules of changes in the District's long-term debt and lease liabilities are as follows:

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
Long-term debt					
2021 Bonds payable:					
Series 2014B-1 Tax Exempt Bond	$ 2,220,000	$ -	$ -	$ 2,220,000	$ -
Series 2014B-2 Taxable Bond	1,620,000	-	(275,000)	1,345,000	285,000
Total long-term debt	3,840,000	-	(275,000)	3,565,000	285,000
Lease liabilities					
Conmed Lease	69,341	-	(26,501)	42,840	32,816
Mackay Clinic	12,825	-	(4,838)	7,987	5,004
Cardinal Lease	599,691	-	(109,219)	490,472	113,341
Xerox Lease	79,733	-	(36,171)	43,562	37,363
Total lease liabilities	761,590	-	(176,729)	584,861	188,524
Bond premium	499,374	-	(45,398)	453,976	-
Total long-term debt and lease liabilities	**$ 5,100,964**	**$ -**	**$ (497,127)**	**$ 4,603,837**	**$ 473,524**

5. Long-term Debt and Lease Liabilities (continued):

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Long-term debt					
2014 Bonds payable:					
General Obligation Bonds, Series 2014 C (taxable)	$ 270,000	$ -	$ (270,000)	$ -	$ -
2021 Bonds payable:					
Series 2014B-1 Tax Exempt Bond	2,220,000	-	-	2,220,000	-
Series 2014B-2 Taxable Bond	1,620,000	-	-	1,620,000	240,000
Total long-term debt	4,110,000	-	(270,000)	3,840,000	240,000
Lease liabilities					
Pentax Lease	30,655	-	(30,655)	-	-
Conmed Lease	98,356	-	(29,015)	69,341	30,857
Cardinal Lease	-	696,289	(96,598)	599,691	109,219
Cardinal Instruments Lease	19,109	-	(19,109)	-	-
Mackay Clinic	17,486	-	(4,661)	12,825	4,823
Xerox Lease	114,435	-	(34,702)	79,733	36,008
Total lease obligations	280,041	696,289	(214,740)	761,590	180,907
Bond premium	544,771	-	(45,397)	499,374	-
Total long-term debt and lease liabilities	**$ 4,934,812**	**$ 696,289**	**$ (530,137)**	**$ 5,100,964**	**$ 420,907**

The terms and due dates of the District's long-term debt follows:

- ***Taxable and tax-exempt general obligation bonds*** – The District issued series 2021 tax exempt and a taxable general obligation bond, dated June 29, 2021, with a face amount of $2,220,000 and $1,620,000. The bonds were issued to advance refund the District's Series 2014 taxable and tax-exempt general obligation bonds. Over the term of the debt, the District will benefit from a net savings of approximately $407,000. The bonds are payable semiannually on March 15 and September 15, with remaining variable principal payments ranging from $285,000 to $415,000, plus interest ranging from 2 percent to 5 percent, through 2034. Principal payments started in September 2024. The bonds are general obligations of the District and are secured by an irrevocable pledge by the District that it will have sufficient funds available to pay the bond principal and interest due by levying, each year, a tax upon the taxable property within the District.

- ***Lease liabilities*** – For the years ended September 30, 2024 and 2023, the District recognized lease liabilities in the amount of $0 and $686,289, respectively. Lease liabilities are comprised of both equipment and building leases that have interest rates and payment amounts that are varied. The District recorded lease liabilities to various lenders in the aggregate original amount of $1,050,689, due in monthly payments between $435 and $10,802, including interest from 3.700 percent to 6.171 percent, through April 1, 2029.

5. Long-term Debt and Lease Liabilities (continued):

Aggregate annual principal and interest payments over the terms of long-term debt and lease liabilities are as follows:

Years Ending September 30,	Long-term Debt		
	Principal	Interest	Total
2025	$ 285,000	$ 142,414	**$ 427,414**
2026	300,000	128,164	**428,164**
2027	320,000	113,164	**433,164**
2028	335,000	97,164	**432,164**
2029	350,000	80,414	**430,414**
2030-2034	1,975,000	159,530	**2,134,530**
	$ 3,565,000	**$ 720,850**	**$ 4,285,850**

Years Ending September 30,	Lease Liabilities		
	Principal	Interest	Total
2025	$ 188,524	$ 18,938	**$ 207,462**
2026	136,824	12,109	**148,933**
2027	122,056	7,565	**129,621**
2028	126,662	2,959	**129,621**
2029	10,795	33	**10,828**
	$ 584,861	**$ 41,604**	**$ 626,465**

6. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have decreased from the prior year, due to a change in self-pay collections policies.

6. Net Patient Service Revenue (continued):

The District has not changed its charity care or uninsured discount policies during fiscal years 2024 or 2023. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2024	2023
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 7,001,422**	$ 6,451,050
Medicaid	**1,224,459**	1,570,878
Other third-party payors	**4,544,366**	3,715,559
Patients	**397,562**	334,040
340B contract pharmacy	**651,638**	712,574
	13,819,447	12,784,101
Less:		
Charity care	**790**	669
Provision for bad debts	**938,136**	667,347
Net patient service revenue	**$ 12,880,521**	$ 12,116,085

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 has been designated a critical access hospital and rural health clinics by Medicare, and is reimbursed for inpatient, outpatient, and rural health clinic services on a cost basis, as defined and limited by the Medicare program. The District is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.

- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a cost basis, as defined by the state of Idaho, subject to certain limitations. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on a cost basis and fee schedule blend, as defined by the state of Idaho, subject to certain limitations. The District is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Clinic services are reimbursed on a fee schedule.

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

6. Net Patient Service Revenue (continued):

The District entered into payment agreements with Catamaran Management, LLC (Catamaran), where Catamaran would assist with management of laboratory testing locations and the District would perform the testing, and bill and collect payments on those tests.

Laws and regulations governing the Medicare and Medicaid 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. Net patient service revenue increased by approximately $122,000 and $391,000, respectively, for the years ended September 30, 2024 and 2023, due to differences between original estimates and final settlements.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses based on data from its costing system. The costs of caring for charity care patients for the years ended September 30, 2024 and 2023, were approximately $1,000. The District did not receive any gifts or grants to subsidize charity services during 2024 and 2023.

7. Property Taxes:

The District, through Butte and Custer Counties, receives funds from property taxes obtained through a mill levy on assessed property valuations. Under Idaho law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are levied in October on property values assessed on the same date. Tax levy notices are issued in November and payments are due on December 20 and June 20. The billings are considered past due one day after the respective payment dates, at which time penalties and interest are assessed. If the payments are three years overdue, a tax deed is issued in January. Tax deed hearings are held and, if the owner does not redeem the property, the County takes possession. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Assessed values are established by the County Assessor at 100 percent of fair market value. A revaluation of all property is required every five years. Property taxes are recorded as receivables when levied.

7. Property Taxes (continued):

The District's tax levies are comprised of the following:

2023			
Butte County:	**Levy Amount**	**Levy Rate**	**Assessed Value**
Bond	$ 199,262	$ 0.000810031	$ 245,992,597
M&O	82,537	0.000335526	245,992,597
Tort	70,089	0.000284923	245,992,597
Custer County:			
Bond	245,738	0.000810031	303,369,158
M&O	101,788	0.000335526	303,369,158
Tort	86,437	0.000284923	303,369,158

2022			
Butte County:	**Levy Amount**	**Levy Rate**	**Assessed Value**
Bond	$ 341,032	$ 0.000942917	$ 361,677,759
M&O	149,323	0.000412862	361,677,759
Tort	103,459	0.000286053	361,677,759
Custer County:			
Bond	221,815	0.000942917	235,243,851
M&O	97,123	0.000412862	235,243,851
Tort	67,292	0.000286053	235,243,851

8. Retirement Plan:

The District adopted the Lost Rivers Medical Center 457(b) defined contribution plan (the 457b Plan) in February 2018. The 457b Plan covers all employees over age 21 and who have completed six continuous months of employment. Employee contributions to the 457b Plan for the years ended September 30, 2024 and 2023, were approximately $136,000 and $89,000, respectively. Employer contributions to the 457b plan for the years ended September 30, 2024 and 2023 were approximately $49,000 and $0, respectively.

9. Risk Management and Contingencies:

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

Medical malpractice claims – The District obtains medical malpractice insurance through Physicians Insurance (the Company). The Company offers the District a professional and general liability policy on a "claims made" basis, with primary limits of $1,000,000 per claim and an annual aggregate limit of $5,000,000. The policy has no deductible per claim. The policy has been renewed through October 1, 2025.

9. Risk Management and Contingencies (continued):

Medical malpractice claims (continued) – No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as: licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

10. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around Butte and Custer Counties.

The mix of patient receivables was as follows:

	2024	**2023**
Medicare	**38 %**	34 %
Medicaid	**10**	12
Other third-party payors	**34**	36
Patients	**18**	18
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

ACCOUNTANTS | ADVISORS

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

Board of Trustees
Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Arco, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lost Rivers Hospital District doing business as Lost Rivers Medical Center (the District) as of and for the year ended September 30, 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, and have issued our report thereon dated December 30, 2024.

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 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 may exist that have not been identified.

12015 E Main Ave | Spokane Valley, WA 99206 | 509.242.0874 | www.dza.cpa

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
December 30, 2024

Lost Rivers Hospital District
doing business as Lost Rivers Medical Center
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2024

The audit for the year ended September 30, 2023, reported no audit findings, nor were there any unresolved findings from periods prior to 2022. Therefore, there are no matters to report in this schedule for the year ended September 30, 2024.