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Certified Public Accountants

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February 7, 2025

To the Board of Trustees
McCall Memorial Hospital District

We have audited the financial statements of the governmental activities and the fund information of McCall Memorial Hospital District for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 4, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by McCall Memorial Hospital District, are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimates of the taxes receivable and the related deferral are based on management's knowledge of the receivable and deferral. We evaluated the key factors and assumptions used to develop the taxes receivable and related deferral in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A schedule attached to the management representation letters summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, other misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to McCall Memorial Hospital District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the McCall Memorial Hospital District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

This information is intended solely for the information and use of the Board of Trustees and management of McCall Memorial Hospital District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bailey & Co.

McCALL MEMORIAL HOSPITAL DISTRICT

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended September 30, 2024

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Independent Auditor's Report

To the Board of Trustees
McCall Memorial Hospital District

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the fund information of McCall Memorial Hospital District (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of McCall Memorial Hospital District, as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 McCall Memorial Hospital 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 opinions.

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 McCall Memorial Hospital 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 Responsibility 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 is issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or in 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 generally accepted auditing standards 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 budgetary comparison information 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.

Management has omitted 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 February 7, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Bailey & Co.

Nampa, Idaho
February 7, 2025

McCall Memorial Hospital District
Statement of Net Position
September 30, 2024

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 1,807,382
Property Taxes Receivable, Net	1,523,956
Intergovernmental Receivable, Net	27,312
Prepaid Items	663,799
Capital Assets:	
Land	2,011,528
Construction in Progress	610,919
Buildings and Improvements, Net	3,345,636
Equipment and Furniture, Net	584,130
Total Assets	10,574,662
Deferred Outflows	0
Liabilities	
Accounts Payable	3,494
Deferred Inflows	
Property Taxes	1,491,968
Net Position	
Net Investment in Capital Assets	6,552,213
Restricted	2,526,987
Total Net Position	$ 9,079,200

The accompanying notes are an integral part of the financial statements.

McCall Memorial Hospital District
Statement of Activities
For the Year Ended September 30, 2024

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position - Governmental Activities
Primary Government:					
Governmental Activities:					
Hospital Support	$ 386,322	$ 0	$ 0	$ 0	$ (386,322)
District Operations/Maintenance	12,011	0	0	0	(12,011)
Total Governmental Activities	$ 398,333	$ 0	$ 0	$ 0	(398,333)
General Revenues:					
Property Taxes					1,219,222
Personal Property Tax Replacement					78,618
Sales Tax					100,326
Interest Income					74,405
Disposal of Capital Assets					(1,850)
Total General Revenues					1,470,721
Change in Net Position					1,072,388
Net Position, Beginning - Restated					8,006,812
Net Position, Ending					$ 9,079,200

The accompanying notes are an integral part of the financial statements.

McCall Memorial Hospital District
Balance Sheet -
Governmental Funds
September 30, 2024

	General Fund
Assets	
Cash and Cash Equivalents	$ 1,807,382
Property Taxes Receivable, Net	1,523,956
Intergovernmental Receivable, Net	27,312
Prepaid Items	663,799
Total Assets	4,022,449
Deferred Outflows	0
Total Assets and Deferred Outflows	$ 4,022,449
Liabilities	
Accounts Payable	$ 3,494
Deferred Inflows	
Unavailable Property Taxes	1,515,092
Fund Balances	
Nonspendable	663,799
Restricted	1,840,064
Total Fund Balances	2,503,863
Total Liabilities, Deferred Inflows, and Fund Balances	$ 4,022,449

The accompanying notes are an integral part of the financial statements.

McCall Memorial Hospital District
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds		$ 2,503,863
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:		
Land	$ 2,011,528	
Construction in Progress	610,919	
Buildings and Improvements, Net of $8,799,528 Accumulated Depreciation	3,345,636	
Equipment and Furniture, Net of $2,665,593 Accumulated Depreciation	584,130	
		6,552,213
Certain property taxes and intergovernmental receivables will be collected in the next year, but are not available soon enough to pay for current period expenditures and, therefore, are considered unavailable in the funds.		23,124
Total Net Position - Governmental Activities		$ 9,079,200

The accompanying notes are an integral
part of the financial statements.

McCall Memorial Hospital District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2024

	General Fund
Revenues	
Property Taxes	$ 1,222,356
Personal Property Tax Replacement	78,618
Sales Tax	129,000
Interest Income	74,405
Total Revenues	1,504,379
Expenditures	
Current:	
Legal Notices	541
Bank Charges	34
Office Supplies and Telephone	745
Contract Fees	1,188,636
Legal Fees	31,476
Property Tax	2,640
Insurance	2,441
Total Expenditures	1,226,513
Net Change in Fund Balances	277,866
Fund Balances - Beginning	2,225,997
Fund Balances - Ending	$ 2,503,863

The accompanying notes are an integral
part of the financial statements.

McCall Memorial Hospital District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental
Funds to the Statement of Activities
For the Year Ended September 30, 2024

Total Net Change in Fund Balance - Governmental Funds		$ 277,866
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Disposals of capital assets are also reported in the statement of activities. In the current period these amounts are:		
Capital Outlay	$ 1,180,386	
Disposal of Capital Assets	(1,850)	
Depreciation Expense	(352,206)	
Net		826,330
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds and are, instead, reported as deferred inflows. They are, however, recorded as revenues in the statement of activities.		
Change in Net Position of Governmental Activities		(31,808)
		$ 1,072,388

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

McCall Memorial Hospital District (the District) is organized as a political subdivision of the State of Idaho and was established to furnish general hospital services, and together with such hospital services, nursing home services, or medical clinic services to the general public and all other such services as may be necessary for the care of the injured, maimed, sick, disabled, convalescent or long-term care patients. This is accomplished by levying property taxes and using such taxes for the acquisition, construction, improvement, and maintenance of public hospitals or medical clinics within the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses are expenses of the general government related to the administration and support of the District's programs, such as personnel and accounting (but not interest on long-term debt), and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. The District reports the following major governmental fund: General fund - This is the District's only fund. It accounts for all financial resources of the District.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without giving equal value in return, include property taxes, sales tax, and other state aid. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are intended to finance. Sales tax and other state aid is recognized in the fiscal year in which the amounts are measurable. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days, except for principal and interest on general long-term debt, and claims and adjustments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statements and in the governmental fund balance sheet. The District uses the following fund balance categories in the governmental fund balance sheet:

- *Unassigned.* Balances available for any purpose.
- *Nonspendable.* Balances, for example, in permanent funds, prepaid expenditures, and inventories that are permanently precluded from conversion to cash. The District's balance in this category is entirely made up of prepaid expenditures.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.

The remaining fund balance classifications (committed and assigned) are not applicable or were not utilized. However, if there had been committed funds, these amounts would have been decided by the Board of Trustees, the District's highest level of decision making authority, through a formal action. The Board of Trustees would also have the authority to assign funds or authorize another official to do so.

Restricted amounts are to be spent on general operations of the District and the acquisition, construction, improvement, and maintenance of public hospitals or medical clinics within the District. A sinking fund levy may be assessed for the purpose of accumulating monies with which to add new buildings or necessary equipment. A sinking fund levy was not assessed for the current year.

When program expenses are incurred and there are both restricted and unrestricted resources available to finance the program, it is the District's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the order of use of committed, assigned, or unassigned fund balances. However, it is the District's intent that when an expenditure is incurred for the purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Cash Equivalents

All cash and investments with an original maturity date of less than three months are considered to be cash and cash equivalents.

Property Tax Calendar

The District's property taxes are levied on or before the third Monday in September and billed by Valley County to taxpayers in November. The taxes are due in two installments. One half of the property taxes are due on December 20. The remainder is due the following June 20. Real property taxes not paid

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

constitute a lien on the property when entered on the real property assessment role as delinquent on the first day of January of the succeeding year.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are generally not over 30 days past due.

Capital Assets

Capital assets reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets would be reported at estimated fair value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are reported in the government-wide statements as shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Land and Construction in Progress	$5,000	N/A	N/A
Buildings and Improvements	$5,000	Straight-Line	15 - 40 Years
Equipment and Furniture	$5,000	Straight-Line	5 - 15 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

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

2. PROPERTY TAXES

The District receives tax revenue from Valley County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the County as of September 30, 2024, are considered a receivable by the District. Taxes not collected within 60 days after September 30, 2024, are not considered available for use by the District and are recorded as deferred inflows in the fund financial statements. The levy for the current year is intended to finance operations in the next year, so the current levy is also a deferred inflow in the government-wide statements.

3. CASH AND INVESTMENTS

Deposits

As of September 30, 2024, the carrying amount of the District's deposits was $1,807,382 and the respective bank balances totaled the same.

3. CASH AND INVESTMENTS (continue)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of September 30, 2024, all of the District's deposits were covered by the federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus were not exposed to custodial credit risk. $1,557,382 was collateralized with securities held by Idaho First Bank. The remaining $250,000 was covered through the FDIC. The District does not have a formal policy limiting its exposure to custodial credit risk for deposits.

Investments

As of September 30, 2024, the District held no investments. However, the District follows Idaho Statute that outlines qualifying investment options as follows:

> Idaho Code 39-1346B authorizes the District to invest idle funds in investments that carry an A rating or better by a commonly known rating service and that are authorized by the legislature for the state treasurer pursuant to sections 67-1210 and 67-1210A, Idaho Code, which include obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

At year-end, the cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	$ 1,807,382

4. AGREEMENT WITH ST. LUKE'S

In February 2016, the District entered into a Healthcare Services Agreement and Lease-Option Agreement with St. Luke's Regional Medical Center, Ltd. (SLRMC). Part of the consideration provided for in the Lease-Option Agreement is SLRMC will provide healthcare services to the residents of and visitors to Valley County. The District will review and may approve funding requests from SLRMC in order for SLRMC to provide those services, including (but not limited to) acquisition, construction, improvement, and maintenance of property. However, the District will retain ownership of capital assets until such time as the option to purchase District property has been exercised by SLRMC. The Healthcare Services Agreement shall remain in effect until terminated either by agreement of the parties or due to certain defaults. Funding requests for the current year totaled $1,300,000.

4. AGREEMENT WITH ST. LUKE'S (continued)

The Lease-Option Agreement is for the lease of District property to SLRMC for an initial term of 25 years commencing on February 5, 2016. SLRMC will have the option to extend the lease for additional ten-year terms. If the Healthcare Services Agreement is terminated, it will cause this lease to terminate as well. Rent consists of all costs, fees, and assessments reasonably required to care for, manage, and protect the leased property. A Statement of Rents is to be provided to the District by November 1 of each year that itemizes the cost incurred by SLRMC in the prior fiscal year. The Statement of Rents for 2024 reported rent of $2,200,282. Because no actual exchange of funds for the rent is taking place and this would cause the District's actual expenditures to exceed appropriations, the rent revenue and corresponding expenditure are not being recorded in the District's financial statements.

The option portion of the Lease-Option agreement gives SLRMC the right to acquire the District's capital assets, excluding land. The purchase price is set at $15,000,000; plus the cost of equipment, furniture, fixtures, or improvements purchased by the District and leased to SLRMC after February 5, 2016 but prior to the exercise of the option by SLRMC; less acquisition credits (the total amount the option property has depreciated, amounts reflected as rent in the Statement of Rents, capital improvements costs incurred by SLRMC, and set-asides by SLRMC for capital improvements). The option may be exercised by SLRMC in a written notice and provided the acquisition credits equal or exceed the value of the option property and is not in violation of Idaho law.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

Governmental Activities:	09/30/2023	Reclass-ifications/ PPA	Additions	Disposals	09/30/2024
Capital Assets Not Being Depreciated:					
Land	$ 2,220,489	$ (208,961)	$ 0	$ 0	$ 2,011,528
Construction in Progress	25,003	0	585,916	0	610,919
Total Non Depreciable Assets	2,245,492	(208,961)	585,916	0	2,622,447
Capital Assets Being Depreciated:					
Buildings and Improvements	13,261,386	(1,710,692)	594,470	0	12,145,164
Equipment and Furniture	8,553,306	(5,054,434)	0	(249,149)	3,249,723
Total Depreciable Assets	21,814,692	(6,765,126)	594,470	(249,149)	15,394,887
Less: Accumulated Depreciation					
Buildings and Improvements	9,959,081	(1,380,523)	220,970	0	8,799,528
Equipment and Furniture	7,768,634	(4,986,978)	131,236	(247,299)	2,665,593
Total Accumulated Depreciation	17,727,715	(6,367,501)	352,206	(247,299)	11,465,121
Net Depreciable Assets	4,086,977	(397,625)	242,264	(1,850)	3,929,766
Capital Assets - Net	$ 6,332,469	$ (606,586)	$ 828,180	$ (1,850)	$ 6,552,213

Depreciation expenses was charged to the functions of the District as follows:

Governmental Activities:	
Hospital Support	$ 352,206

6. CORRECTION OF ERRORS

During the current year, errors in the calculation of prior depreciation and the existence of assets were discovered. Capital assets in the year ending September 30, 2023, were overstated by $606,586. This error had no effect on fund balance. The adjustments to and restatements of beginning net position is as follows:

	9/30/2023 As Previously Reported	Error Correction	9/30/2023 As Restated
Government-Wide:			
Governmental Activities	$ 8,613,398	$ (606,586)	$ 8,006,812

7. RISK MANAGEMENT

The District is exposed to a number of risks of loss including, but not limited to professional liabilities, i.e. errors and omissions. Insurance has been purchased to transfer some of the risk of loss.

REQUIRED SUPPLEMENTARY INFORMATION

McCall Memorial Hospital District
Budgetary Comparison Schedule (GAAP Basis)
General Fund
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	$ 1,306,000	$ 1,306,000	$ 1,222,356	$ (83,644)
Personal Property Tax Replacement	30,000	30,000	78,618	48,618
Sales Tax	78,000	78,000	129,000	51,000
Interest Income	1,440	1,440	74,405	72,965
Total Revenues	1,415,440	1,415,440	1,504,379	88,939
Expenditures				
Current:				
Legal Notices	420	420	541	(121)
Bank Charges	0	0	34	(34)
Office Supplies and Telephone	225	225	745	(520)
Contract Fees	1,307,275	1,307,275	1,188,636	118,639
Legal Fees	12,000	12,000	31,476	(19,476)
Property Tax	2,000	2,000	2,640	(640)
Insurance	2,200	2,200	2,441	(241)
Total Expenditures	1,324,120	1,324,120	1,226,513	97,607
Net Change in Fund Balances	91,320	91,320	277,866	186,546
Fund Balances - Beginning	0	0	2,225,997	2,225,997
Fund Balances - Ending	$ 91,320	$ 91,320	$ 2,503,863	$ 2,412,543

McCall Memorial Hospital District
Notes to Required Supplementary Information
For the Year Ended September 30, 2024

1. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

A. Prior to September 1, the Board of Trustees prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

B. Public hearings are conducted at McCall Memorial Hospital to obtain taxpayer comments.

C. Prior to October 1, the budget is legally enacted through passage of an ordinance.

D. The District is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The District, however, must follow the same budgetary procedures as they followed when the original budget was approved.

E. Formal budgetary integration is employed as a management control device during the year for the General fund.

INTERNAL CONTROL AND COMPLIANCE REPORT

Bailey & Company Chtd.
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
McCall Memorial Hospital District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the fund information of McCall Memorial Hospital District (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 and have issued our report thereon dated February 7, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described below that we consider to be a significant deficiency.

2024-001: Capital Asset Accuracy, Classification, and Existence

A building was previously identified as land (which meant it had not been depreciated) and several assets were identified as disposed in the current year but were actually disposed in a prior year. Properly designed and implemented internal controls ensure capital assets listed actually exist, are properly classified, and the depreciation is properly accumulating. Controls over the existence and proper classification of capital assets and the accuracy of depreciation are not properly designed to prevent, detect, or correct material misstatements in a timely manner. As a result, a prior period adjustment to the government-wide financial statements of $606,586 was required to correct errors in prior depreciation calculations and to remove assets that were found to no longer exist. We recommend that a physical inventory of the assets takes place. This would be in addition to ensuring that a review of the depreciation schedule occurs at least annually before the audit is to begin to verify proper calculations, to identify assets that should be disposed, and to verify asset additions are complete, properly classified, and

accurate. We also recommend that either a board member or members are assigned these duties or that the board assigns these duties to an outside party and the board provides oversight that these controls have been implemented. The District will take these recommendations into consideration and may adopt these recommendations or explore and adopt alternative controls that accomplish the same goal. This plan will be implemented for fiscal year 2025.

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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Bailey & Co.

Nampa, Idaho
February 7, 2025