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CPAs & BUSINESS ADVISORS

April 23, 2025

To the Board of Directors
Pend Oreille Hospital District
Sandpoint, Idaho

We have audited the financial statements of the Pend Oreille Hospital District (the District) as of and for the year ended December 31, 2024, and have issued our report thereon dated April 23, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under *Government Auditing Standards*

As communicated in our letter dated December 20, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding a material weakness over financial noted during our audit in a separate letter to you dated April 23, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Internal Controls: Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the organization may have the ability to override controls that the organization has implemented in order to modify financial reporting.
- Improper Revenue Recognition: We identified revenue recognition as a significant risk due to the determination of receivables and unavailable revenue.
- Related Party Activity: We identified a risk over related party activity due to the nature of transactions between the District and its related parties and the potential for accruals of amounts due to a related party.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgment.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify and circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated April 23, 2025.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

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

Eide Bailly LLP

Boise, Idaho

Financial Statements
December 31, 2024

Pend Oreille Hospital District

EideBailly

Pend Oreille Hospital District

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Independent Auditor's Report

The Board of Directors
Pend Oreille Hospital District
Sandpoint, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Pend Oreille Hospital District (the District) as of and for the year ended December 31, 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 governmental activities and the major fund of the District, as of December 31, 2024, and the respective changes in financial position 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 (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 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 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 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 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

Management has omitted the management's discussion and analysis and the budgetary comparison 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 opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Clinic Losses and Sublease Payments (the Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
April 23, 2025

Pend Oreille Hospital District

Statement of Net Position and Governmental Fund Balance Sheet

December 31, 2024

	Governmental Fund	Adjustments Note 2	Statement of Net Position
Assets			
Cash	$ 27,870	$ -	$ 27,870
Property taxes receivable	1,630,297	-	1,630,297
Capital assets, net of depreciation	-	13,909	13,909
	$ 1,658,167	$ 13,909	$ 1,672,076
Deferred Inflow and Fund Balance/Net Position			
Deferred inflow, property tax revenue	$ 675,478	$ 914,702	$ 1,590,180
Fund Balance/Net position			
Unassigned/Unrestricted	982,689	(914,702)	67,987
Investment in capital assets	-	13,909	13,909
	$ 1,658,167	$ 13,909	$ 1,672,076

Pend Oreille Hospital District

Statement of Activities and Governmental Fund Statement of
Revenues, Expenditures, and Changes in Fund Balance
Year Ended December 31, 2024

	Governmental Fund	Adjustments Note 3	Statement of Activities
Revenue			
Property taxes	$ 1,723,933	$ (45,577)	$ 1,678,356
Total revenue	1,723,933	(45,577)	1,678,356
Expenditures/Expenses			
In support of Bonner General Hospital, Inc.	1,649,440	-	1,649,440
General government	6,217	4,526	10,743
Total expenditures/expenses	1,655,657	4,526	1,660,183
Excess (Deficiency) of Revenue over Expenditures	68,276	(50,103)	18,173
Fund Balance/Net Position, Beginning of Year	914,413		63,724
Fund Balance/Net Position, End of Year	$ 982,689		$ 81,897

Note 1 - Summary of Organization and Significant Accounting Policies

Pend Oreille Hospital District (the District) is a political subdivision of the State of Idaho and was established to support and/or operate hospital facilities within the District, the geographical boundaries of which include the City of Sandpoint and approximately two-thirds of Bonner County, Idaho.

Bonner General Hospital, Inc. (the Hospital) is a tax-exempt Idaho corporation organized for the purpose of constructing, maintaining, operating, and holding title to the Hospital facility in Bonner County. A cooperative agreement has existed between the District and the Hospital since 1981. This agreement provides that the Boards will jointly formulate the Hospital's operating budget and that certain operating costs shall be the responsibility of the District to be paid from the tax revenue available to the District. The District functions as an intermediary through which property taxes are levied for the purpose of providing financial support to the Hospital by Board resolution, toward payment of maintenance and operation expenditures. Effective as of August 27, 2024, the agreement was modified to specify that the tax revenue funding would go towards certain clinic expenditures as outlined in the agreement, including clinics providing women's health, behavioral health, and ophthalmology services.

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

Financial Reporting Entity

These statements present only the funds of the District in conformity with generally accepted accounting principles.

Government-Wide and Fund Financial Statements

The government-wide column of the financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. There were no program revenues in 2024. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As allowed under GASB 34, the District is reported as a "Single Purpose Entity." This allows for the government-wide financial statements to be combined with the fund-level, which is the General Fund, financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide column of the financial statements is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund column of the financial statements is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

General Fund – The District is a general fund. The general fund is used for all financial resources except those required to be accounted for in another fund.

Property Taxes Receivable and Deferred Inflows of Resources

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within 60 days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the District is on a December 31 fiscal year end, property taxes levied during September for collection in December are recorded as revenue. The succeeding year's June collections are recorded as deferred inflows of resources at the District's year end on the governmental fund column and recognized as revenue in the following fiscal year. Bonner County bills and collects taxes for the District.

Deferred inflows of resources represent an increase in net assets 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 related to property taxes. Property taxes will be recognized as revenue in the year for which it is levied.

Capital Assets

Property and equipment acquisitions in excess of $2,500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimate useful lives of capital assets are as follows:

Equipment	5-15 years

Note 2 - Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" in the District's governmental fund may differ from the "net position" of the governmental activities reported in the statement of net position as a result of the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund.	$ 13,909
Some of the property taxes receivable are available at the governmental fund level, but will not be recognized in revenue on the statement of activities until the year for which it is levied and are included in deferred inflows on the statement of net position.	$ 914,702

Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds may differ from the "change in net position" for governmental activities reported in the statement of activities as a result of the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental funds.

The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements recognize the amounts when "available".	$ (45,577)
Depreciation expense from capital assets is not reported as an expenditure at the fund level.	$ 4,526

Note 3 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended December 31, 2024, is as follows:

	December 31, 2023	Increases	Decreases	December 31, 2024
Capital assets, being depreciated Equipment	$ 56,030	$ -	$ -	$ 56,030
Less accumulated depreciation for Equipment	(37,594)	(4,527)	-	(42,121)
Capital assets, net	$ 18,436	$ (4,527)	$ -	$ 13,909

Note 4 - Lease Obligations

The District leases certain office space under annual renewal lease agreements. Total lease expense for the year ended December 31, 2024, was $239,562 for the clinics and the amount the District reimbursed Bonner General Hospital was $234,749 and is included in the In Support of Bonner General Hospital, Inc. line item.

Supplementary Information
December 31, 2024

Pend Oreille Hospital District

Clinic Losses and Sublease Payments	
Sandpoint Women's Health	$ 610,044
Ophthalmology Health Clinic	236,950
Behavioral Health	797,555
	$ 1,644,549

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Pend Oreille Hospital District
Sandpoint, Idaho

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 governmental activities and the major fund of the Pend Oreille Hospital District (the District), as of and for the year ended December 31, 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 April 23, 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items *2024-001* that we consider to be a material weakness.

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 in the accompanying Schedule of Findings and Responses. 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 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
April 23, 2025

Material Weakness

2024-001 - Financial Statement Preparation

Condition:
Management does not have an internal control system in place designed to provide for the preparation of the financial statements being audited.

Criteria:
The District does not have an internal control system designed to provide for the preparation of the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of the cost or other conditions.

Effect:
Management has requested the auditing firm prepared financial statements in accordance with generally accepted accounting principles.

Cause:
The size of the organization and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Recommendation:
Management should consider the costs and benefits of preparing their own financial statements.

Views of Responsible Officials:
Management is in agreement with the finding and will consider the costs and benefits of preparing the financial statements.