Salmon River Clinic Hospital District

Basic Financial Statements and Independent Auditors' Reports

September 30, 2024 and 2023

ACCOUNTANTS | ADVISORS

Salmon River Clinic Hospital District
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Salmon River Clinic Hospital District
Stanley, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Salmon River Clinic Hospital District (the District) as of and for the years ended September 30, 2024 and 2023, and the related notes to the basic 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 (GAAP).

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 these financial statements in accordance with GAAP, 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 for12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAP requires 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 June 4, 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.

DZA PLLC

Spokane Valley, Washington
June 4, 2025

Salmon River Clinic Hospital District
Statements of Net Position
September 30, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023
Current assets		
Cash and cash equivalents	**$ 38,028**	$ 24,902
Cash equivalents in external investment pool	**981,120**	750,677
Receivables:		
Patient accounts, net of estimated uncollectibles	**27,263**	39,331
Taxes	**168,645**	160,865
Estimated third-party settlements	**33,038**	14,433
Inventory	**11,720**	15,945
Total current assets	**1,259,814**	1,006,153
Noncurrent assets		
Investment in cooperative	**3,552**	3,552
Nondepreciable capital assets	**163,924**	158,424
Depreciable capital assets	**265,915**	290,744
Total noncurrent assets	**433,391**	452,720
Total assets and deferred outflows of resources	**$ 1,693,205**	$ 1,458,873
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accrued compensation and related liabilities	**$ 40,874**	$ 35,572
Deferred inflows of resources, property taxes	**154,422**	147,770
Net position		
Net investment in capital assets	**429,839**	449,168
Unrestricted	**1,068,070**	826,363
Total net position	**1,497,909**	1,275,531
Total liabilities, deferred inflows of resources, and net position	**$ 1,693,205**	$ 1,458,873

See accompanying notes to basic financial statements.

Salmon River Clinic Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	**$ 272,093**	$ 223,249
Other	**17,655**	13,468
Total operating revenues	**289,748**	236,717
Operating expenses		
Salaries and wages	**226,771**	225,038
Employee benefits	**51,901**	51,368
Professional fees	**102,263**	74,844
Supplies	**71,732**	65,828
Depreciation	**32,574**	32,479
Utilities	**19,351**	12,857
Other	**46,531**	36,911
Total operating expenses	**551,123**	499,325
Operating loss	**(261,375)**	(262,608)
Nonoperating revenues		
Property and sales tax revenue	**183,612**	178,217
Contributions	**40,859**	37,684
Interest income	**44,449**	29,677
Total nonoperating revenues	**268,920**	245,578
Change in net position before capital contributions	**7,545**	(17,030)
Capital contributions	**214,833**	39,898
Change in net position	**222,378**	22,868
Net position, beginning of year	**1,275,531**	1,252,663
Net position, end of year	**$ 1,497,909**	$ 1,275,531

See accompanying notes to basic financial statements.

Salmon River Clinic Hospital District
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from and on behalf of patients	**$ 265,556**	$ 234,250
Cash received from other revenue	**17,655**	13,468
Cash paid to and on behalf of employees	**(273,370)**	(281,949)
Cash paid to suppliers and contractors	**(235,652)**	(203,285)
Net cash from operating activities	**(225,811)**	(237,516)
Cash flows from noncapital financing activities		
Cash received from contributions	**40,859**	37,684
Cash received from property and sales taxes	**182,484**	173,871
Net cash from noncapital financing activities	**223,343**	211,555
Cash flows from capital and related financing activities		
Purchase of capital assets	**(13,245)**	(13,140)
Cash received from capital contributions	**214,833**	39,898
Net cash from capital and related financing activities	**201,588**	26,758
Cash flows from investing activities		
Interest received	**44,449**	29,677
Change in cash and cash equivalents	**243,569**	30,474
Cash and cash equivalents, beginning of year	**775,579**	745,105
Cash and cash equivalents, end of year	**$ 1,019,148**	$ 775,579

See accompanying notes to basic financial statements.

Salmon River Clinic Hospital District
Statements of Cash Flows (Continued)
Years Ended September 30, 2024 and 2023

		2024		2023
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents	**$**	**38,028**	$	24,902
Cash equivalents in external investment pool		**981,120**		750,677
Total cash and cash equivalents	**$**	**1,019,148**	$	775,579
Reconciliation of Operating Loss to Net Cash i.e., from Operating Activities				
Operating loss	**$**	**(261,375)**	$	(262,608)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation		**32,574**		32,479
(Increase) decrease in assets:				
Patient accounts receivable, net		**12,068**		5,337
Estimated third-party settlements		**(18,605)**		5,664
Inventory		**4,225**		(3,646)
Increase (decrease) in liabilities:				
Accounts payable		-		(9,199)
Accrued compensation and related liabilities		**5,302**		(5,543)
Net cash from operating activities	**$**	**(225,811)**	$	(237,516)

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Salmon River Clinic Hospital District (the District) owns and operates Salmon River Clinic (a rural health clinic) and Stanley Ambulance in Stanley, Idaho. The District operates under the laws of the state of Idaho for Idaho municipal corporations. As organized, the District is exempt from payment of federal income tax. The District provides primary care and ambulance services to patients in Stanley, Idaho, and the surrounding areas.

The Board of Trustees consists of seven members elected by qualified electors of the District and has governance responsibilities over all activities related to the clinic and ambulance services. Services provided include primary care physician, laboratory, and ambulance services. The District is not a component unit of another government entity, and the District has no component units.

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 (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The District's financial statements conform to GAAP for 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 highly liquid investments with an original maturity of three months or less.

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

Capital assets – The District capitalizes assets whose costs exceed $1,000 and with an estimated useful life of at least three years; lesser amounts are expensed. Capital assets are stated at cost or estimated fair value at the date of purchase or 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 or amortization are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses.

Capital assets are depreciated by the straight-line method of depreciation using the following estimated useful lives:

Buildings and building improvements	10 to 30 years
Medical equipment	5 to 10 years
Office equipment	3 to 5 years
Software	3 years
Ambulance and equipment	5 to 10 years

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

b. Summary of Significant Accounting Policies (continued)

Accrued vacation – The District provides paid vacation to full-time employees. Vacation time accrues at a rate based on years of service. Employees may carry over a maximum of one and one-half times their annual vacation hours to the following year. Any vacation time accrued by the employee is available upon request. An employee may not substitute sick leave hours for vacation hours. All vacation pay is accrued 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, donors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*. The District did not have any *restricted net position* at September 30, 2024 and 2023.

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 and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District's operating activities 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.

Deferred inflows of resources – Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are unavailable property taxes. Property taxes will be recognized as revenue in the year they become available.

Subsequent events – Subsequent events have been reviewed through June 4, 2025, the date on which the financial statements were available to be issued.

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 assets.

2. Bank Deposits and Investments:

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2024 and 2023, the District's deposit balances were entirely covered by federal depository insurance.

The District voluntarily invests funds in the Local Government Investment Pool (the Pool), administered by the Idaho State Treasurer (the State Treasurer). Collateral for the funds invested in the Pool are held by the state of Idaho, not in the District's name. The funds invested in the Pool are available for immediate use by the District. The Pool is not externally rated. As of September 30, 2024 and 2023, the District had deposits with the Pool, collateralized by securities held by the Pool, but not in the District's name, of approximately $981,000 and $751,000, respectively.

Idaho Code, Title 67, Chapter 12 provides authorization for investment of pooled funds in the following general types:

1. Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local governmental entities.
2. Time deposit accounts, tax anticipation, and interest-bearing notes.
3. Bonds, treasury bills, interest-bearing notes, or other similar obligations of the United States Government and the Farm Credit System.
4. Repurchase agreements.

Investments in the Pool are reported at fair value based on the net asset value per share. The Pool's investment strategy is to invest in a diversified portfolio of investment securities with a maximum maturity of five years. The investment portfolio is managed with the intention of obtaining a market average rate of return. The primary objectives of investment activities in order of priority are safety, liquidity, and yield. Investments generally may be redeemed with no waiting period with proper notice to the State Treasurer.

3. Property Taxes:

The District, Custer County, 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.

3. Property Taxes (continued):

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

	2023		
	Levy Amount	**Levy Rate**	**Assessed Value**
M&O	$ 136,770	$ 0.000377283	$ 362,512,912
Tort	11,000	0.000030344	362,512,912

	2022		
	Levy Amount	**Levy Rate**	**Assessed Value**
M&O	$ 126,633	$ 0.000473834	$ 267,251,741
Tort	10,000	0.000037418	267,251,741

4. 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 significantly change 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.

4. Patient Accounts Receivable (continued):

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

	2024	2023
Receivables from patients and their insurance carriers	**$ 44,884**	$ 56,684
Receivables from Medicare	**1,649**	3,029
Receivables from Medicaid	**342**	1,643
Total patient accounts receivable	**46,875**	61,356
Less allowance for uncollectible accounts	**19,612**	22,025
Patient accounts receivable, net	**$ 27,263**	$ 39,331

5. Capital Assets:

Capital asset activity and balances were as follows:

	September 30, 2023	Additions	Retirements	Transfers	September 30, 2024
Capital assets not being depreciated					
Land	$ 158,424	$ -	$ -	$ -	**$ 158,424**
Construction in progress	-	5,500	-	-	**5,500**
Total capital assets not being depreciated	158,424	5,500	-	-	**163,924**
Capital assets being depreciated					
Buildings and building improvements	510,913	7,745	-	-	**518,658**
Medical equipment	50,716	-	-	-	**50,716**
Office equipment	8,033	-	-	-	**8,033**
Software	10,629	-	-	-	**10,629**
Ambulance and equipment	173,725	-	-	-	**173,725**
Total capital assets being depreciated	754,016	7,745	-	-	**761,761**
Less accumulated depreciation for					
Buildings and building improvements	(254,906)	(22,232)	-	-	**(277,138)**
Medical equipment	(29,507)	(7,156)	-	-	**(36,663)**
Office equipment	(6,589)	(576)	-	-	**(7,165)**
Software	(10,629)	-	-	-	**(10,629)**
Ambulance and equipment	(161,641)	(2,610)	-	-	**(164,251)**
Total accumulated depreciation	(463,272)	(32,574)	-	-	**(495,846)**
Total capital assets being depreciated, net	290,744	(24,829)	-	-	**265,915**
Total capital assets, net	**$ 449,168**	**$ (19,329)**	**$ -**	**$ -**	**$ 429,839**

5. Capital Assets (continued):

Capital asset activity and balances were as follows:

	September 30, 2022	Additions	Retirements	Transfers	September 30, 2023
Capital assets not being depreciated					
Land	$ 158,424	$ -	$ -	$ -	**$ 158,424**
Capital assets being depreciated					
Buildings and building improvements	510,913	-	-	-	**510,913**
Medical equipment	50,716	-	-	-	**50,716**
Office equipment	6,736	1,297	-	-	**8,033**
Software	10,629	-	-	-	**10,629**
Ambulance and equipment	161,882	11,843	-	-	**173,725**
Total capital assets being depreciated	740,876	13,140	-	-	**754,016**
Less accumulated depreciation for					
Buildings and building improvements	(231,292)	(23,614)	-	-	**(254,906)**
Medical equipment	(21,867)	(7,640)	-	-	**(29,507)**
Office equipment	(6,157)	(432)	-	-	**(6,589)**
Software	(10,629)	-	-	-	**(10,629)**
Ambulance and equipment	(160,848)	(793)	-	-	**(161,641)**
Total accumulated depreciation	(430,793)	(32,479)	-	-	**(463,272)**
Total capital assets being depreciated, net	310,083	(19,339)	-	-	**290,744**
Total capital assets, net	**$ 468,507**	**$ (19,339)**	**$ -**	**$ -**	**$ 449,168**

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 did not change significantly from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal years 2024 or 2023.

6. Net Patient Service Revenue (continued):

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	**$**	**109,416**	$	56,638
Medicaid		**16,969**		18,139
Other third-party payors		**134,746**		134,431
Patients		**19,947**		25,459
		281,078		234,667
Less provision for bad debts		**8,985**		11,418
Net patient service revenue	**$**	**272,093**	$	223,249

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 rural health clinic by Medicare and is reimbursed for clinic services on a cost basis as defined and limited by the Medicare program. The District is reimbursed for physician and advanced practice provider encounters on a per encounter basis. Ambulance services are reimbursed on a fee schedule as defined and limited by the Medicare program for services rendered.

Medicaid – The District is certified as a rural health clinic and is reimbursed by Medicaid for clinic services based on a prospectively established rate per visit. Ambulance services are reimbursed based on a fee schedule.

Other – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes discounts from established charges and various fee schedule amounts.

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

7. Defined Contribution Plan:

The District sponsors a 401(k) retirement savings plan. The Salmon River Clinic Hospital District 401(k) Profit Sharing Plan and Trust (the Plan), administered by Paychex, Inc., covers substantially all employees. Participation in the Plan is optional. Employee contributions, in whole percentages from 1 percent to 92 percent of the participating employees' compensation, are matched 100 percent by the District up to a maximum of 4 percent of employee compensation. During the years ended September 30, 2024 and 2023, the District matched up to 4 percent of employee compensation. District contributions to the Plan were approximately $7,000 for the years ended September 30, 2024 and 2023. Employee contributions to the Plan were approximately $7,000 and for the years ended September 30, 2024 and 2023.

8. Risk Management and Contingencies:

Risk management – The District is exposed to various risks of loss related to medical malpractice; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

Medical malpractice claims – The District has its professional liability insurance coverage with Coverys. The policy provides protection on a claims-made basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy.

If there are unreported incidents which result in a malpractice claim in the current year, such claims will be covered in the year the claim is reported to the insurance carrier only if the District purchases claims-made insurance in that year or the District purchases "tail" insurance to cover claims incurred before, but reported to the insurance carrier after, cancellation or expiration of a claims-made policy.

The current malpractice insurance provides $1,000,000 per claim of primary coverage with a $5,000,000 annual aggregate limit.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year. The District's malpractice insurance policy has no deductible. Therefore, all qualifying expenses would be covered by the policy.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. 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. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

9. Risk Concentrations:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables was as follows:

	2024	**2023**
Medicare	**4 %**	6 %
Medicaid	**2**	4
Other third-party payors	**26**	33
Patients	**68**	57
	100 %	100 %

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
Salmon River Clinic Hospital District
Stanley, 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 Salmon River Clinic Hospital District (the District) as of and for the year ended September 30, 2024, and the related notes to the basic 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 June 4, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be material weaknesses.

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, and 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 an instances of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-003.

The 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 to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the 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.

DZA PLLC

Spokane Valley, Washington
June 4, 2025

Salmon River Clinic Hospital District
Schedule of Findings and Responses
Year Ended September 30, 2024

2024-001 Segregation of Duties

Condition	Management should have an internal control system in place designed to provide for appropriate segregation of duties. This includes assigning proper review and approval duties for significant transaction cycles. Management should constantly be aware of the risk associated with limited segregation of duties and implement processes wherever possible to address potential weaknesses.
Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Due to the relatively small size of the District, ideal segregation of duties cannot be achieved. The lack of segregation of duties increases the risk of material misstatement due to error or fraud. This circumstance is not unusual in an organization of this size due to time constraints of management and costs associated with compliance of the standard.
Context	This finding is a *systemic* problem.
Effect	Management relies on the auditors to report and disclose financial data. Interim financial data may not be reliable on an interim basis.
Cause	The size of the District and the limited number of personnel makes it difficult to implement appropriate internal controls.
Recommendation	We recommend management explore options to elevate internal control processes to an appropriate level, including hiring an individual with the requisite skills, knowledge, and expertise to perform the review function of internal control processes. Until then, management will need to accept the degree of risk associated with this condition.
Management's Response	Management agrees and believes the degree of risk is offset by the costs associated with implementing the processes necessary to satisfy this recommendation.

2024-002 Reconciliation of Significant Accounts

Condition	There should not be any significant or material adjusting journal entries made during the audit process. Management should reconcile significant accounts to accurately reflect the District's financial position.
Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness During the audit, adjustments were made to patient accounts receivable, contractual adjustments, capital assets, accumulated depreciation, cash equivalents in external investment pool, and interest income. As a result, we proposed material audit adjustments to management.
Context	This finding is a *systemic* problem.
Effect	Due to material audit adjustments, the District's financial position is not accurately reflected until after audited financial statements are available. This can hinder financial decisions made by the Board of Trustees and management.
Cause	The limited number of accounting personnel makes it difficult to implement an appropriate level of internal control.
Recommendation	Significant accounts should be reconciled, at least on a quarterly basis, to ensure errors do not accumulate and can be identified and attributed to a particular period of time. We further recommend account reconciliations be prepared by an individual with the requisite skills, knowledge, and expertise and be reviewed by a member of management other than the preparer or by a member of the Board of Trustees.
Management's Response	Management will explore reconciliation processes to reduce the number of significant accounts that do not reconcile to supporting documentation.

2024-003 401(k) Retirement Savings Plan Eligibility

Condition	The District is not a tax-exempt organization under IRS Section 501(c)(3). The District is a governmental entity and has not obtained dual-status as a tax-exempt organization under IRS Section 501(c)(3).
Criteria	[X] Compliance Finding [ ] Significant Deficiency [ ] Material Weakness During the audit, we discovered that the District sponsors a 401(k) retirement savings plan.
Context	This finding appears to be an *isolated* problem.
Effect	The District's retirement plan is not in compliance with IRS regulations.
Cause	The District's retirement plan administrators did not recognize that governmental entities are not tax-exempt organizations under IRS Section 501(c)(3) without specifically applying for this status.
Recommendation	The District either needs to change retirement plans or apply for dual status.
Management's Response	The District's PA/Administrator is exploring other options and will work with the plan administrator during fiscal year 2025 to enroll in a plan allowed for government entities.

Salmon River Clinic Hospital District
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2024

Prior Year Number	Description	Current Status
2023-001	Segregation of Duties	Repeated as 2024-001
2023-002	Reconciliation of Significant Accounts	Repeated as 2024-002