West Shoshone Hospital District No. 1
doing business as
Shoshone Medical Center

Basic Financial Statements and
Independent Auditors' Reports

November 30, 2024 and 2023

ACCOUNTANTS | ADVISORS

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
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ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Kellogg, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of West Shoshone Hospital District No. 1 doing business as Shoshone Medical Center (the District) as of and for the years ended November 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 March 17, 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
March 17, 2025

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Statements of Net Position
November 30, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023
Current assets		
Cash and cash equivalents	**$ 8,576,991**	$ 12,072,695
Receivables:		
Patient accounts	**4,671,711**	2,374,094
Estimated third-party payor settlements	**498,977**	889,717
Taxes	**560,154**	649,844
Other	**200,938**	107,080
Investments	**1,507,789**	1,441,234
Inventories	**282,625**	300,857
Prepaid expenses	**323,418**	421,517
Total current assets	**16,622,603**	18,257,038
Noncurrent assets		
Restricted by mortgage agreement for debt reserve:		
Cash and cash equivalents	**-**	827,668
Investment in Yellowstone Insurance Exchange	**101,439**	104,923
Depreciable capital assets, net	**9,764,786**	5,756,690
Nondepreciable capital assets	**1,122,013**	1,105,186
Total noncurrent assets	**10,988,238**	7,794,467
Total assets	**27,610,841**	26,051,505
Deferred outflows of resources, deferred charge on debt refunding	**-**	53,797
Total assets and deferred outflows of resources	**$ 27,610,841**	$ 26,105,302

See accompanying notes to basic financial statements.

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Statements of Net Position (Continued)
November 30, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
Current liabilities		
Current maturities of long-term obligations	**$ 301,720**	$ 1,232,872
Accounts payable	**555,533**	547,756
Accrued compensation and related liabilities	**1,395,655**	1,141,984
Total current liabilities	**2,252,908**	2,922,612
Long-term obligations, net of current maturities	**3,229,021**	947,795
Total liabilities	**5,481,929**	3,870,407
Net position		
Net investment in capital assets	**7,356,058**	4,733,622
Restricted for debt reserve by mortgagor	**-**	827,668
Unrestricted	**14,772,854**	16,673,605
Total net position	**22,128,912**	22,234,895
Total liabilities and net position	**$ 27,610,841**	$ 26,105,302

See accompanying notes to basic financial statements.

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended November 30, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service	**$ 17,776,644**	$ 18,390,256
Grant	**11,100**	59,554
Other	**227,960**	179,593
Total operating revenues	**18,015,704**	18,629,403
Operating expenses		
Salaries and wages	**8,475,371**	7,721,524
Employee benefits	**2,037,593**	1,867,202
Professional fees and other purchased services	**4,534,448**	4,543,482
Supplies	**2,178,373**	2,115,845
Depreciation and amortization	**1,160,200**	849,941
Insurance	**128,206**	213,407
Utilities	**380,507**	350,843
Repairs and maintenance	**87,643**	61,425
Travel, dues, and education	**67,515**	66,646
Other	**147,239**	164,862
Total operating expenses	**19,197,095**	17,955,177
Operating income (loss)	**(1,181,391)**	674,226
Nonoperating revenues (expenses)		
Property tax revenue	**673,326**	742,429
Investment income	**517,460**	469,407
Rental income	**92,499**	98,156
Interest expense	**(207,877)**	(114,436)
Total nonoperating revenues, net	**1,075,408**	1,195,556
Change in net position	**(105,983)**	1,869,782
Net position, beginning of year	**22,234,895**	20,365,113
Net position, end of year	**$ 22,128,912**	$ 22,234,895

See accompanying notes to basic financial statements.

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Statements of Cash Flows
Years Ended November 30, 2024 and 2023

	2024	2023
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 15,869,767**	$ 18,459,726
Receipts from grants	**11,100**	59,554
Other receipts	**137,586**	196,169
Payments to and on behalf of employees	**(10,259,293)**	(9,588,562)
Payments to suppliers and contractors	**(7,399,823)**	(7,819,748)
Net cash from operating activities	**(1,640,663)**	1,307,139
Cash flows from noncapital financing activities		
Property taxes	**763,016**	712,987
Cash flows from capital and related financing activities		
Purchase of capital assets	**(1,485,385)**	(312,109)
Principal paid on long-term debt	**(2,349,664)**	(1,198,511)
Interest paid on long-term debt	**(154,080)**	(82,157)
Net cash from capital and related financing activities	**(3,989,129)**	(1,592,777)
Cash flows from investing activities		
Interest on investments	**517,460**	469,246
Receipts from property rentals	**92,499**	98,156
Purchase of investments	**(66,555)**	(48,779)
Net cash from investing activities	**543,404**	518,623
Net change in cash and cash equivalents	**(4,323,372)**	945,972
Cash and cash equivalents, beginning of year	**12,900,363**	11,954,391
Cash and cash equivalents, end of year	**$ 8,576,991**	$ 12,900,363

See accompanying notes to basic financial statements.

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Statements of Cash Flows (Continued)
Years Ended November 30, 2024 and 2023

		2024		2023
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents	**$**	**8,576,991**	$	12,072,695
Cash and cash equivalents restricted by mortgage agreement for debt reserve		**-**		827,668
Total cash and cash equivalents	**$**	**8,576,991**	$	12,900,363
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	**$**	**(1,181,391)**	$	674,226
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization		**1,160,200**		849,941
Provision for bad debts		**1,787,938**		1,062,178
(Increase) decrease in assets:				
Receivables:				
Patient accounts		**(4,085,555)**		(1,071,490)
Estimated third-party payor settlements		**390,740**		78,782
Other		**(90,374)**		16,576
Inventories		**18,232**		(14,806)
Prepaid expenses		**98,099**		(154,664)
Increase (decrease) in liabilities:				
Accounts payable		**7,777**		(133,768)
Accrued compensation and related liabilities		**253,671**		164
Net cash from operating activities	**$**	**(1,640,663)**	$	1,307,139

Noncash Investing, Capital, and Financing Activities

During the year ended November 30, 2024, the District recorded $3,699,738 of right-of-use assets and subscription liabilities pursuant to a subscription agreement for electronic health records software.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

West Shoshone Hospital District No. 1 doing business as Shoshone Medical Center (the District) operates a licensed 25-bed acute care hospital and a rural health clinic in Kellogg, Idaho, as well as medical office buildings in Kellogg, Smelterville, and Pinehurst, Idaho, an education and outreach center in Pinehurst, Idaho, and an outpatient physical therapy clinic in Smelterville, Idaho, as provided under the laws of the state of Idaho for Idaho State municipal corporations. The District is exempt from federal income tax pursuant to Internal Revenue Code Section 115. The Board of Trustees consists of seven community members elected to six-year terms.

b. Summary of Significant Accounting Policies

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

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

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

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

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

Capital assets – Capital assets are assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Donated capital assets are stated at estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is classified in nonoperating revenue or expenses. All capital assets, other than land and construction in progress, are being depreciated by the straight-line method of depreciation using these asset lives:

Land improvements	2 to 25 years
Building and improvements	5 to 40 years
Equipment	3 to 20 years
Subscription assets	10 years

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

b. Summary of Significant Accounting Policies (continued)

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

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District had no restricted net position at November 30, 2024. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

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

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

Grants and contributions – From time to time, the District receives grants from the state of Idaho as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Subsequent events – The District has evaluated subsequent events through March 17, 2025, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Custodial credit risk – Custodial credit risk is the risk that, in the event of a depository institution 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 November 30, 2024 and 2023, the District had collateralized deposit balances of $1,464,183 and $5,124,195, respectively, by securities held by the pledging financial institution. The District did not have any material uninsured and uncollateralized deposit balances as of November 30, 2024 and 2023.

The District voluntarily invests funds in the Local Government Investment Pool (the Pool), administered by the Idaho 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 November 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 $7,426,845 and $7,998,336, respectively. The District has recorded their investment in the Pool as cash equivalents.

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.

State statutes limit the investment in bonds, debentures, or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations.

Fair value – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements:

- Cash and money market accounts are valued using quoted market prices (Level 1 inputs).
- Government and agency bonds and municipal bonds are valued using a matrix pricing model (Level 2 inputs).

2. Bank Deposits and Investments (continued):

The District's investments are as follows:

		2024					
				Investment Maturities (in Years)			
	Moody's Rating	Fair Value	No Maturities	Less Than One	One to Five	Six to Ten	More Than Ten
Cash and Money Market Accounts	Not Rated	**$ 622,501**	$ 622,501	$ -	$ -	$ -	$ -
Government and Agency Bonds	AAA	**526,479**	-	99,750	426,729	-	-
Municipal Bonds	A2 - AA1	**358,809**	-	95,374	263,435	-	-
		$ 1,507,789	**$ 622,501**	**$ 195,124**	**$ 690,164**	**$ -**	**$ -**

		2023					
				Investment Maturities (in Years)			
	Moody's Rating	Fair Value	No Maturities	Less Than One	One to Five	Six to Ten	More Than Ten
Cash and Money Market Accounts	Not Rated	**$ 27,758**	$ 27,758	$ -	$ -	$ -	$ -
Government and Agency Bonds	AAA	**821,682**	-	434,386	387,296	-	-
Municipal Bonds	NR - AAA	**591,794**	-	70,247	430,711	80,836	10,000
		$ 1,441,234	**$ 27,758**	**$ 504,633**	**$ 818,007**	**$ 80,836**	**$ 10,000**

3. Patient Accounts Receivable:

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

The District's allowance for uncollectible accounts for self-pay patients has increased from the prior year due to billing delays as a result of implementation of a new patient accounting system.

3. Patient Accounts Receivable (continued):

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

	2024	2023
Receivable from patients and their insurance carriers	**$ 3,631,467**	$ 2,445,765
Receivable from Medicare	**1,903,481**	570,316
Receivable from Medicaid	**683,285**	298,692
Total patient accounts receivable	**6,218,233**	3,314,773
Less allowance for uncollectible accounts	**1,546,522**	940,679
Patient accounts receivable, net	**$ 4,671,711**	$ 2,374,094

4. Capital Assets:

Capital assets additions, retirements, and balances were as follows:

	Balance November 30, 2023	Additions	Retirements	Transfers	Balance November 30, 2024
Nondepreciable capital assets					
Land	$ 822,139	$ -	$ -	$ -	**$ 822,139**
Land held for future development	275,229	-	-	-	**275,229**
Construction in progress	7,818	24,645	-	(7,818)	**24,645**
Total nondepreciable capital assets	1,105,186	24,645	-	(7,818)	**1,122,013**
Capital assets being depreciated or amortized					
Land improvements	1,416,812	-	-	-	**1,416,812**
Building and improvements	14,336,627	-	-	-	**14,336,627**
Equipment	10,500,790	1,460,740	(44,542)	7,818	**11,924,806**
Subscription right-of-use assets	-	3,699,738	-	-	**3,699,738**
Total capital assets being depreciated or amortized	26,254,229	5,160,478	(44,542)	7,818	**31,377,983**
Less accumulated depreciation and amortization for					
Land improvements	1,139,222	42,791	-	-	**1,182,013**
Building and improvements	9,765,971	416,360	-	-	**10,182,331**
Equipment	9,592,346	492,635	(44,542)	-	**10,040,439**
Subscription right-of-use assets	-	208,414	-	-	**208,414**
Total accumulated depreciation and amortization	20,497,539	1,160,200	(44,542)	-	**21,613,197**
Total capital assets being depreciated or amortized, net	5,756,690	4,000,278	-	7,818	**9,764,786**
Capital assets, net	**$ 6,861,876**	**$ 4,024,923**	**$ -**	**$ -**	**$ 10,886,799**

4. Capital Assets (continued):

	Balance November 30, 2022	Additions	Retirements	Transfers	Balance November 30, 2023
Nondepreciable capital assets					
Land	$ 822,139	$ -	$ -	$ -	**$ 822,139**
Land held for future development	275,229	-	-	-	**275,229**
Construction in progress	214,594	7,818	(26,287)	(188,307)	**7,818**
Total nondepreciable capital assets	1,311,962	7,818	(26,287)	(188,307)	**1,105,186**
Capital assets being depreciated					
Land improvements	1,416,812	-	-	-	**1,416,812**
Building and improvements	14,291,929	44,698	-	-	**14,336,627**
Equipment	10,228,157	98,053	(13,727)	188,307	**10,500,790**
Total capital assets being depreciated	25,936,898	142,751	(13,727)	188,307	**26,254,229**
Less accumulated depreciation for					
Land improvements	1,092,128	47,094	-	-	**1,139,222**
Building and improvements	9,314,340	451,631	-	-	**9,765,971**
Equipment	9,255,018	351,216	(13,888)	-	**9,592,346**
Total accumulated depreciation	19,661,486	849,941	(13,888)	-	**20,497,539**
Total capital assets being depreciated, net	6,275,412	(707,190)	161	188,307	**5,756,690**
Capital assets, net	**$ 7,587,374**	**$ (699,372)**	**$ (26,126)**	**$ -**	**$ 6,861,876**

5. Employee Benefit Plans:

The District participates in the Shoshone Medical Center 457 Plan, a deferred compensation plan, for substantially all employees, under Section 457 of the Internal Revenue Code. The deferred compensation plan is funded solely from employee contributions, which are deposited with the trustee, The Standard. This plan is administered by the District.

The District also participates in the Shoshone Medical Center Retirement Plan, a defined contribution plan, which provides retirement benefits for all of its employees who have attained age 18. This plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings. Employees are eligible to participate after three months of service. The District provides a discretionary matching contribution based on the elective deferrals contributed to the Shoshone Medical Center 457 Plan.

District contributions are vested at 25 percent after one year of service with gradual increases until vesting reaches 100 percent after four years of service. District contributions and interest forfeited by employees who leave employment before four years of service are used to reduce the District's current period contribution requirement and to pay plan expenses.

Benefit terms, including contribution requirements for these plans, are established and may be amended by the District.

5. Employee Benefit Plans (continued):

Plan participants contributed approximately $534,000 and $476,000 to the 457 Plan for the years ended November 30, 2024 and 2023, respectively. The District's contributions to the employee benefit plans totaled approximately $338,000 and $327,000 for the years ended November 30, 2024 and 2023, respectively.

As of November 30, 2024 and 2023, the District recorded payables to the plans in the amounts of approximately $340,000 and $307,000, respectively.

6. Long-term Obligations:

A schedule of changes in the District's long-term obligations follows:

	Balance November 30, 2023	Additions	Reductions	Balance November 30, 2024	Amounts Due Within One Year
Subscription liability - Cerner	$ -	$ 3,723,416	$ (192,675)	$ 3,530,741	$ 301,720
Mortgage payable - Lument Capital	2,180,667	-	(2,180,667)	-	-
Total long-term obligations	**$ 2,180,667**	**$ 3,723,416**	**$ (2,373,342)**	**$ 3,530,741**	**$ 301,720**

	Balance November 30, 2022	Additions	Reductions	Balance November 30, 2023	Amounts Due Within One Year
Mortgage payable - Lument Capital	$ 3,379,178	$ -	$ (1,198,511)	$ 2,180,667	$ 1,232,872
Total long-term obligations	**$ 3,379,178**	**$ -**	**$ (1,198,511)**	**$ 2,180,667**	**$ 1,232,872**

Mortgage note payable, in the original amount of $13,449,000 from Lument Capital under a lease agreement with the Idaho Health Facilities Authority (IHFA), paid in full during 2024.

Subscription liabilities – Subscription liabilities payable to Cerner in the original amount of $3,723,416, due in monthly installments of $39,157 to $49,483, including interest of 4.99 percent, through February 2033.

The District's subscription agreements do not contain any material residual value guarantees or material restrictive covenants.

6. Long-term Obligations (continued):

Aggregate annual principal and interest payments over the term of the subscription liabilities are as follows:

Years Ending November 30,	Subscription Liabilities		
	Principal	Interest	Total
2025	$ 301,720	$ 168,164	**$ 469,884**
2026	325,197	152,675	**477,872**
2027	358,421	135,698	**494,119**
2028	393,907	117,012	**510,919**
2029	431,790	96,501	**528,291**
2030-2033	1,719,706	147,529	**1,867,235**
	$ 3,530,741	**$ 817,579**	**$ 4,348,320**

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

7. 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	**$ 6,822,148**	$ 6,806,357
Medicaid	**1,060,615**	2,434,873
Other	**11,036,664**	9,131,186
Patients	**199,492**	373,610
340B contract pharmacy	**669,197**	822,392
	19,788,116	19,568,418
Less:		
Charity care	**223,534**	115,984
Provision for bad debts	**1,787,938**	1,062,178
Net patient service revenue	**$ 17,776,644**	$ 18,390,256

The District has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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

- ***Medicaid*** – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed on a cost reimbursement methodology. Medicaid swing-bed services are reimbursed on a prospective set rate per day. The rural health clinic is reimbursed on a global encounter rate per visit. Medicaid physician services are reimbursed on a fee schedule.

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

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

7. Net Patient Service Revenue (continued):

Net patient service revenue for the years ended November 30, 2024 and 2023, increased by approximately $76,000 and decreased by approximately $122,000, respectively, due to changes in estimates and final settlements of prior years' cost reports.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended November 30, 2024 and 2023, were approximately $121,000 and $62,000, respectively.

8. Property Taxes:

Property taxes are levied and collected by Shoshone County on behalf of the District. The property tax levy is assessed and certified in October. Property tax statements are issued in November. Payments are due on December 20 and June 20. The property is subject to lien on January 1. The District received approximately 3 and 4 percent, respectively, of its financial support from property taxes for the years ended November 30, 2024 and 2023. These funds were used for operations.

The District is permitted by law to levy up to $0.60 per $1,000 of assessed valuation for general District purposes. Further amounts of tax need to be authorized by a vote of the people. The District's tax levy was $0.60 per $1,000 in both 2024 and 2023, on a total assessed valuation of $1,257,713,175 and $1,172,349,688 in 2024 and 2023, respectively, for a total regular levy of $271,872 and $314,124 in 2024 and 2023, respectively. In addition, the District is permitted by law to levy additional taxes for tort expenses up to a maximum of the prior year's tax revenues plus 3 percent, net of the regular tax levy. The District's tort levy was $371,231 and $309,554 in 2024 and 2023, respectively.

Property taxes are recorded as receivables when levied. The receivables are reduced by an allowance for estimated uncollectible taxes.

9. Contingencies:

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

Medical malpractice claims – The District obtains medical malpractice insurance through Yellowstone Insurance Exchange (the Exchange). The Exchange offers the District a professional and general liability policy on a "claims-made" basis with primary limits of $1,000,000 per claim and an annual aggregate limit of $3,000,000. The policy has a $10,000 deductible per claim.

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

9. Contingencies (continued):

The Exchange is a captive insurance company owned by the District and several unrelated hospitals. All profits and losses from the operation of the Exchange are allocated by the Exchange's Subscriber Advisory Committee, based on premiums paid, exposure rates, and ownership levels. For financial reporting purposes, the District accounts for its investment in the Exchange under the equity method of accounting for investments in common stock. During the years ended November 30, 2024 and 2023, the District received no significant distributions. During the years ended November 30, 2024 and 2023, the District recorded no significant gains on investment.

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

10. Concentration of Credit Risk:

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

The mix of patient receivables was as follows:

	2024	**2023**
Medicare	**35 %**	23 %
Medicaid	**18**	13
Other third-party payors	**34**	45
Patients	**13**	19
	100 %	100 %

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

SINGLE AUDIT

AUDITORS' SECTION

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
West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Kellogg, 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 West Shoshone Hospital District No. 1 doing business as Shoshone Medical Center (the District), as of and for the year ended November 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 March 17, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
March 17, 2025

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Kellogg, Idaho

Report on Compliance for the District's Major Federal Program

Opinion on the Major Federal Program

We have audited West Shoshone Hospital District No. 1 doing business as Shoshone Medical Center's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended November 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended November 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
March 17, 2025

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Schedule of Findings and Questioned Costs
Year Ended November 30, 2024

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	***Unmodified***		
Internal control over financial reporting:			
• Material weakness(es) identified?	____ yes	X no	
• Significant deficiency(ies) identified?	____ yes	X none reported	
Noncompliance material to financial statements noted?	____ yes	X no	

Federal Awards:

Internal control over major federal program:			
• Material weakness(es) identified?	____ yes	X no	
• Significant deficiency(ies) identified?	____ yes	X none reported	
Type of auditors' report issued on compliance for major federal program:	***Unmodified***		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no	

Identification of Major Federal Program:

Federal Assistance Listing Number	*Name of Federal Program or Cluster*
14.128	Mortgage Insurance - Hospitals

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ____ yes X no

Section II – Financial Statement Findings

No matters were reported for 2024. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2024. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Federal Expenditures
Department of Housing and Urban Development:				
Mortgage Insurance Hospitals	14.128			$ 2,180,667
Department of Health and Human Services, Direct Program:				
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		COVID-19	575,797
Department of Health and Human Services Pass-through Program From:				
Idaho Department of Health and Welfare				
Small Rural Hospital Improvement Grant Program	93.301	HC350100		11,100
Total expenditures of federal awards				**$ 2,767,564**

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of West Shoshone Hospital District No. 1 doing business as Shoshone Medical Center (the District) under programs of the federal government for the year ended November 30, 2024. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the December 31, 2023, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

3. Loan Guarantee:

Nonmonetary assistance in the form of a loan guarantee is included in the accompanying Schedule. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in this Schedule. The related loan balance was $-0- at November 30, 2024.

West Shoshone Hospital District No. 1
doing business as Shoshone Medical Center
Summary Schedule of Prior Audit Findings
Year Ended November 30, 2024

Prior Year Number	Description	Current Status
2023-001	Auditor Detected Journal Entries	Resolved