Financial Statements
September 30, 2023

Steele Memorial Medical Center

EideBailly®

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Independent Auditor's Report

The Board of Directors
Steele Memorial Medical Center
Salmon, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Steele Memorial Medical Center, a component unit of Lemhi County, Idaho and its discretely presented component unit, the Steele Memorial Foundation, (collectively, the Hospital) as of and for the year September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Steele Memorial Medical Center and of its discretely presented component unit as of September 30, 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 1 and Note 6 to the financial statements, the Hospital has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended September 30, 2023. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 12 to the financial statements, certain errors resulting in an understatement of amounts previously reported for accrued salaries and wages and salaries and wage expenses as of September 30, 2022, were discovered during the current year. Accordingly, the amount presented for beginning net position has been restated in the 2023 financial statements to correct the errors. Our opinions are not modified with respect to that matter.

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 Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital'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 Hospital'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.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
March 22, 2024

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 3,840,549
Cash and cash equivalents restricted for debt reserve	550,000
Receivables	
Patient, net of estimated uncollectibles of $2,229,000	5,494,217
Estimated third-party payor settlements	2,080
Other	340,796
Supplies	1,063,958
Prepaid expenses and deposits	465,443
Total current assets	11,757,043
Noncurrent Cash and Cash Equivalents, and Investments	
Board designated reserves for specific operating purposes and capital improvements	1,595,809
Investments	2,773,443
Restricted by trustee for debt reserve	52,608
Investment in Yellowstone Insurance Exchange	340,004
Total noncurrent cash and cash equivalents, and investments	4,761,864
Capital Assets	
Capital assets not being depreciated	1,241,408
Capital assets being depreciated, net	12,600,478
Equipment right-of-use assets, net	254,926
SBITA right-of-use assets, net	129,414
Total capital assets	14,226,226
Total assets	30,745,133
Deferred Outflows of Resources	
Refunding costs	60,511
Total assets and deferred outflows of resources	$ 30,805,644

Liabilities and Net Position	
Current Liabilities	
Current maturities of long-term debt	$ 915,864
Current equipment lease liability	57,218
Current SBITA liability	107,449
Accounts payable	
Trade	1,449,948
Estimated third-party payor settlements	149,013
Accrued expenses	
Salaries and wages	1,892,322
Interest	19,861
Building security deposits	2,700
Total current liabilities	4,594,375
Long-Term Liabilities	
Long-term debt, less current maturities	6,623,969
Equipment lease liability, net of current portion	166,995
SBITA liability, net of current portion	21,523
Total long-term liabilities	6,812,487
Total liabilities	11,406,862
Net Position	
Net investment in capital assets	6,522,691
Restricted	
Expendable for debt service	602,608
Unrestricted	12,273,483
Total net position	19,398,782
Total liabilities and net position	$ 30,805,644

Assets	
Cash and cash equivalents	$ 90,452
Long-term investments	62,181
Total assets	$ 152,633
Net Assets	
Without donor restrictions	$ 152,633
Total net assets	152,633
Total liabilities and net assets	$ 152,633

Operating Revenues	
Net patient service revenue, net of provision for bad debts of $1,682,003	$ 30,613,480
Other revenue	908,330
Total operating revenues	31,521,810
Operating Expenses	
Salaries and wages	13,804,315
Employee benefits	3,046,485
Professional fees and purchased services	5,515,262
Supplies	4,572,932
Insurance	470,260
Depreciation and amortization	1,431,170
Other	4,565,564
Total operating expenses	33,405,988
Operating Loss	(1,884,178)
Nonoperating Revenues (Expenses)	
CARES Act financial assistance	257,725
Property tax income	146,889
Interest income	196,325
Interest expense	(220,715)
Net nonoperating revenues	380,224
Revenues Less Than Expenses Before Capital Contributions and Grants	(1,503,954)
Capital Contributions and Grants	108,039
Change in Net Position	(1,395,915)
Net Position, Beginning of Year, as restated	20,794,697
Net Position, End of Year	$ 19,398,782

Net Assets Without Donor Restrictions	
Support and Revenue	
Contributions	$ 65,665
Investment income	226
Total support and revenue	65,891
Expenses	
Contributions	70,201
Program and fundraising	2,048
General services and administrative	11,400
Total expenses	83,649
Decrease in Net Assets Without Donor Restrictions	(17,758)
Change in Net Assets	(17,758)
Net Assets, Beginning of Year	170,391
Net Assets, End of Year	$ 152,633

Operating Activities	
Receipts from and on behalf of patients	$ 31,461,318
Payments to suppliers and contractors	(15,250,133)
Payments to and on behalf of employees	(16,724,575)
Other receipts and payments, net	911,030
Net Cash from Operating Activities	397,640
Noncapital Financing Activities	
CARES Act financial assistance received	257,725
Property tax income received	146,889
Net Cash from Noncapital Financing Activities	404,614
Capital and Capital Related Financing Activities	
Principal payments on long-term debt	(781,056)
Lease payments	201,940
Interest paid	(299,090)
Purchase and construction of capital assets	(2,090,414)
Capital contributions and grants	108,039
Net Cash used for Capital and Capital Related Financing Activities	(2,860,581)
Investing Activities	
Investment income	196,325
Purchases of noncurrent investments	(1,595,200)
Net Cash used for Investing Activities	(1,398,875)
Net Change in Cash and Cash Equivalents	(3,457,202)
Cash and Cash Equivalents, Beginning of Year	9,496,168
Cash and Cash Equivalents, End of Year	$ 6,038,966

Reconciliation of Cash and Cash Equivalents to the Statements Net Position	
Cash and cash equivalents	$ 3,840,549
Cash and cash equivalents restricted for debt reserve	550,000
Board designated reserves for specific operating purposes and capital improvements	1,595,809
Restricted by trustee for debt reserve	52,608
Total cash and cash equivalents	$ 6,038,966
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (1,884,178)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	1,431,170
Provision for bad debts	1,682,003
Changes in assets and liabilities	
Patient receivables	(1,512,150)
Other receivables	(157,782)
Estimated third-party payor settlements	677,985
Building security deposits	2,700
Supplies	(221,591)
Prepaid expenses	15,164
Accounts payable	238,094
Accrued expenses	126,225
Net Cash from Operating Activities	$ 397,640
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities	
Equipment financed through notes payable	$ (75,930)
Lease liability for the the acquisition of a right-to-use equipment asset	(114,837)
Subscription liability for the acquisition of a right-to-use subscription asset	(231,233)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Steele Memorial Medical Center (the Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital is an 18-bed critical access hospital and rural health clinic located in Salmon, Idaho. Steele Memorial Medical Center is a component unit of Lemhi County and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Hospital is governed by the Board of Directors, which are appointed by the Board of County Commissioners of Lemhi County. As organized, the Hospital is exempt from payment of federal and state income taxes.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Discretely Presented Component Unit

Steele Memorial Foundation (the Foundation) was established for healthcare purposes and to advance and assist in the development, growth, and operation of the Hospital. Funds raised are distributed to the Lemhi County community primarily through the purchases of property and equipment and patient assistance. The Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the Hospital's financial statements. Financial statements of the Foundation are prepared under a separate cover and can be obtained by contacting the Foundation's Director.

Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statements of net position display the Hospital's assets, deferred outflows and liabilities with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable - Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. There are restricted amounts expendable for debt service.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital. There was no nonexpendable net position amount as of September 30, 2023, respectively.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense towards the most restrictive resources then toward the unrestricted resources.

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, deferred outflow of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to specific claims identified on the remittance advice, or if unspecified, applied to the earliest unpaid claim. Account balances with invoices dated over 90 days old and account balances with no payment for 90 days are considered delinquent. No interest is charged on overdue accounts.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received, and all eligibility requirements have been met. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at the discounted present value of expected future payments at the date of promise. Amortization of the resulting discount is recognized as additional contribution revenue. As of September 30, 2023, no allowance for uncollectible contributions receivable was deemed necessary.

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or market and are expensed when used. Supplies consist of pharmaceutical, medical-surgical, and other supplies used in the Hospital's operation.

Noncurrent Cash and Cash Equivalents, and Investments

Noncurrent cash and cash equivalents, and investments are set aside by the Board of Directors for specific operating purposes, future debt payments or capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, restricted by trustee for debt reserve and capital asset replacement, and restricted by donors. Non-brokered certificates of deposit and other deposits are recorded at historical cost. Brokered certificates of deposit and mutual funds are measured at fair value.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	8-12 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Right-to-Use Leased Assets

Right-to-use leased assets are recognized at the lease commencement date and represent the Hospital's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is 5 years.

Lease Liability

Lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Hospital.

Right-to-Use Subscription IT Assets

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 3 years.

Subscription Liabilities

Subscription Liabilities represent the Hospital's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Hospital.

Impairment of Long-Lived Assets

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the year ended September 30, 2023.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred outflow of resources reported in the financial statements is deferred refunding costs which are amortized over the shorter of the remaining life of the refunded bonds or the refunding debt as a component of interest expense.

Bond Premium

Bonds payable are reported net of the applicable bond premium. Bond premiums are amortized over the life of the debt using a method that approximates the effective interest method. Amortization is included in interest expense.

Compensated Absences

The Hospital's employees earn paid time-off at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is included with accrued salaries and wages in the accompanying financial statements.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $36,000 for the year ended September 30, 2023, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

The Hospital may receive grants 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 for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

Implementation of GASB Statement No. 96

As of October 1, 2022, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard are included in Note 6.

Note 2 - Net Patient Service Revenue

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended September 30, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Hospital's Medicare cost report, or rates as established by the Medicaid program. The Hospital is reimbursed at a tentative rate with final settlement determined by the program based on the Hospital's final Medicaid cost report. The Hospital's final Medicaid settlements have been processed through the year ended September 30, 2020.

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

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the year ended September 30, 2023:

Medicare	57%
Medicaid	12%
Blue Cross and other commercial payors	28%
Self pay and other	3%
	100%

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. The net patient service revenue for the year ended September 30, 2023, increased $50,000, due to change of allowance previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Deposits and Investments

The carrying amounts of deposits and investments as of September 30, 2023, are included in the Hospital's statements of net position as follows:

Carrying Amount	
Cash and deposits	$ 6,038,966
Investments	2,773,443
Total	$ 8,812,409

Deposits and investments are reported in the following statements of net position captions:

Cash and cash equivalents	$ 3,840,549
Cash and cash equivalents restricted for debt reserve	550,000
Board designated reserves for specific operating purposes and capital improvements	1,595,809
Investments	2,773,443
Restricted by trustee for debt reserve	52,608
	$ 8,812,409

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. The Hospital does not have a policy restricting the amount of deposits and investments subject to custodial credit risk. The amount of deposits not covered by FDIC, NCUA insurance or collateralized as of September 30, 2023, was $5,422,811.

Investments

The Hospital's investments are reported at fair value. The Hospital had the following investments and maturities at September 30, 2023:

			Investment Maturities (in Years)	
	S&P Rating	Investment Value	Less than One	One to Five
Certificates of deposit	Not rated	$ 725,647	$ 511,686	$ 213,961
Mutual funds	Not rated	2,047,796	2,047,796	-
		$ 2,773,443	$ 2,559,482	$ 213,961

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Hospital will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The Hospital does not have a formally adopted investment policy for managing concentration of credit risk. However, more than 5% of the Hospital's investments are invested in the following securities:

East Idaho Credit Union CD	26%
Goldman Sachs Mutual Fund	74%
	100%

Investment Income

Investment income, primarily interest income, for the year ended September 30, 2023, was $196,325.

Fair Value

The Hospital has determined the fair value of certain investments in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar investments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions may be used in pricing the asset.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Hospital defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Hospital performed a detailed analysis of the assets that are subject to fair value measurement.

Investments' fair value measurements are as follows at September 30, 2023:

Certificates of deposit: investments in traded certificates of deposit, which are reported in noncurrent investments, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive.

Mutual funds: reported in noncurrent investments, are based on quoted market prices for identical instruments in active markets.

As of September 30, 2023:

		Fair Value Measurements Using:		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Mutual funds	$ 2,047,796	$ 2,047,796	$ -	$ -
	2,047,796	$ 2,047,796	$ -	$ -
Investments at amortized cost				
Non-brokered Certificates of Deposit	725,647			
	$ 2,773,443			

Yellowstone Insurance Exchange

The Hospital participates in the Yellowstone Insurance Exchange, RRG (Yellowstone), a risk retention group with other hospitals to provide liability insurance, reinsurance and risk management services to its members. The Hospital has an approximate 4.5% interest in Yellowstone. As of September 30, 2023, the Hospital had an investment of $340,004. All profits and losses from the operation of Yellowstone are allocated by the Subscriber Advisory Committee based on premiums paid, exposure rates, and ownership level. For financial reporting purposes, the Hospital accounts for its investment in Yellowstone under the equity method of accounting. The Hospital's share of income or loss from this venture is reported as an increase or decrease in the respective investment with a corresponding amount reported in investment income.

Summarized financial information for Yellowstone (audited) as of and for the year ended December 31, 2022, is as follows:

Total assets	$ 18,767,662
Total liabilities	12,288,849
Total equity	6,478,813
Total revenues	5,232,575
Total income	314,262

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended September 30, 2023, are as follows:

	Balance September 30, 2022	Additions	Transfers and Retirements	Balance September 30, 2023
Capital assets not being depreciated				
Land	$ 1,037,717	$ -	$ -	$ 1,037,717
Construction in progress	41,163	162,528	-	203,691
Total capital assets not being depreciated	$ 1,078,880	$ 162,528	$ -	$ 1,241,408
Capital assets being depreciated				
Land improvements	$ 415,598	$ -	$ -	$ 415,598
Building and improvements	17,298,873	979,487	-	18,278,360
Equipment	12,014,812	567,579	-	12,582,391
Total capital assets being depreciated	29,729,283	$ 1,547,066	$ -	31,276,349
Less accumulated depreciation for				
Land improvements	105,658	$ -	$ -	105,658
Building and improvements	7,737,283	724,904	-	8,462,187
Equipment	9,542,084	565,942	-	10,108,026
Total accumulated depreciation	17,385,025	$ 1,290,846	$ -	18,675,871
Net depreciable capital assets	$ 12,344,258			$ 12,600,478
Right-of-use leased assets being amortized				
Equipment	$ 179,805	$ 149,588	$ -	$ 329,393
Total accumulated amortization	35,961	$ 38,506	$ -	74,467
Net right-of-use equipment leased assets	$ 143,844			$ 254,926
Right-of-use leased assets being amortized				
IT Subscriptions	$ -	$ 231,233	$ -	$ 231,233
Total accumulated amortization	-	$ 101,819	$ -	101,819
Net right-of-use assets	$ -			$ 129,414
Capital assets, net	$ 13,566,982			$ 14,226,226

Note 5 - Right-to-Use Equipment Lease Obligations

The Hospital has entered into lease agreements for equipment. The Hospital is required to make principal and interest payments through August 2028. The lease agreements have interest rates between 4.16% and 5%, which were the incremental borrowing rates at the inception of the leases. Remaining principal and interest payments on the leases are as follows:

Years Ending September 30,	Principal	Interest
2024	$ 57,218	$ 5,572
2025	58,426	4,364
2026	60,450	3,101
2027	24,294	1,784
2028	23,825	682
	$ 224,213	$ 15,503

Note 6 - Right-to-Use SBITA Obligations

During the current year, the Hospital recognized SBITA contacts for the use of software. As of September 30, 2023, the value of the subscription liability was $128,972 and the subscription asset was $231,233 with amortization of $101,819, respectively. The Hospital is required to make annual principal and interest payments of approximately $110,000 through September 2024. The subscriptions have interest rates between approximately 3.0% and 5.1%.

A summary of the changes in subscription IT liabilities during the year ended September 30, 2023 is as follows:

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023	Due Within One Year
Subscription IT Liabilities	$ -	$ 231,233	$ 102,261	$ 128,972	$ 107,449

Remaining principal and interest payments on subscriptions are as follows:

Years Ending September 30,	Principal	Interest
2024	$ 107,449	$ 3,047
2025	21,523	292
	$ 128,972	$ 3,339

Note 7 - Long-Term Debt

A schedule of changes in the Hospital's long-term debt consisted of the following amounts:

	Balance September 30, 2022	Additions	Payments/ Refunding/ Forgiveness	Balance September 30, 2023	Due Within One Year
Bonds Payable					
General Obligation Bonds					
2020B	$ 2,915,000	$ -	$ 530,000	$ 2,385,000	$ 550,000
2020B bond premium	455,288	-	91,058	364,230	-
Medical office building payable	5,041,659	-	251,056	4,790,603	258,415
Total long-term debt	$ 8,411,947	$ -	$ 872,114	$ 7,539,833	$ 808,415

General Obligation Bonds – On October 1, 2020, the County issued $3,415,000 in bonds with an average interest rate of 5% to advance refund $3,825,000 of outstanding 2011A Series bonds with an average interest rate of 4.3%. The Lemhi County Bonds, Series 2020B (the Refunding Bonds), are due in annual principal payments ranging from $550,000 to $640,000, plus semiannual interest payments to September 2027, secured by the full faith and credit and all taxable property in Lemhi County are pledged as security on the Refunding Bonds. As a result, the 2011A series bond is considered to be defeased and the liability for that bond has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $203,541. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2027 using the straight-line method which approximates the effective interest method. The County completed the advance refunding to reduce its total debt service payments over the next 6 years by $424,612 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $438,898.

In conjunction with the bond issuance, the Board of Commissioners of Lemhi County and the Board of Trustees of the Hospital executed a Memorandum of Understanding (the Memorandum). The Memorandum states the debt service obligation on the bonds will be funded from four sources. Steele Memorial Hospital Benefit Association doing business as Steele Memorial Foundation (the Foundation), an Idaho nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, is the beneficiary of a $3,000,000 grant from another private foundation. The grant was paid semiannually until July 2022, and the proceeds are to be used for the payment of the principal and interest of these bonds. The Hospital anticipates benefit of reimbursable depreciation and interest costs from the newly constructed facility and the corresponding bond interest costs on the Hospital's cost reports. The County and the Hospital have agreed that no more than 60% of this benefit may be used for debt service. Amounts from Hospital operations may be budgeted for debt service upon approval by the County. Lastly, the County shall levy and cause to be levied annually upon all taxable property within the limits of the County, in addition to all other authorized taxes and assessments, a tax or assessment sufficient to meet the debt service payments. Ultimately, the full faith and credit and all taxable property in Lemhi County are pledged as security on the Refunding Bonds.

Scheduled debt service requirements for the Hospital's General Obligation Bond payable are as follows:

	General Obligation Bond		
Years Ending September 30,	Principal	Interest	Total
2024	$ 550,000	$ 119,250	$ 669,250
2025	585,000	91,750	676,750
2026	610,000	62,500	672,500
2027	640,000	32,000	672,000
Subtotal	2,385,000	$ 305,500	$ 2,690,500
Add bond premium	364,230		
	$ 2,749,230		

Medical Office Building Payable

A revenue bond was issued by Zions Bank, dated April 14, 2016, in the amount of $6,300,000 under an agreement with the Idaho Health Facilities Authority. The funds were used to build a new medical office building for the Hospital. Through March 2031, semiannual principal and interest installments of $197,978 are required, including semiannual interest payments from 2.91% to 3.409%.

The Hospital's note payable includes financial covenants that must be complied with as a condition of the Medical Office Building Revenue Bond.

Scheduled debt service requirements for the Hospital's Medical Office Building bond payable are as follows:

	Medical Office Building Revenue Bond		
Years Ending September 30,	Principal	Interest	Total
2024	$ 258,415	$ 137,540	$ 395,955
2025	265,990	129,966	395,956
2026	263,481	132,474	395,955
2027	261,714	134,241	395,955
2028	270,712	125,243	395,955
2029-2032	3,470,291	271,686	3,741,977
	$ 4,790,603	$ 931,150	$ 5,721,753

Note 8 - Employee Benefit Plan

The Hospital provides employees with the Steele Memorial Medical Center 457 Deferred Compensation Plan (the 457 Plan), a deferred compensation pension plan, for its benefit-eligible employees. Benefit terms, including contribution requirements, are established and may be amended by the Hospital. Employees are permitted to make contributions and earnings on those contributions. Employees are immediately vested in their own contributions and earnings on those contributions. The Hospital does not contribute to the 457 Plan.

The Hospital has a profit-sharing plan under which employees become participants upon the completion of 12 months of creditable service. Discretionary employer contributions are deposited with the plan trustee who invests the plan assets. Total pension plan expense for the year ended September 30, 2023 was approximately $221,000.

Note 9 - Related Party Transactions

As discussed in Note 4, the Hospital receives funds from its discretely presented component unit, the Steele Memorial Foundation, to fund its bond payments, as well as contributions of funds for specified purposes and equipment. During the year ended September 30, 2023, contributions from the Foundation for specified purposes and equipment amounted to $95,646.

Note 10 - Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at September 30, 2023 was as follows:

Medicare	37%
Medicaid	10%
Commercial insurance	22%
Other third-party payors and patients	31%
	100%

Note 11 - Contingencies and Commitments

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of or damage of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. A premium, based on previous experience, is paid each year for commercial insurance coverage purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis through Yellowstone Insurance Exchange (the Exchange), a risk retention group. Claims are subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. The Hospital has a $10,000 deductible requirement for each claim. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Hospital, based upon information available, has determined that no significant liability exists for potential losses incurred but not reported at September 30, 2023.

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care 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 health care 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.

Self-Funded Health Plan

The Hospital is self-funded for health benefits for eligible employees. The Hospital, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Hospital. The Hospital has obtained stop loss insurance coverage with a specific stop-loss deductible per covered participant of $85,000 with an aggregate reimbursement maximum of $3,000,000.

The Hospital expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in Accrued Expenses – Salaries and Wages in the financial statements. These amounts have been estimated based on historical trends of subsequent collections. Changes in the balance of claims liabilities is as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2023	$ 233,272	$ 1,999,584	$ 1,856,168	$ 376,688

Paycheck Protection Program (PPP) Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of $2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the PPP loan balance. As such, the potential exists that the Hospital may be deemed ineligible for loan forgiveness and be required to repay the loan.

Note 12 - Restatement

During 2023, the Hospital identified a misstatement related to the 2022 financial statements. The Hospital had previously understated accrued salary and wages as of September 30, 2022. The Hospital restated the September 30, 2022 net position to correct this error. The following is a summary of the effects of the restatement in the Hospital's September 30, 2022 net position.

Net position, as previously reported	$ 21,210,960
Accrued salary and wages adjustment	(416,263)
Total restatement	(416,263)
Net Position, as restated	$ 20,794,697

The amount reported for the change in net position for the year ended September 30, 2022, would have decreased by $416,263 had the amount been reported correctly in the prior year.

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

To the Board of Directors
Steele Memorial Medical Center
Salmon, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Steele Memorial Medical Center (the Hospital) and its discretely presented component unit as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 22, 2024.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Hospital'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*.

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
March 22, 2024

2023-001 Financial Statement Preparation, Audit Adjustment, and Prior Period Adjustment Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. It includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the Hospital and Foundation throughout the year. Finally, this includes identifying material transactions for inclusion in the financial statements being audited.

Condition:

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain closing entries and footnotes.

Finally, we identified material misstatements that related to prior periods.

Cause:

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

Effect:

Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain adjusting entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles.

Additionally, there were corrected misstatements that were triggered by an ineffective process such as:

- Reclassifications of Net Position balances to agree to prior year audited amounts.
- Adjustments to properly recognize ACO shared savings and County bond and interest receivable and revenue amounts.
- Adjustment of accrued payroll and salary and benefit expenses

Finally, the auditing firm identified a material audit adjustment related to the prior period accrued salary and wages. As a result of this prior period adjustment, the beginning net position was overstated by $416,263.

Recommendation:

Management and those charged with governance should assess the benefit of implementing an internal control system that includes the preparation of the financial statements and related footnotes in relation to the cost or other considerations.

Additionally, Management should implement a process to ensure the general ledger is complete and has all transactions recorded for the fiscal year.

Finally, Management should implement a process for the identification of transactions that could materially misstate the financial statements.

Views of Responsible Officials:

Management will work to develop procedures for year-end closing entries. Management will consider the cost and benefits of preparing the report in future years.