



Financial Statements
September 30, 2021 and 2020
Steele Memorial Medical Center

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Independent Auditor's Report

The Board of Directors
Steele Memorial Medical Center
Salmon, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Steele Memorial Medical Center, a component unit of Lemhi County, Idaho (the Hospital) and its discretely presented component unit, the Steele Memorial Foundation, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021 and 2020, 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.

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 8, 2022 on our consideration of Steele Memorial Medical Center’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.



Boise, Idaho
March 8, 2022

Steele Memorial Medical Center

Statements of Net Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 11,386,511	\$ 3,327,880
Cash and cash equivalents restricted for debt reserve	500,000	555,000
Cash restricted for provider relief funds and other purposes	-	6,710,177
Receivables		
Patient, net of estimated uncollectibles		
of \$1,436,000 in 2021 and \$997,000 in 2020	4,661,583	4,740,549
Estimated third-party payor settlements	-	582,537
Other	468,577	234,679
Supplies	1,078,236	1,035,929
Prepaid expenses and deposits	419,979	243,059
	<u>18,514,886</u>	<u>17,429,810</u>
Noncurrent Cash and Cash Equivalents, and Investments		
Board designated reserves for specific operating purposes		
and capital improvements	1,590,075	1,587,215
Investments in certificates of deposit	205,254	1,171,648
Restricted by trustee for debt reserve	310,690	159,872
Investment in Yellowstone Insurance Exchange	340,004	312,506
	<u>2,446,023</u>	<u>3,231,241</u>
Capital Assets		
Capital assets not being depreciated	1,037,717	1,068,654
Capital assets being depreciated, net	13,249,420	13,275,692
	<u>14,287,137</u>	<u>14,344,346</u>
	<u>35,248,046</u>	<u>35,005,397</u>
Deferred Outflows of Resources		
Refunding costs	90,766	309,435
	<u>\$ 35,338,812</u>	<u>\$ 35,314,832</u>

Steele Memorial Medical Center
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 779,452	\$ 791,961
Paycheck protection program loan , current portion	-	1,120,645
Accounts payable		
Trade	1,233,322	909,460
Estimated third-party payor settlements	670,873	382,536
Accrued expenses		
Salaries and wages	1,871,600	1,868,224
Interest	28,172	18,194
Refundable advance provider relief funds	18,000	4,231,958
	4,601,419	9,322,978
Total current liabilities		
Long-Term Debt, Less Current Maturities	8,643,486	9,476,848
Paycheck Protection Program Loan, Long-Term Portion	-	1,357,574
	13,244,905	20,157,400
Total liabilities		
Net Position		
Net investment in capital assets	4,954,965	4,384,972
Restricted		
Expendable for debt service	810,690	714,872
Unrestricted	16,328,252	10,057,588
	22,093,907	15,157,432
Total net position		
Total liabilities and net position	\$ 35,338,812	\$ 35,314,832

Steele Memorial Medical Center
 Statements of Financial Position – Discretely Presented Component Unit
 Steele Memorial Foundation
 September 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 216,698	\$ 177,047
Contributions receivable	59,574	219,147
Grant receivable	161,765	-
Long-term investments	70,541	55,696
Total assets	\$ 508,578	\$ 451,890
Liabilities		
Contributions payable	\$ 323,530	\$ -
Net Assets		
Without donor restrictions	125,449	232,743
With donor restrictions	59,599	219,147
Total net assets	185,048	451,890
Total liabilities and net assets	\$ 508,578	\$ 451,890

Steele Memorial Medical Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$1,224,573 in 2021 and \$1,159,411 in 2020	\$ 30,764,958	\$ 29,014,815
Other revenue	790,886	424,887
	31,555,844	29,439,702
Operating Expenses		
Salaries and wages	14,236,857	12,591,913
Employee benefits	3,116,545	3,145,692
Professional fees and purchased services	4,932,305	4,081,090
Supplies	5,170,153	5,082,330
Insurance	311,101	293,125
Depreciation	1,183,740	1,200,415
Other	3,173,690	3,446,433
	32,124,391	29,840,998
Operating Loss	(568,547)	(401,296)
Nonoperating Revenues (Expenses)		
CARES Act financial assistance	6,764,049	128,336
Property tax income	405,881	407,281
Interest income	59,533	47,062
Interest expense	(338,661)	(368,471)
	6,890,802	214,208
Revenues in Excess of (Less Than) Expenses Before Capital Contributions and Grants	6,322,255	(187,088)
Capital Contributions and Grants	614,220	333,812
Change in Net Position	6,936,475	146,724
Net Position, Beginning of Year	15,157,432	15,010,708
Net Position, End of Year	\$ 22,093,907	\$ 15,157,432

Steele Memorial Medical Center
Statements of Activities – Discretely Presented Component Unit
Steele Memorial Foundation
Years Ended September 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions	\$ 301,790	\$ 189,137
Net assets released from restrictions	159,573	92,500
Investment income	14,904	7,564
Total support and revenue	476,267	289,201
Expenses		
Contributions	240,229	147,982
Program and fundraising	332,030	6,915
General services and administrative	11,302	7,047
Total expenses	583,561	161,944
Increase (Decrease) in Net Assets Without Donor Restrictions	(107,294)	127,257
Changes in Net Assets With Donor Restrictions		
Investment income	25	-
Net Assets released from restrictions	(159,573)	(92,500)
Decrease in Net Assets With Donor Restrictions	(159,548)	(92,500)
Change in Net Assets	(266,842)	34,757
Net Assets, Beginning of Year	451,890	417,133
Net Assets, End of Year	\$ 185,048	\$ 451,890

Steele Memorial Medical Center
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Receipts from and on behalf of patients	\$ 31,714,798	\$ 29,048,542
Payments to suppliers and contractors	(13,716,512)	(13,156,589)
Payments to and on behalf of employees	(17,350,026)	(15,222,696)
Other receipts and payments, net	790,886	424,887
Net Cash from Operating Activities	<u>1,439,146</u>	<u>1,094,144</u>
Noncapital Financing Activities		
Paycheck protection program loan	-	2,478,219
CARES Act financial assistance received	71,872	128,336
Refundable advance provider relief funds	-	4,231,958
Property tax income received	405,881	407,281
Net Cash from Noncapital Financing Activities	<u>477,753</u>	<u>7,245,794</u>
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(4,987,022)	(765,213)
Proceeds from the issuance of long-term debt	4,255,945	-
Interest paid	(404,613)	(379,444)
Purchase and construction of capital assets	(601,949)	(765,627)
Capital contributions and grants	269,443	333,812
Net Cash used for Capital and Capital Related Financing Activities	<u>(1,468,196)</u>	<u>(1,576,472)</u>
Investing Activities		
Investment income	59,533	47,062
Purchases of noncurrent investments	(4,653)	(212,889)
Sales and maturities of noncurrent investments	943,549	25,250
Net Cash from (used for) Investing Activities	<u>998,429</u>	<u>(140,577)</u>
Net Change in Cash and Cash Equivalents	1,447,132	6,622,889
Cash and Cash Equivalents, Beginning of Year	<u>12,340,144</u>	<u>5,717,255</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,787,276</u>	<u>\$ 12,340,144</u>

Steele Memorial Medical Center
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Statements Net Position		
Cash and cash equivalents	\$ 11,386,511	\$ 3,327,880
Cash and cash equivalents restricted for debt reserve	500,000	555,000
Cash designated for provider relief funds and other purposes	-	6,710,177
Board designated reserves for specific operating purposes and capital improvements	1,590,075	1,587,215
Restricted by trustee for debt reserve	310,690	159,872
Total cash and cash equivalents	\$ 13,787,276	\$ 12,340,144
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	\$ (568,547)	\$ (401,296)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation	1,183,740	1,200,415
Provision for bad debts	1,224,573	1,159,411
Changes in assets and liabilities		
Patient receivables	(1,145,607)	(1,223,721)
Other receivables	(233,898)	(83,245)
Estimated third-party payor settlements	870,874	98,037
Supplies	(42,307)	(13,753)
Prepaid expenses	(176,920)	(108,490)
Accounts payable	323,862	(48,123)
Accrued expenses	3,376	514,909
Net Cash from Operating Activities	\$ 1,439,146	\$ 1,094,144
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Equipment financed through capital lease arrangement	\$ 179,805	\$ -
Donated equipment	\$ 344,777	\$ -
Supplemental Disclosure of Noncash Noncapital Financing Activities		
Forgiveness of PPP loan	\$ 2,478,219	\$ -

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

Basis of accounting 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.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital. There were no nonexpendable net position amounts as of September 30, 2021 and 2020, 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 best 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, 2021 and 2020, no allowance for uncollectible contributions receivable was deemed necessary.

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or net realizable value. 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 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. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. 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.

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 years ended September 30, 2021 and 2020.

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 \$183,000 and \$174,000, respectively, for the years ended September 30, 2021 and 2020, 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

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, 2018. 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, 2017.

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 years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Medicare	51%	50%
Medicaid	14%	16%
Blue Cross and other commercial payors	32%	31%
Self pay and other	3%	3%
	<u>100%</u>	<u>100%</u>

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 years ended September 30, 2021 and 2020, increased \$423,000 and \$379,000, respectively, due to removal of allowances previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Provider Relief Funds

The Hospital received \$4,299,624, of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has deadlines for incurring eligible expenses and lost revenues, varying based on the date the Hospital received the funds. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as revenues in the accompanying statements of operations as all terms and conditions are considered met. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of September 30, 2021 and 2020, the Hospital had refundable advance balances of \$18,000 and \$4,231,958, respectively, which were included in current liabilities on the accompanying statements of financial position. During the years ended September 30, 2021 and 2020, the Hospital recognized \$4,285,830 and \$0, respectively, of CARES Act financial assistance revenue, included as nonoperating on the statements of revenues, expenses, and changes in net position.

Note 4 - Contributions Receivable

Contributions receivable held by the Foundation consist of the following at September 30, 2021 and 2020:

	2021	2020
Current contributions receivable	\$ 59,574	\$ 106,382
Amounts receivable in one to five years	-	112,765
Contributions receivable, net	\$ 59,574	\$ 219,147

At September 30, 2021 and 2020, the contributions receivable consisted entirely of amounts related to the private foundation discussed further in Note 9. In addition, the Foundation has a grant receivable of \$161,765 for an equipment purchase, which is expected to be received in the next year.

Note 5 - Deposits and Investments

The carrying amounts of deposits and investments as of September 30, 2021 and 2020, are included in the Hospital's statements of net position as follows:

	<u>2021</u>	<u>2020</u>
Carrying Amount		
Cash and deposits	\$ 13,787,276	\$ 12,340,144
Investments	205,254	1,171,648
Total	<u>\$ 13,992,530</u>	<u>\$ 13,511,792</u>

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,386,511	\$ 3,327,880
Cash and cash equivalents restricted for debt reserve	500,000	555,000
Cash designated for Provider Relief Funds	-	6,710,177
Board designated reserves for specific operating purposes and capital improvements	1,590,075	1,587,215
Investments in certificates of deposit	205,254	1,171,648
Restricted by trustee for debt reserve	310,690	159,872
	<u>\$ 13,992,530</u>	<u>\$ 13,511,792</u>

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, 2021 and 2020, was \$12,008,394 and \$11,309,767, respectively.

Investments

The Hospital's investments are reported at fair value. The Hospital had the following investments and maturities at September 30, 2021 and 2020:

	2021			
	S&P Rating	Investment Value	Investment Maturities (in Years)	
			Less than One	One to Five
Certificates of deposit	Not rated	\$ 205,254	\$ -	\$ 205,254

	2020			
	S&P Rating	Investment Value	Investment Maturities (in Years)	
			Less than One	One to Five
Certificates of deposit	Not rated	\$ 1,171,648	\$ 971,047	\$ 200,601

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:

	2021	2020
East Idaho Credit Union CD	100%	17%
Eaglemark Savings Bank CD	0%	21%
State Bank of India CD	0%	21%
Mizrahi Tefahot Bank CD	0%	19%
Wells Fargo Bank NA CD	0%	22%
	<u>100%</u>	<u>100%</u>

Investment Income

Investment income, primarily interest income, for the years ended September 30, 2021 and 2020, was \$59,533 and \$47,062, respectively.

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, 2020:

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.

As of September 30, 2020:

	Fair Value Measurements Using:		
	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			
Brokered Certificates of Deposit	\$ -	\$ 1,171,648	\$ -

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 3% interest in Yellowstone. As of September 30, 2021 and 2020, the Hospital had an investment of \$340,004 and \$312,506, respectively. 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 years ended December 31, 2020 and 2019, is as follows:

	2020	2019
Total assets	\$ 19,761,681	\$ 18,920,417
Total liabilities	\$ 10,989,281	\$ 9,980,764
Total equity	\$ 8,772,400	\$ 8,939,653
Total revenues	\$ 4,994,699	\$ 4,608,509
Total income	\$ 422,738	\$ 420,589

Note 6 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended September 30, 2021, are as follows:

	Balance September 30, 2020	Additions	Transfers and Retirements	Balance September 30, 2021
Capital assets not being depreciated				
Land	\$ 1,037,717	\$ -	\$ -	\$ 1,037,717
Construction in progress	30,937	-	(30,937)	-
Total capital assets not being depreciated	<u>\$ 1,068,654</u>	<u>\$ -</u>	<u>\$ (30,937)</u>	<u>\$ 1,037,717</u>
Capital assets being depreciated				
Land improvements	\$ 415,598	\$ -	\$ -	\$ 415,598
Building and improvements	17,262,317	11,959	-	17,274,276
Equipment	11,122,288	1,114,569	30,937	12,267,794
Total capital assets being depreciated	<u>28,800,203</u>	<u>\$ 1,126,528</u>	<u>\$ 30,937</u>	<u>29,957,668</u>
Less accumulated depreciation for				
Land improvements	184,405	\$ -	\$ -	184,405
Building and improvements	6,238,837	715,085	-	6,953,922
Equipment	9,101,269	468,652	-	9,569,921
Total accumulated depreciation	<u>15,524,511</u>	<u>\$ 1,183,737</u>	<u>\$ -</u>	<u>16,708,248</u>
Net capital assets being depreciated	<u>\$ 13,275,692</u>			<u>\$ 13,249,420</u>
Capital assets, net	<u>\$ 14,344,346</u>			<u>\$ 14,287,137</u>

Steele Memorial Medical Center

Notes to Financial Statements
September 30, 2021 and 2020

Capital assets additions, retirements, transfers and balances for the year ended September 30, 2020, are as follows:

	<u>Balance September 30, 2019</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance September 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 1,037,717	\$ -	\$ -	\$ 1,037,717
Construction in progress	<u>38,402</u>	<u>39,831</u>	<u>(47,296)</u>	<u>30,937</u>
Total capital assets not being depreciated	<u>\$ 1,076,119</u>	<u>\$ 39,831</u>	<u>\$ (47,296)</u>	<u>\$ 1,068,654</u>
Capital assets being depreciated				
Land improvements	\$ 415,598	\$ -	\$ -	\$ 415,598
Building and improvements	17,225,016	17,120	20,181	17,262,317
Equipment	<u>10,386,497</u>	<u>708,676</u>	<u>27,115</u>	<u>11,122,288</u>
Total capital assets being depreciated	<u>28,027,111</u>	<u>\$ 725,796</u>	<u>\$ 47,296</u>	<u>28,800,203</u>
Less accumulated depreciation for				
Land improvements	184,405	\$ -	\$ -	184,405
Building and improvements	5,524,360	714,477	-	6,238,837
Equipment	<u>8,615,331</u>	<u>485,938</u>	<u>-</u>	<u>9,101,269</u>
Total accumulated depreciation	<u>14,324,096</u>	<u>\$ 1,200,415</u>	<u>\$ -</u>	<u>15,524,511</u>
Net capital assets being depreciated	<u>\$ 13,703,015</u>			<u>\$ 13,275,692</u>
Capital assets, net	<u>\$ 14,779,134</u>			<u>\$ 14,344,346</u>

Note 7 - Lease Obligations

The Hospital leases certain equipment under a non-cancelable long-term lease agreement that is recorded as a capitalized lease. The capitalized lease assets consist of:

	<u>2021</u>
Major movable equipment	\$ 179,805
Less accumulated amortization	<u>(2,132)</u>
	<u>\$ 177,673</u>

Minimum future lease payments for the capital lease is as follows:

<u>Years Ending September 30,</u>	<u>Capital Lease</u>
2022	\$ 36,711
2023	36,711
2024	36,711
2025	36,711
2026	32,932
Total minimum lease payments	<u>(3,751)</u>
Less interest	<u>(3,751)</u>
Present value of minimum lease payments	<u>\$ 176,025</u>

Note 8 - Long-Term Debt

A schedule of changes in the Hospital's noncurrent liabilities consisted of the following amounts:

	Balance September 30, 2020	Additions	Payments/ Refunding/ Forgiveness	Balance September 30, 2021	Due Within One Year
Bonds Payable					
General Obligation Bonds					
2011	\$ 4,380,000	\$ -	\$ 4,380,000	\$ -	\$ -
2011 bond premium	366,281	-	366,281	-	-
2020B	-	3,415,000	-	3,415,000	500,000
2020B bond premium	-	637,404	91,058	546,346	-
Medical office building payable	5,522,528	-	236,961	5,285,567	243,907
Paycheck Protection Program	2,478,219	-	2,478,219	-	-
Capital Lease	-	179,805	3,780	176,025	35,545
	<u>\$ 12,747,028</u>	<u>\$ 4,232,209</u>	<u>\$ 7,556,299</u>	<u>\$ 9,422,938</u>	<u>\$ 779,452</u>

	Balance September 30, 2019	Additions	Payments	Balance September 30, 2020	Due Within One Year
Bonds Payable					
General Obligation Bonds					
2011	\$ 4,915,000	\$ -	\$ 535,000	\$ 4,380,000	\$ 555,000
2011 bond premium	419,237	-	52,956	366,281	-
Medical office building payable	5,752,741	-	230,213	5,522,528	236,961
Paycheck Protection Program	-	2,478,219	-	2,478,219	1,120,645
	<u>\$ 11,086,978</u>	<u>\$ 2,478,219</u>	<u>\$ 818,169</u>	<u>\$ 12,747,028</u>	<u>\$ 1,912,606</u>

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 \$500,000 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 will be 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:

Years Ending September 30,	General Obligation Bond		
	Principal	Interest	Total
2022	\$ 500,000	\$ 170,750	\$ 670,750
2023	530,000	145,750	675,750
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	3,415,000	\$ 622,000	\$ 4,037,000
Add bond premium	546,346		
	<u>\$ 3,961,346</u>		

Medical Office Building Payable

A revenue bond was issued by Zions Bank, dated April 14, 2016, in the amount of \$6,300,000 under a lease with the Idaho Health Facilities Authority. The funds were used to build a new medical office 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.

The Hospital has the option to purchase improvements and to terminate the lease term at any time. To exercise such option the Hospital shall give written notice to Idaho Health Facilities Authority and Zions Bank, which shall specify the date of closing the purchase. The date shall not be less than 45 days nor more than 90 days from the date such notice is mailed. The total purchase price shall be \$1.

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

Years Ending September 30,	Medical Office Building Revenue Bond		
	Principal	Interest	Total
2022	\$ 243,907	\$ 152,048	\$ 395,955
2023	251,056	144,899	395,955
2024	258,415	137,540	395,955
2025	265,990	129,966	395,956
2026	263,481	132,474	395,955
2027-2031	4,002,718	531,170	4,533,888
	<u>\$ 5,285,567</u>	<u>\$ 1,228,097</u>	<u>\$ 6,513,664</u>

Paycheck Protection Program

The Hospital was granted a \$2,478,219 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital initially recorded a note payable and subsequently recorded forgiveness upon being legally released from the loan obligation by the SBA and lender. The Hospital recognized \$2,478,219 of loan forgiveness income included in CARES Act financial assistance as Nonoperating revenue for the year ended September 30, 2021.

Note 9 - 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 years ended September 30, 2021 and 2020 and 2019, was approximately \$259,000, \$246,000, and \$207,000, respectively.

Note 10 - 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 years ended September 30, 2021 and 2020, contributions from the Foundation for bond payments amounted to \$125,000. Contributions for specified purposes and equipment amounted to \$348,980 and \$116,701, for the years ended September 30, 2021 and 2020, respectively.

Note 11 - 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, 2021 and 2020, was as follows:

	2021	2020
Medicare	37%	37%
Medicaid	11%	16%
Commercial insurance	26%	24%
Other third-party payors and patients	26%	23%
	<u>100%</u>	<u>100%</u>

Note 12 - 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, 2021 and 2020.

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.

Commitment

The Hospital had a contract with Quorum Health Resources (QHR) for management and advisory services through March 2021. At the end of the agreement, the Hospital paid \$400,000 to buy out the contract and retain the personnel as employees.

Total payments to QHR for the management and advisory services for the years ended September 30, 2021 and 2020, were approximately \$713,000 and \$800,000, respectively.

COVID-19 Pandemic

During 2021 and 2020, the world-wide coronavirus pandemic impacted national and global economies. The Hospital is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Hospital is not known.

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 outstanding 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.



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, 2021, 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 8, 2022.

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 items 2021-001 and 2021-002 that we consider to be material weaknesses.

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 statement. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
March 8, 2022

2021-001 Financial Statement Preparation & Audit Adjustments
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.

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.

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.

Recommendation:

Management should develop written procedures for year-end closure for the Foundation to ensure that all year-end adjustments are recorded and that the financial information is recorded accurately and in a timely manner. 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.

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.

2021-002 Segregation of Duties
Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the proper review of journal entries, financial schedules, and supporting documentation.

Condition:

An internal control system design must include sufficient staffing in order to have a proper review process as part of the financial close process.

Cause:

The size of the Hospital and the limited number of accounting personnel makes it difficult to implement this level of internal control. There was also management turnover prior to year-end which limited the personnel involved in the financial reporting process during financial close for fiscal year 2021.

Effect:

Audit adjustments were identified as noting in finding 2021-001, in addition, during the year there were entries recorded by prior management that lacked supporting documentation.

Recommendation:

Management should develop an internal control structure with sufficient staffing to allow for proper review of entries, schedules, and supporting documentation.

Views of Responsible Officials:

Management will work to develop procedures for proper review of financial information. Additional personnel have been hired in fiscal year 2022.