Beaver Valley Hospital

A Component Unit of the City of Beaver, Utah

Independent Auditor's Reports, Financial Statements, and Supplementary Information

June 30, 2025 and 2024

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Contents
June 30, 2025 and 2024

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Independent Auditor's Report

Board of Trustees
Beaver Valley Hospital
Beaver, Utah

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Beaver Valley Hospital (Hospital), a component unit of the City of Beaver, Utah, as of and for the years ended June 30, 2025 and 2024 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2025 and 2024 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, that consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information as described in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 18, 2025 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Forvis Mazars, LLP

Tulsa, Oklahoma
December 18, 2025

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Balance Sheets
June 30, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 77,621,409	$ 70,526,022
Patient accounts receivable, net of allowance 2025 – $13,949,000, 2024 – $13,447,000	35,714,456	40,300,423
Estimated amounts due from third-party payors	2,612,958	3,535,783
Other receivables	2,657,095	4,682,024
Due from Managers	3,840,616	4,361,623
Upper payment limit receivables	29,719,610	11,332,345
Supplies	530,194	530,194
Prepaid expenses and other	4,525,831	4,336,221
Total Current Assets	157,222,169	139,604,635
Noncurrent Cash		
Held by trustee for project funding and debt service	6,070,670	9,678,731
Capital Assets, Net	57,703,311	38,411,385
Subscription Asset, Net	4,305,336	4,913,148
Total Assets	225,301,486	192,607,899
Deferred Outflows of Resources	2,149,833	2,170,101
Total Assets and Deferred Outflows of Resources	$ 227,451,319	$ 194,778,000

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Balance Sheets
June 30, 2025 and 2024 **(Continued)**

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Line of credit	$ 9,000,000	$ -
Current maturities of long-term debt	766,000	742,000
Current maturities of subscription liability	540,892	524,402
Accounts payable	19,980,810	18,762,587
Due to third-party payors	1,298,814	-
Deferred revenue	515,832	515,832
Accrued expenses	14,340,532	15,735,271
Due to Managers	18,004,013	11,850,011
Accrued expenses related to upper payment limit	10,315,078	10,896,140
Total Current Liabilities	74,761,971	59,026,243
Subscription Liability	3,706,601	4,247,493
Long-Term Debt	17,780,000	18,735,000
Net Pension Liability	1,640,895	1,210,104
Total Liabilities	97,889,467	83,218,840
Deferred Inflows of Resources	5,589	6,597
Net Position		
Net investment in capital assets	43,251,326	27,556,647
Unrestricted	86,304,937	83,995,916
Total Net Position	129,556,263	111,552,563
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 227,451,319	$ 194,778,000

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 – $13,939,649, 2024 – $14,326,691	$ 368,466,838	$ 349,057,953
Upper payment limit revenue	76,973,967	75,440,487
Other	5,849,710	3,600,133
Total Operating Revenues	451,290,515	428,098,573
Operating Expenses		
Salaries, wages, and employee benefits	208,960,628	193,998,694
Purchased services and professional fees	69,333,418	72,195,202
Supplies	35,614,211	35,142,381
Management fees related to long-term care	67,696,331	61,494,818
Other expenses related to long-term care	2,577,392	5,872,091
Depreciation and amortization	1,275,577	1,215,604
Other	49,360,312	49,959,736
Total Operating Expenses	434,817,869	419,878,526
Operating Income	16,472,646	8,220,047
Nonoperating Revenues (Expenses)		
Interest income	1,526,408	1,343,339
City appropriations	984,036	1,009,870
Other	(53,801)	23,714
Interest expense	(925,589)	(387,641)
Total Nonoperating Revenues (Expenses)	1,531,054	1,989,282
Increase in Net Position	18,003,700	10,209,329
Net Position, Beginning of Year	111,552,563	101,343,234
Net Position, End of Year	$ 129,556,263	$ 111,552,563

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Activities		
Receipts from and on behalf of patients	$ 431,172,608	$ 445,190,659
Other receipts, net	5,849,710	3,600,133
Payments to suppliers and contractors	(215,684,626)	(245,859,618)
Payments to employees	(207,852,955)	(193,984,299)
Net Cash Provided by Operating Activities	13,484,737	8,946,875
Noncapital Financing Activities		
City appropriations	984,036	1,009,870
Other	(53,801)	23,714
Net Cash Provided by Noncapital Financing Activities	930,235	1,033,584
Capital and Related Financing Activities		
Principal paid on long-term debt	(931,000)	(260,000)
Interest paid on long-term debt	(785,069)	(244,776)
Principal paid on subscription liability	(524,402)	(466,646)
Interest paid on subscription liability	(140,520)	(142,865)
Proceeds from line of credit	9,000,000	-
Purchase of capital assets	(19,073,063)	(9,318,163)
Advance payment on subscription obligation	-	(231,768)
Net Cash Used in Capital and Related Financing Activities	(12,454,054)	(10,664,218)
Investing Activities		
Interest income	1,526,408	1,343,339
Net Cash Provided by Investing Activities	1,526,408	1,343,339
Increase in Cash and Cash Equivalents	3,487,326	659,580
Cash and Cash Equivalents, Beginning of Year	80,204,753	79,545,173
Cash and Cash Equivalents, End of Year	$ 83,692,079	$ 80,204,753
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 77,621,409	$ 70,526,022
Held by trustee for project funding and debt service	6,070,670	9,678,731
Total cash and cash equivalents	$ 83,692,079	$ 80,204,753

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Statements of Cash Flows
Years Ended June 30, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 16,472,646	$ 8,220,047
Depreciation and amortization	1,275,577	1,215,604
Provision for uncollectible accounts	13,939,649	14,326,691
Changes in operating assets and liabilities		
Patient accounts receivable, net	(12,175,626)	(13,374,813)
Other receivables and upper payment limit receivables	(16,362,336)	18,744,668
Supplies and prepaid expenses	(189,610)	(2,277,274)
Deferred inflows related to pensions	(1,008)	(4,457)
Deferred outflows related to pensions	20,268	(513,512)
Net pension asset/liability	430,791	302,354
Accounts payable and accrued expenses	1,177,738	(5,048,574)
Due to/from Managers	6,675,009	(11,831,032)
Estimated amounts due to/from third-party payors	2,221,639	(812,827)
Net Cash Provided by Operating Activities	$ 13,484,737	$ 8,946,875
Noncash Investing, Capital, and Financing Activities		
Capital asset purchases in accounts payable	$ 2,034,498	$ 1,197,722
Subscription obligation incurred for subscription asset	$ -	$ 5,238,541

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Beaver Valley Hospital (Hospital) is a 25-bed Medicare-certified critical access hospital. The Hospital is a component unit of the City of Beaver, Utah (City), and the Beaver City Council appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients residing in the cities of Beaver and Parowan, Utah, and the surrounding area. The Hospital also operates skilled nursing facilities, a home health agency, and a hospice.

The Hospital operates 44 long-term care (LTC) facilities through various agreements for the use of facilities. These facilities provide inpatient and therapy services in their geographic area and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital, and the Hospital is responsible for the associated operating expense and working capital requirements.

Basis of Accounting and Presentation

The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place; while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and city appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as city appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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, liabilities, and deferred inflows and outflows of resources 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 Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2025 and 2024, cash equivalents consisted of investments with the Utah Public Treasurers' Investment Fund.

Risk Management

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

Investments and Investment Income

Investments with the Utah Public Treasurers' Investment Fund are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest income earned on interest-bearing accounts.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Buildings	15–40 years
Building improvements	2–25 years
Furniture and equipment	3–20 years

Lease and Subscription Assets

Lease and subscription assets are recorded at the initial measurement of the related liability, plus payments made at or before the commencement of the term, less any incentives received at or before the commencement of the lease or subscription, plus initial direct costs that are ancillary to place the asset into service. Lease and subscription assets are amortized on a straight-line basis over the shorter of the term or the useful life of the underlying asset.

Capital, Lease, and Subscription Asset Impairment

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital, lease, or subscription asset historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended June 30, 2025 and 2024.

Deferred Outflows and Inflows of Resources

The Hospital is required to account for certain transactions as deferred outflows or inflows of resources in a separate section of its balance sheet if they do not qualify for treatment as either assets or liabilities. Deferred outflows and inflows of resources are defined as a consumption (deferred outflows) or an acquisition (deferred inflows) of net position by the Hospital that is applicable to a future reporting period.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date and are included in accrued expenses in the accompanying balance sheets.

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Utah Retirement Systems Pension Plan (Plan). For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan, and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the Hospital is classified in three components on its balance sheets. Net investment in capital assets consists of capital and subscription assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position. The Hospital did not have any restricted net position as of June 30, 2025 and 2024.

Net Patient Service Revenue and Upper Payment Limit Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue and Upper Payment Limit (UPL) revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the City, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Change in Accounting Standard

In June 2022, *GASB Statement No.* 101, *Compensated Absences (GASB 101)*, was issued. The new accounting standard updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. Hospital management evaluated this standard and determined that it did not have a material impact on its financial statements or disclosures.

Revisions

A revision has been made to *Note 3* to exclude the amount held in the Utah Public Treasurers Investment Fund at June 30, 2025, from the bank balances and uninsured and uncollateralized amounts. This revision did not have an impact on amounts reported for 2025 on the accompanying balance sheets, statements of revenues, expenses, and changes in net position, or statements of cash flows.

Note 2. Net Patient Service Revenue and UPL Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare – The Hospital is reimbursed as a critical access hospital based on a cost reimbursement methodology for inpatient and outpatient services provided to Medicare program beneficiaries. The Hospital is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through the year ended June 30, 2023.

LTC services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care and is subject to certain eligibility requirements.

Medicaid – The Hospital is reimbursed based on a percentage of charges for inpatient services and on a cost reimbursement methodology for outpatient services with no retroactive adjustments.

LTC services rendered to Medicaid program beneficiaries are paid on a per diem basis.

Approximately 39% and 38% of the Hospital's net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2025 and 2024, respectively. Approximately 74% and 75% of the LTC facilities' net patient service revenue is from participation in the same programs for the years ended June 30, 2025 and 2024, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The LTC operations of the Hospital qualify for supplemental Medicaid payments through the UPL program. The UPL program is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT and LTC operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and net of any adjustments to the UPL as determined by the Utah Department of Health in administering the UPL. The Hospital recognized approximately $117,851,000 and $97,111,000 in revenue related to this supplemental payment program, net of approximately $40,890,000 and

$46,836,000 in IGT payments and adjustments made to the program for the years ended June 30, 2025 and 2024, respectively.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider 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.

Note 3. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk.

At June 30, 2025 and 2024, approximately $77,555,000 and $68,259,000, respectively, of the Hospital's bank balances of approximately $80,118,000 and $72,895,000, respectively, were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

Investments

The Hospital has investments with the Utah Public Treasurers' Investment Fund (Investment Pool) as of June 30, 2025 and 2024. All investments in the Investment Pool must comply with the *Utah State Money Management Act* and rules of the State Money Management Council. The Investment Pool primarily invests in money market securities, including time certificates of deposit, domestic commercial paper, short-term corporate notes, and obligations of the U.S. Treasury and certain U.S. government agencies. Investment Pool deposits are not insured or guaranteed by the FDIC, the State of Utah, or any other instrumentality of the U.S. The Investment Pool is measured at fair value and classified as a cash equivalent in the accompanying balance sheets.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At June 30, 2025 and 2024, the Hospital's investments were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Hospital places no limit on the amount that may be invested in any one issuer. At June 30, 2025 and 2024, the Hospital's only investment was in the Investment Pool.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheets as follows:

	2025	2024
Carrying value		
Deposits	$ 76,825,078	$ 67,806,539
Investment Pool	6,867,001	12,398,214
Total	$ 83,692,079	$ 80,204,753
Included in the following balance sheet captions		
Cash and cash equivalents	$ 77,621,409	$ 70,526,022
Held by trustee for project funding and debt service	6,070,670	9,678,731
Total	$ 83,692,079	$ 80,204,753

Note 4. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Hospital had the following recurring fair value measurements as of June 30, 2025 and 2024:

- The Investment Pool is valued using the application of the fair value as calculated by the Utah State Treasurer as of the balance sheet date multiplied by the Hospital's average daily balance in the Investment Pool and is classified within Level 2 of the hierarchy.

Note 5. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements.

Patient accounts receivable consisted of approximately the following at June 30 :

	2025	2024
Medicare	$ 11,361,000	$10,639,000
Medicaid	17,807,000	21,077,000
Other third-party payors	14,699,000	17,939,000
Patients	5,796,000	4,092,000
	49,663,000	53,747,000
Less allowance for uncollectible accounts	13,949,000	13,447,000
	$ 35,714,000	$ 40,300,000

Note 6. Services to the Community

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Hospital provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts that are less than established charges for the services provided to the recipients, and many times the payments are less than the cost of rendering the services provided.

Approximate uncompensated costs related to these hospital services, exclusive of the LTC facilities, are as follows for the years ended June 30:

	2025	2024
Charity allowances	$ 62,000	$ 105,000

The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. In addition to uncompensated costs, the Hospital also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

Note 7. Capital, Lease, and Subscription Assets

Capital assets activity was as follows for the years ended June 30:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2025					
Land	$ 1,103,810	$ -	$ -	$ -	$ 1,103,810
Buildings and improvements	9,755,081	2,406,172	-	-	12,161,253
Furniture and equipment	15,501,668	1,451,899	-	-	16,953,567
Construction in progress	31,599,626	16,051,768	-	-	47,651,394
	57,960,185	19,909,839	-	-	77,870,024
Less accumulated depreciation					
Buildings and improvements	5,826,892	164,708	-	-	5,991,600
Furniture and equipment	13,721,908	453,205	-	-	14,175,113
	19,548,800	617,913	-	-	20,166,713
Capital assets, net	$ 38,411,385	$ 19,291,926	$ -	$ -	$ 57,703,311
2024					
Land	$ 1,103,810	$ -	$ -	$ -	$ 1,103,810
Buildings and improvements	8,439,578	1,315,503	-	-	9,755,081
Furniture and equipment	14,992,867	508,801	-	-	15,501,668
Construction in progress	23,941,645	7,657,981	-	-	31,599,626
	48,477,900	9,482,285	-	-	57,960,185
Less accumulated depreciation					
Buildings and improvements	5,662,184	164,708	-	-	5,826,892
Furniture and equipment	13,228,173	493,735	-	-	13,721,908
	18,890,357	658,443	-	-	19,548,800
Capital assets, net	$ 29,587,543	$ 8,823,842	$ -	$ -	$ 38,411,385

Subscription asset activity was as follows for the year ended June 30:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2025					
Subscription asset	$ 5,470,309	$ -	$ -	$ -	$ 5,470,309
Less accumulated amortization	557,161	607,812	-	-	1,164,973
Subscription asset, net	$ 4,913,148	$ (607,812)	$ -	$ -	$ 4,305,336

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2024					
Subscription asset	$ -	$ 5,470,309	$ -	$ -	$ 5,470,309
Less accumulated amortization	-	557,161	-	-	557,161
Subscription asset, net	$ -	$ 4,913,148	$ -	$ -	$ 4,913,148

The Hospital had no significant lease assets at June 30, 2025 and 2024.

Note 8. Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 9. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2025					
Long-term debt					
Revenue bonds payable					
Series 2022A	$ 4,612,000	$ -	$ (242,000)	$ 4,370,000	$ 200,000
Series 2022B	14,865,000	-	(689,000)	14,176,000	566,000
Total long-term debt	19,477,000	-	(931,000)	18,546,000	766,000
Other long-term liabilities					
Subscription liability	4,771,895	-	(524,402)	4,247,493	540,892
Total long-term obligations	$ 24,248,895	$ -	$ (1,455,402)	$ 22,793,493	$ 1,306,892

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2024					
Long-term debt					
Revenue bonds payable					
Series 2022A	$ 4,737,000	$ -	$ (125,000)	$ 4,612,000	$ 193,000
Series 2022B	15,000,000	-	(135,000)	14,865,000	549,000
Total long-term debt	19,737,000	-	(260,000)	19,477,000	742,000
Other long-term liabilities					
Subscription Liability	-	5,238,541	(466,646)	4,771,895	524,402
Total long-term obligations	$ 19,737,000	$ 5,238,541	$ (726,646)	$ 24,248,895	$ 1,266,402

Revenue Bonds Payable – Series 2022A

The Series 2022A revenue bonds payable consist of Lease Revenue Bonds, Series 2022A (Series 2022A Bonds) in the original amount of $5,000,000 dated May 12, 2022 that bear interest quarterly at 3.10%. The Series 2022A Bonds are payable in quarterly installments through April 1, 2042. The Series 2022A Bonds outstanding may be redeemed at the Hospital's option at any time. The redemption price is 100%. The Series 2022A Bonds are secured by substantially all assets of the Hospital.

The revenue bonds payable were issued by the Municipal Building Authority of Beaver City, Utah, to the Hospital through a Master Lease Agreement and provided for the construction and use of the hospital building expansion project. The Series 2022A Bonds contain provisions that in the event of default outstanding amounts become immediately due and payable and shall bear no additional interest. If the Hospital's participation in the UPL program is terminated at any time, the bonds are callable and 100% of the outstanding balance plus any accrued interest

will become due to the bondholders within 30 days after the termination of the UPL program, unless such mandatory redemption is waived in writing by bondholders.

Revenue Bonds Payable – Series 2022B

The Series 2022B revenue bonds payable consist of Lease Revenue Bonds, Series 2022B (Series 2022B Bonds) in the original amount of $15,000,000 dated May 12, 2022, that bear interest quarterly at 3.00%. The Series 2022B Bonds are payable in quarterly installments through April 1, 2044. The Series 2022B Bonds outstanding may be redeemed at the Hospital's option at any time. The redemption price is 100%. The Series 2022B Bonds are secured by substantially all assets of the Hospital.

The revenue bonds payable were issued by the Municipal Building Authority of Beaver City, Utah, to the Hospital through a Master Lease Agreement and provided for the construction and use of the hospital building expansion project. The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as held by trustee in the accompanying balance sheets. The Series 2022B Bonds contain provisions that in the event of default, outstanding amounts become immediately due and payable and shall bear no additional interest. If the Hospital's participation in the UPL program is terminated at any time, the bonds are callable and 100% of the outstanding balance plus any accrued interest will become due to the bondholders within 30 days after the termination of the UPL program, unless such mandatory redemption is waived in writing by bondholders.

The debt service requirements of the Hospital's long-term debt obligations as of June 30, 2025 are below. The Hospital has historically made the debt service payments on the revenue bonds in the month prior to the scheduled due dates.

The debt service requirements below are based on the payments the Hospital will make in the following periods:

Year Ending June 30,	Total to be Paid	Principal	Interest
2026	$ 1,331,632	$ 766,000	$ 565,632
2027	1,331,862	790,000	541,862
2028	1,331,708	813,000	518,708
2029	1,331,113	839,000	492,113
2030	1,332,065	866,000	466,065
2031–2035	6,657,415	4,746,000	1,911,415
2036–2040	6,658,647	5,531,000	1,127,647
2041-2044	4,464,303	4,195,000	269,303
	$ 24,438,745	$ 18,546,000	$ 5,892,745

Subscription Obligation

The Hospital entered into a subscription-based information technology arrangement (SBITA) during 2024, the terms of which expire in 2033. Variable payments of this subscription are based upon the Consumer Price Index (Index). The subscription was measured based upon the Index at commencement of the SBITA term. Variable payments

based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITA as of June 30, 2025:

Year Ending June 30,	Total to be Paid	Principal	Interest
2026	$ 664,922	540,892	124,030
2027	664,922	557,900	107,022
2028	664,921	575,442	89,479
2029	664,922	593,537	71,385
2030	664,922	612,200	52,722
2031-2033	1,414,829	1,367,522	47,306
	$ 4,739,438	$ 4,247,493	$ 491,944

Note 10. Line of Credit

The Hospital has a revolving line of credit agreement with a financial institution for short-term borrowings up to $15,000,000 with variable interest charges compounding monthly at the higher of 4% or the Secured Overnight Financing Rate (4.52% as of June 30, 2025). The line is collateralized by substantially all of the Hospital's assets and is renewed annually each April. There was approximately $9,000,000 and $0 drawn on the line at June 30, 2025 and 2024, respectively. The total amount drawn at June 30, 2025 was paid in full in July 2025.

Note 11. Pension and Retirement Plans

Defined Benefit Plan Descriptions

Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). Participation in the URS is comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple-employer, cost-sharing, retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer, cost-sharing, public employee retirement system.
- Tier 2 Defined Contribution Plan (Tier 2 DC Plan) is a multiple-employer, cost-sharing, public employee retirement system.

The Tier 2 Public Employees System, that encompasses both the Contributory System and the Tier 2 DC Plan, defined above, became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011 who have no previous service credit with the URS are members of the Tier 2 Retirement System.

The URS is established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended (Utah Code). The URS' defined benefit plans are amended statutorily by the State Legislature. The *Utah State Retirement Office Act* in Title 49 of the Utah Code provides for the administration of the URS and plans under the direction of the Utah State Retirement Board (URS Board) whose members are appointed by the governor. The systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

The URS issues a publicly available financial report that can be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided

The URS provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits for employees are as follows:

	Final Average Salary	Required Years of Service	Age Eligible for Benefit	Annual Benefit Percentage	**Cost-of-Living Adjustments
Noncontributory System	Highest three years	30 25 20 10 4	Any Any* 60* 62* 65	2.0% per year all years	Up to 4.0%
Tier 2 Public Employees System	Highest five years	35 20 10 4	Any 60* 62* 65	1.5% per year all years	Up to 2.5%

*Actuarial reductions are applied.

**All postretirement cost-of-living adjustments are noncompounding, and are based on the original benefit except for the Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions

As a condition of participation in the URS, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Employer contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded actuarial accrued liability.

Contribution rates are as follows for the years ended June 30:

	Employee	Employer	Employer 401(k)
2025			
Contributory System			
15 – Local Governmental Division Tier 2 Public Employees System	0.70%	15.19%	N/A
Noncontributory System			
15 – Local Governmental Division Tier 1	N/A	16.97%	N/A
Tier 2 DC Plan**			
15 – Local Government	N/A	5.19%	10.00%
2024			
Contributory System			
111 – Local Governmental Division Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15 – Local Governmental Division Tier 1	N/A	17.97%	N/A
Tier 2 DC Plan**			
211 – Local Government	N/A	6.19%	10.00%

**Tier 2 rates include a statutorily required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

The employer contributions to the URS were as follows for the fiscal years ended June 30:

	2025	2024
Noncontributory System	$ 690,571	$ 786,633
Tier 2 Public Employees System	400,242	386,885
Tier 2 DC Public Employees Plan	14,999	13,006
Total contributions	$ 1,105,812	$ 1,186,524

Contributions reported are the URS Board-approved required contributions. Contributions in the Contributory System are used to finance the unfunded liabilities in the Noncontributory System.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025 and 2024, the Hospital reported a liability of $1,640,895 and $1,210,104, respectively, for its proportionate share of the net pension liability.

	2025	2024
Noncontributory System	$ 1,384,907	$ 1,047,021
Tier 2 Public Employees System	255,988	163,083
Net pension liability	$ 1,640,895	$ 1,210,104

The net pension liability was measured as of December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 and 2023. The Hospital's proportion of the net pension liability is equal to the ratio of the Hospital's actual contributions to the systems during the plan year over the total of all employer contributions to the systems during the plan year. The Hospital's proportion of the net pension liability was as follows:

	Proportionate Share		
	December 31, 2024	December 31, 2023	Increase (Decrease)
Noncontributory System	0.4367265%	0.4513869%	-0.0146604%
Contributory System	0.0858332%	0.0837890%	0.0020442%

For the year ended June 30, 2025, the Hospital recognized pension expense of $1,555,663. For the year ended June 30, 2024, the Hospital recognized an actuarial adjustment and credit to offset future pension expense of $215,613.

The Hospital reported deferred outflows and inflows of resources related to pensions from the following sources at June 30:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2025		
Differences between expected and actual experience	$ 935,874	$ 1,765
Change in assumptions	200,054	26
Net difference between projected and actual earnings on pension plan investments	433,519	-
Changes in proportion and differences between contributions and proportionate share of contributions	38,869	3,798
Contributions subsequent to the measurement date	541,517	-
	$ 2,149,833	$ 5,589
2024		
Differences between expected and actual experience	$ 785,372	$ 2,671
Change in assumptions	407,538	129
Net difference between projected and actual earnings on pension plan investments	358,898	-
Changes in proportion and differences between contributions and proportionate share of contributions	29,623	3,797
Contributions subsequent to the measurement date	588,670	-
	$ 2,170,101	$ 6,597

At June 30, 2025 and 2024, the Hospital reported $541,517 and $588,760, respectively, as outflows of resources related to pensions resulting from contributions made by the Hospital prior to fiscal year-end but subsequent to the measurement dates of December 31, 2024 and 2023, respectively. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows at June 30, 2025:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	$ 823,800
2026	808,441
2027	(149,797)
2028	(6,968)
2029	56,928
Thereafter	70,324
	$ 1,602,728

Actuarial Assumptions

The total pension liability in the December 31, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5%–9.5% average, including inflation (2024 and 2023)
Investment rate of return	6.85%, net of pension plan investment expense, including inflation

Mortality rates used in the December 31, 2024 and 2023 valuations were adopted from an actuarial experience study dated January 1, 2023. For the December 31, 2024 and 2023 valuations, the retired mortality tables are developed using URS retiree experience and are based on gender, occupation, and age, as appropriate, with projected improvement using the ultimate rates from the MP-2020 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members.

The actuarial assumptions used in the January 1, 2024 and 2023 valuation were based on the results of an actuarial experience study for the period ended December 31, 2023 and 2022.

Long-Term Expected Real Rate of Return

The long-term expected real rate of return on pension plan investments was determined using a building-block method, in that best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis	
	Target Asset Allocation	**Long-Term Expected Real Rate of Return**
Asset Class		
Equity securities	35.00%	2.45%
Debt securities	20.00%	0.51%
Real assets	18.00%	0.98%
Private equity	12.00%	1.21%
Absolute return	15.00%	0.65%
Cash and cash equivalents	0.00%	0.00%
Total	100.00%	5.80%
Inflation		2.50%
Expected arithmetic nominal return		8.30%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.35% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.85. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected real rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 5,857,034	$ 1,384,910	$ (2,365,754)
Contributory System	764,575	255,988	(139,642)
	$ 6,621,609	$ 1,640,898	$ (2,505,396)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plans

The defined contribution savings plans are administered by the URS Board and are generally supplemental plans to the basic retirement benefits of the Noncontributory and Contributory Systems but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under Sections 401(k), 457(b), and 408 of the Internal Revenue Code. Detailed information regarding provisions is available in the separately issued URS financial report. The Hospital participates in the 401(k), 457(b), Roth IRA, and Traditional IRA defined contribution savings plans with the URS.

Employee and employer contributions to the defined contribution savings plans were as follows for the years ended June 30:

	2025	2024
401(k) Plan		
Employer contributions	$ 28,900	$ 25,362
Employee contributions	$ 138,214	$ 130,098
457(b) Plan		
Employer contributions	$ -	$ -
Employee contributions	$ 22,354	$ 20,022
Roth IRA Plan		
Employer contributions	N/A	N/A
Employee contributions	$ 72,390	$ 59,163
Traditional IRA		
Employer contributions	N/A	N/A
Employee contributions	$ 224	$ 4,210

Note 12. City Appropriations

The citizens of the City approved a 1.0% sales and use tax on all taxable sales and services within the City, expiring December 31, 2025. The appropriations may be used primarily for debt service payments; capital assets; and, in limited circumstances, operating activities. The Hospital received approximately 0.22% (5.69% excluding LTC operations) and 0.23% (7.05% excluding LTC operations) of its financial support from city appropriations related to the sales and use tax in 2025 and 2024, respectively. Revenues from the sales and use tax are recognized in the year that the taxes are levied.

Note 13. Related-Party Transactions

The Hospital incurs expenses to a local medical clinic for contracted emergency room coverage. The physician owner of the clinic is a member of the Hospital's Board of Trustees. The Hospital incurred approximately $1,166,000 and $870,000 in expenses during 2025 and 2024, respectively, related to these services.

Note 14. LTC Facility Operating and Management Agreements

The Hospital has entered into various agreements to utilize the facilities and equipment for the operation of the LTC facilities. Along with the agreements for the use of facilities, the Hospital also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. The agreements expire at various times through June 30, 2026 and include optional 12- to 24-month extensions. The management agreements include optional termination clauses by either party ranging from immediately to 30 days upon event of default, as defined in the agreements. Additionally, the management agreements include termination clauses ranging from 30- to 60-days' written notice, with or without cause, at the sole discretion of either party. The agreements for the use of facilities include termination clauses where the agreements for the use of facilities shall automatically end at the termination of the management agreements between the Hospital and the Managers.

The agreements for the use of facilities call for monthly base rent payments as outlined in the agreements. Rental expense was approximately $32,564,000 and $31,304,000 for the years ended June 30, 2025 and 2024, respectively. Amounts are included in management fees related to long-term care on the accompanying statements of revenues, expenses, and changes in net position.

The management agreements include management fees consisting of base management fees, subordinated management fees, and incentive management fees. Base and subordinate management fees are determined on percentages of net patient service revenue of the individual facilities and range from 3% to 4%. Incentive management fees are to be paid only if sufficient working capital exists. The management agreements also call for quality, royalty, and capital improvement fees to be paid to the Managers. Management and other fees were approximately $35,132,000 and $30,191,000 for the years ended June 30, 2025 and 2024, respectively, and included applicable fee reductions if insufficient cash flows existed to fund amounts due. Amounts are included in management fees related to long-term care on the accompanying statements of revenues, expenses, and changes in net position.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Managers. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Amounts due to and from Managers related to operation of the facilities and the various management and incentive fees outlined above are reflected as amounts due to Managers and due from Managers on the accompanying balance sheets.

In the normal course of business, the LTC facilities enter into transactions with other parties managed by the Managers. Receivables from these other parties were approximately $1,503,000 and $1,076,000 at June 30, 2025 and 2024, respectively, and are included in other receivables in the accompanying balance sheets. Payables to these other parties were approximately $1,644,000 and $1,139,000 at June 30, 2025 and 2024, respectively, and are included in accounts payable in the accompanying balance sheets.

Note 15. Commitments and Contingencies

Litigation

The Hospital is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Pension Benefit Obligation

The Hospital has a noncontributory defined benefit pension plan whereby it agrees to provide certain post-retirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the entry age normal actuarial method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Construction Project

During 2022, the Hospital began construction on an expansion project of its medical facility located in Beaver, Utah, with an expected total cost of approximately $36,000,000. During 2024, the Hospital began construction on a wellness center located on the same property as the medical facility, with an expected total cost of approximately $27,000,000. The expanded project is expected to be completed in 2025, and the wellness center is expected to be completed in 2026. The Hospital has incurred approximately $47,651,000 of expenses related to both construction projects as of June 30, 2025.

Note 16. Future Changes in Accounting Principle

GASB issued Statement No. 103, *Financial Reporting Model Improvements,* which standardizes the presentation for various elements in governmental financial statements to eliminate diversity in practice and improve comparability. Affected areas include management's discussion and analysis, unusual or infrequent items, the definitions and presentation of operating and nonoperating revenues and expenses in proprietary funds, and the presentation of major component units. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025. The Hospital is evaluating the impact of GASB 103 on the financial statements.

Note 17. One Big Beautiful Bill Act

On July 3, 2025, the U.S. Congress enacted the *One Big Beautiful Bill* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has no impact on the results of operations and financial condition of the Hospital as of and for the year ended June 30,

2025. The Hospital is currently evaluating what impact the OBBBA may have on the financial results, cash flows, and financial position for future periods. Future regulatory developments and economic effects stemming from the OBBBA or other legislation remain uncertain and could have a material adverse impact on the Hospital's results of operations and financial condition.

Required Supplementary Information

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Schedule of the Hospital's Proportionate Share of the Net Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Noncontributory System										
Hospital's proportion of the net pension liability (asset)	0.4367265%	0.4513869%	0.4804652%	0.4676789%	0.4473540%	0.4262540%	0.4304154%	0.4350809%	0.3994626%	0.4081075%
Hospital's proportionate share of the net pension liability (asset)	$ 1,384,910	$ 1,047,021	$ 822,916	$ (2,678,447)	$ 229,465	$ 1,606,494	$ 3,169,460	$ 1,906,220	$ 2,565,039	$ 2,309,271
Hospital's covered-employee payroll	$ 4,267,978	$ 4,404,919	$ 4,583,760	$ 4,216,763	$ 3,968,037	$ 3,744,077	$ 3,742,950	$ 3,763,566	$ 3,489,784	$ 3,541,816
Hospital's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	32.45%	23.77%	17.95%	-63.52%	5.78%	42.91%	84.68%	50.65%	73.50%	65.20%
Plan fiduciary net position as a percentage of the total pension liability	96.02%	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%
Contributory System										
Hospital's proportion of the net pension liability (asset)	0.0858332%	0.0837890%	0.0779081%	0.0790060%	0.0815805%	0.0870269%	0.0922198%	0.0880432%	0.0743723%	0.0568902%
Hospital's proportionate share of the net pension liability (asset)	$ 255,988	$ 163,085	$ 84,834	$ (33,438)	$ 11,734	$ 19,573	$ 39,495	$ 7,763	$ 8,296	$ (124)
Hospital's covered-employee payroll	$ 2,543,110	$ 2,166,236	$ 1,698,846	$ 1,466,183	$ 1,304,268	$ 1,209,432	$ 1,075,371	$ 860,761	$ 609,911	$ 495,474
Hospital's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	10.07%	7.53%	4.99%	-2.28%	0.90%	1.62%	3.67%	0.90%	1.36%	-0.03%
Plan fiduciary net position as a percentage of the total pension liability	87.44%	89.58%	92.30%	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	100.20%

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Schedule of Hospital Pension Contributions

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Noncontributory System										
Actuarially determined contribution	$ 690,571	$ 786,633	$ 811,871	$ 826,463	$ 741,888	$ 699,742	$ 704,842	$ 669,775	$ 647,240	$ 645,696
Contributions in relation to the actuarially determined contribution	$ 690,571	$ 786,633	$ 811,871	$ 826,463	$ 741,888	$ 699,742	$ 704,842	$ 669,775	$ 647,240	$ 645,696
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,095,785	$ 4,388,325	$ 4,522,554	$ 4,494,637	$ 4,026,393	$ 3,806,147	$ 3,870,752	$ 3,675,042	$ 3,528,181	$ 3,535,981
Contributions as a percentage of covered-employee payroll	16.86%	17.93%	17.95%	18.39%	18.43%	18.38%	18.21%	18.22%	18.34%	18.26%
Contributory System*										
Actuarially determined										
Actuarially determined contribution	$ 400,242	$ 386,885	$ 303,722	$ 252,298	$ 214,989	$ 198,544	$ 181,601	$ 148,000	$ 105,256	$ 73,875
Contributions in relation to the actuarially determined contribution	$ 400,242	$ 386,885	$ 303,722	$ 252,298	$ 214,989	$ 198,544	$ 181,601	$ 148,000	$ 105,256	$ 73,875
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,634,902	$ 2,416,521	$ 1,897,077	$ 1,569,994	$ 1,360,690	$ 1,267,839	$ 1,168,604	$ 979,484	$ 705,944	$ 495,474
Contributions as a percentage of covered-employee payroll	15.19%	16.01%	16.01%	16.07%	15.80%	15.66%	15.54%	15.11%	14.91%	14.91%
Tier 2 DC Plan										
Actuarially determined										
Actuarially determined contribution	$ 14,999	$ 13,006	$ 8,667	$ 6,923	$ 6,642	$ 2,577	$ 1,847	$ 1,727	$ 1,675	$ 1,451
Contributions in relation to the actuarially determined contribution	$ 14,999	$ 13,006	$ 8,667	$ 6,923	$ 6,642	$ 2,577	$ 1,847	$ 1,727	$ 1,675	$ 1,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 288,998	$ 210,120	$ 140,020	$ 103,484	$ 99,283	$ 38,521	$ 27,606	$ 25,811	$ 25,042	$ 21,686
Contributions as a percentage of covered-employee payroll	5.19%	6.19%	6.19%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%

*Contributions in the Contributory System include an amortization rate to help fund the unfunded liabilities in the Noncontributory System.
The Contributory System was created effective July 1, 2011.

Changes in Assumptions

Changes include updates to the mortality improvement assumption, salary increase assumption, disability incidence assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

Supplementary Information

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Balance Sheet Information
June 30, 2025

	Hospital	LTC Facilities	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	$ 16,628,140	$ 60,993,269	$ -	$ 77,621,409
Patient accounts receivable, net of allowance – $13,949,000	1,974,635	33,739,821	-	35,714,456
Estimated amounts due from third-party payors	1,130,000	1,482,958	-	2,612,958
Other receivables	1,369,100	1,287,995	-	2,657,095
Due from Managers	-	3,840,616	-	3,840,616
UPL receivables	38,077,957	29,690,091	(38,048,438)	29,719,610
Supplies	530,194	-	-	530,194
Prepaid expenses and other	48,131	4,477,700	-	4,525,831
Total Current Assets	59,758,157	135,512,450	(38,048,438)	157,222,169
Noncurrent Cash				
Held by trustee for project funding and debt service	6,070,670	-	-	6,070,670
Capital Assets, Net	56,894,202	809,109	-	57,703,311
Subscription Asset, Net	4,305,336	-	-	4,305,336
Total Assets	127,028,365	136,321,559	(38,048,438)	225,301,486
Deferred Outflows of Resources	2,149,833	-	-	2,149,833
Total Assets and Deferred Outflows of Resources	$ 129,178,198	$ 136,321,559	$ (38,048,438)	$ 227,451,319

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Balance Sheet Information
June 30, 2025 **(Continued)**

	Hospital	LTC Facilities	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Line of credit	$ 9,000,000	$ -	$ -	$ 9,000,000
Current maturities of long-term debt	766,000	-	-	766,000
Current maturities of subscription liability	540,892	-		540,892
Accounts payable	3,231,611	16,749,199	-	19,980,810
Due to third-party payors		1,298,814	-	1,298,814
Deferred revenue	-	515,832	-	515,832
Accrued expenses	529,919	13,810,613	-	14,340,532
Due to Managers	-	18,004,013	-	18,004,013
Accrued expenses related to UPL	727,802	47,635,714	(38,048,438)	10,315,078
Total Current Liabilities	14,796,224	98,014,185	(38,048,438)	74,761,971
Subscription Liability	3,706,601	-	-	3,706,601
Long-Term Debt	17,780,000	-	-	17,780,000
Net Pension Liability	1,640,895	-	-	1,640,895
Total Liabilities	37,923,720	98,014,185	(38,048,438)	97,889,467
Deferred Inflows of Resources	5,589	-	-	5,589
Net Position				
Net investment in capital assets	42,442,217	809,109	-	43,251,326
Unrestricted	48,806,672	37,498,265	-	86,304,937
Total Net Position	91,248,889	38,307,374	-	129,556,263
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 129,178,198	$ 136,321,559	$ (38,048,438)	$ 227,451,319

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Balance Sheet Information
June 30, 2024

	Hospital	LTC Facilities	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	$ 3,690,451	$ 66,835,571	$ -	$ 70,526,022
Patient accounts receivable, net of allowance – $13,447,000	1,392,822	38,907,601	-	40,300,423
Estimated amounts due from third-party payors	847,000	2,688,783	-	3,535,783
Other receivables	2,370,760	2,311,264	-	4,682,024
Due from Managers	-	4,361,623	-	4,361,623
UPL receivables	38,162,927	10,828,136	(37,658,718)	11,332,345
Supplies	530,194	-	-	530,194
Prepaid expenses and other	34,516	4,301,705	-	4,336,221
Total Current Assets	47,028,670	130,234,683	(37,658,718)	139,604,635
Noncurrent Cash				
Held by trustee for project funding and debt service	9,678,731	-	-	9,678,731
Capital Assets, Net	37,531,785	879,600	-	38,411,385
Subscription Asset, Net	4,913,148	-	-	4,913,148
Total Assets	99,152,334	131,114,283	(37,658,718)	192,607,899
Deferred Outflows of Resources	2,170,101	-	-	2,170,101
Total Assets and Deferred Outflows of Resources	$ 101,322,435	$ 131,114,283	$ (37,658,718)	$ 194,778,000

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Balance Sheet Information
June 30, 2024 **(Continued)**

	Hospital	LTC Facilities	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Current maturities of long-term debt	$ 742,000	$ -	$ -	$ 742,000
Current maturities of subscription liability	524,402	-		524,402
Accounts payable	2,043,178	16,719,409	-	18,762,587
Deferred revenue	-	515,832	-	515,832
Accrued expenses	687,411	15,047,860	-	15,735,271
Due to Managers	-	11,850,011	-	11,850,011
Accrued expenses related to UPL	1,839,774	46,715,084	(37,658,718)	10,896,140
Total Current Liabilities	5,836,765	90,848,196	(37,658,718)	59,026,243
Subscription Liability	4,247,493	-	-	4,247,493
Long-Term Debt	18,735,000	-	-	18,735,000
Net Pension Liability	1,210,104	-	-	1,210,104
Total Liabilities	30,029,362	90,848,196	(37,658,718)	83,218,840
Deferred Inflows of Resources	6,597	-	-	6,597
Net Position				
Net investment in capital assets	26,677,047	879,600	-	27,556,647
Unrestricted	44,609,429	39,386,487	-	83,995,916
Total Net Position	71,286,476	40,266,087	-	111,552,563
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 101,322,435	$ 131,114,283	$ (37,658,718)	$ 194,778,000

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Statement of Revenues, Expenses, and Changes in Net Position Information
Year Ended June 30, 2025

	Hospital	LTC Facilities	Total
Operating Revenues			
Net patient service revenue, net of provision for uncollectible accounts – $13,939,649	$ 11,960,924	$ 356,505,914	$ 368,466,838
UPL revenue	-	76,973,967	76,973,967
Other	2,819,387	3,030,323	5,849,710
Total Operating Revenues	14,780,311	436,510,204	451,290,515
Operating Expenses			
Salaries, wages, and employee benefits	10,746,451	198,214,177	208,960,628
Purchased services and professional fees	2,427,975	66,905,443	69,333,418
Supplies	1,389,392	34,224,819	35,614,211
Management fees related to long-term care	-	67,696,331	67,696,331
Other expenses related to long-term care	2,577,392	-	2,577,392
Depreciation	1,207,812	67,765	1,275,577
Other	2,479,062	46,881,250	49,360,312
Total Operating Expenses	20,828,084	413,989,785	434,817,869
Operating Income (Loss)	(6,047,773)	22,520,419	16,472,646
Nonoperating Revenues (Expenses)			
Interest income	1,526,408	-	1,526,408
City appropriations	984,036	-	984,036
Other	(53,801)	-	(53,801)
Interest expense	(925,589)	-	(925,589)
Total Nonoperating Revenues (Expenses)	1,531,054	-	1,531,054
Excess (Deficiency) of Revenues over Expenses Before Transfer	(4,516,719)	22,520,419	18,003,700
Transfer to Beaver Valley Hospital	24,479,132	(24,479,132)	-
Increase in Net Position	19,962,413	(1,958,713)	18,003,700
Net Position, Beginning of Year	71,286,476	40,266,087	111,552,563
Net Position, End of Year	$ 91,248,889	$ 38,307,374	$ 129,556,263

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Combining Statement of Revenues, Expenses, and Changes in Net Position Information
Year Ended June 30, 2024

	Hospital	LTC Facilities	Total
Operating Revenues			
Net patient service revenue, net of provision for uncollectible accounts – $14,326,691	$ 11,248,749	$ 337,809,204	$ 349,057,953
UPL revenue	-	75,440,487	75,440,487
Other	725,873	2,874,260	3,600,133
Total Operating Revenues	11,974,622	416,123,951	428,098,573
Operating Expenses			
Salaries, wages, and employee benefits	10,004,081	183,994,613	193,998,694
Purchased services and professional fees	1,971,352	70,223,850	72,195,202
Supplies	1,062,913	34,079,468	35,142,381
Management fees related to long-term care	-	61,494,818	61,494,818
Other expenses related to long-term care	5,872,091	-	5,872,091
Depreciation	1,147,301	68,303	1,215,604
Other	2,483,118	47,476,618	49,959,736
Total Operating Expenses	22,540,856	397,337,670	419,878,526
Operating Income (Loss)	(10,566,234)	18,786,281	8,220,047
Nonoperating Revenues (Expenses)			
Interest income	1,317,903	25,436	1,343,339
City appropriations	1,009,870	-	1,009,870
Other	23,714	-	23,714
Interest expense	(387,641)	-	(387,641)
Total Nonoperating Revenues (Expenses)	1,963,846	25,436	1,989,282
Excess (Deficiency) of Revenues over Expenses Before Transfer	(8,602,388)	18,811,717	10,209,329
Transfer to Beaver Valley Hospital	17,699,447	(17,699,447)	-
Increase in Net Position	9,097,059	1,112,270	10,209,329
Net Position, Beginning of Year	62,189,417	39,153,817	101,343,234
Net Position, End of Year	$ 71,286,476	$ 40,266,087	$ 111,552,563

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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*

Independent Auditor's Report

Board of Trustees
Beaver Valley Hospital
Beaver, Utah

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 (*Government Auditing Standards*) the financial statements of Beaver Valley Hospital (Hospital), a component unit of the City of Beaver, Utah, that comprise the balance sheet as of June 30, 2025 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 18, 2025, that includes an Other Matter paragraph regarding omission of management's discussion and analysis.

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 opinion 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-01, 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 that 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*.

Management's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on management's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Forvis Mazars, LLP

Tulsa, Oklahoma
December 18, 2025

Beaver Valley Hospital
A Component Unit of the City of Beaver, Utah
Schedule of Findings and Responses
Year Ended June 30, 2025

Reference Number	Finding
2025-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls to promote accurate recording and classification of accounting transactions. Condition – Management's procedures for recording and classifying accounting transactions and procedures for preparing general ledger reconciliations did not prevent inaccurate recording of transactions. Effect – Material journal entries were made to multiple general ledger accounts related to the Hospital and LTC operations during the audit to correct misstatements not identified by management. Cause – Recording and monitoring procedures in the internal control over financial reporting process of the Hospital and LTC operations were not performed accurately. Recommendation – Management should ensure controls are adequate to properly record accounting entries. Management should also ensure monthly general ledger reconciliations are completed timely and accurately and all reconciling items are researched and resolved on a timely basis. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to evaluate the current internal controls over the recording and classification of accounting transactions and prepare accurate monthly reconciliations, including resolving any variances.