



AGENDA

LAST FRONTIER HEALTHCARE DISTRICT FINANCE COMMITTEE

Tuesday, January 27, 2026 – 3:30 pm

Education Conference Room – Modoc Medical Center
1111 N Nagle St. Alturas, California

Parties with a disability, as provided by the American Disabilities Act, who require special accommodations or aids in order to participate in this public meeting should make requests for accommodation to the Modoc Medical Center Administration at least 48 hours prior to the meeting.

Subject	Discussion	Attachment
1. Call to Order		
2. Agenda Approval	R. Boulade - Changes, additions and/or deletions to the Agenda.	
3. Minutes of the December 9, 2025 Regular LFHD Finance Committee Meeting	D. King – Presentation of the December 9, 2025, Regular LFHD Finance Committee meeting for approval.	Attachment A
4. Discussion Items		
A. LFHD Financial Statement – December 2025 (unaudited)	J. Lin – LFHD Financial Statement – December 2025 (unaudited)	Attachment B
B. FYE 2025 Financial Audit	J. Lin - FYE 2025 Financial Audit	Attachment C
C. Finance Directors' Report	J. Lin – Update on the Accounting department.	
D. CEO's Report	K. Kramer – Update on District/Hospital projects.	
5. Adjournment		

AGENDA POSTED AT: MODOC COUNTY COURTHOUSE / ALTURAS CITY HALL / MMC WEBSITE/ MMC LOBBY ENTRANCE - WWW.MODOCMEDICALCENTER.ORG ON January 23, 2026.

ATTACHMENT A

Regular LFHD Finance Committee Meeting Minutes

December 2025



MINUTES LAST FRONTIER HEALTHCARE DISTRICT FINANCE COMMITTEE

Tuesday, December 9, 2025 – 3:30 pm

Modoc Medical Center; Education Conference Room;
1111 N Nagle St.; Alturas, California

Present

- Denise King
- Kevin Kramer
- Jin Lin
- Scott Swasey
- Rose Boulade
- Joseph Johnson

Absent:

Subject	Discussion	Action
1. Call to Order	Rose Boulade, called the meeting of the Last Frontier Healthcare District Finance Committee to order at 3:32 pm on Tuesday, December 9, 2025, in the Education Conference Room at Modoc Medical Center in Alturas, California.	
2. Agenda Approval	R. Boulade - Changes, additions, deletions to the Agenda.	Scott Swasey approved the agenda as presented. Joseph Johnson seconded.
3. Minutes of the October 28, 2025, Regular LFHD Finance Committee Meeting	D. King presented the minutes of the October 28, 2025, LFHD Finance Committee Regular Meeting.	Kevin Kramer approved the minutes as presented. Scott Swasey seconded.
4. Discussion Items		
A. Last Frontier Healthcare District Financial Statement – October 2025 (unaudited)	J. Lin presented the <i>unaudited</i> Last Frontier Healthcare District Financial Statement for October 2025 from the narratives and financial statements provided in the Finance Committee meeting packet.	
B. Finance Directors Report	Accounting <ul style="list-style-type: none">We are reviewing our audit preview and should be getting our final draft by the end of this week. We are also busy reviewing the year-end payroll checklist:Year-End Checklist Highlights:<ul style="list-style-type: none">Audit earnings and deductions to confirm correct rollover/reset settings.Verify setup for any Third-Party Sick Pay and PTO balance.Reviewing to ensure the accuracy of employees' W-2 box reporting.Confirm W-2 Box 12D values (total health plan contributions, both employee and employer).	

Subject	Discussion	Action
	<ul style="list-style-type: none"> • Ensure accruals are properly configured before the new year begins. • Verify Earning Configuration for Qualified Overtime covered by the Fair Labor Standards Act. • Verify Retirement Catch-up Impacted Deductions are correct or corrected: standard age 60-63 catch up limit of \$34,750 (standard \$23,500 + \$11,250), the standard age 50+ catch up limit of \$31,000 (\$23,500 + 7,500) in 2025. • We are also busy preparing to send out 1099 forms to the vendors. Our payroll clerk, Tong, will be out for three weeks. I will be the main replacement, although we are training a floater right now. <p>Purchasing</p> <ul style="list-style-type: none"> • Busy stocking inventory for the new departments: Infusion, Mountain View SNF, and Mountain View Dietary. <p>Floaters</p> <ul style="list-style-type: none"> • Two new floaters have just started working; now we have 5 office workers in total. 	
<p>C. CEO's Report</p>	<p>Physician Recruitment</p> <ul style="list-style-type: none"> • We have a lot of vacancies currently for medical providers. • Recruiting for a physician for Alturas and Canby Clinics. • Have a locums physician in Canby now (Dr. Kemmer), who will take over Dr. Edmonds and Miriam Arana's patient panels while we look for a permanent provider. • Looking for a FNP or PA for Canby Clinic to backfill Miriam Arana. • We are also now looking for a PA or FNP that could work in the ER to provide the services that Chantelle Sahli was previously providing. <ul style="list-style-type: none"> • Trying to find locums to help cover this in the interim and will recruit for permanent as well. • Have given the ER group authority to work less days as well or to bring two providers at a time to help cover this gap too. • Have also reached out to Alex Ferber and Kathy Chesney to see if they can cover any shifts in the interim. <p>SNF Closeout</p> <ul style="list-style-type: none"> • With the government shutdown the USDA was not able to close the loan with us in time to pay off the bond anticipation notes by the maturity date, so that date was extended after the Board approved the extension in a special meeting in November. 	

Subject	Discussion	Action
	<ul style="list-style-type: none"> The current plan is that we will close our loan with the USDA on 12/19 and pay off the interim loan on 12/22. <p>Other Items</p> <ul style="list-style-type: none"> Surprise Valley Hospital funded IGT. \$6.5M of our IGT funded - \$17.8M back. Cost report finished – Medicare owes us \$2M, we should get that back soon. 	
5. Adjournment	<p>Rose Boulade adjourned the LFHD Finance Committee meeting at 4:37 pm. The next meeting of the Last Frontier Healthcare District Finance Committee will be Tuesday January 27, 2025, at 3:30 pm and will be held in the Education Conference Room at Modoc Medical Center in Alturas, California.</p>	

Respectfully submitted:

Denise King
Last Frontier Healthcare District Clerk

Date

DRAFT

ATTACHMENT B

LFHD FINANCIAL STATEMENT

December 2025

(unaudited)

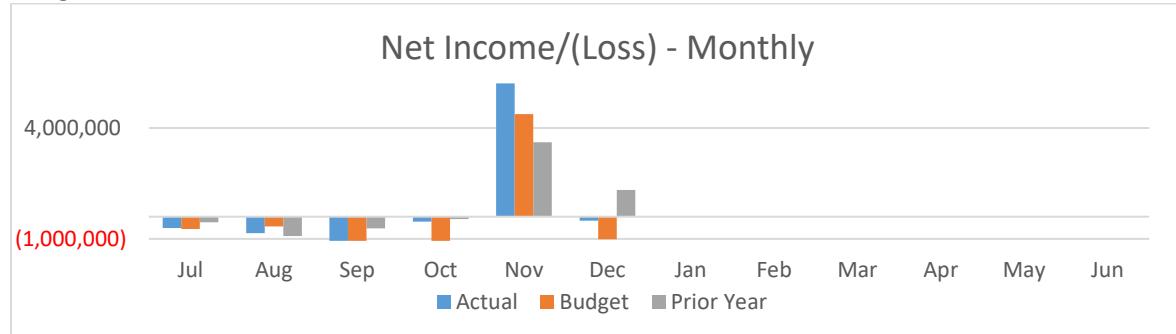


Modoc Medical Center
Financial Narrative
For the Month of December 2025

Prepared by Jin Lin, Finance Director

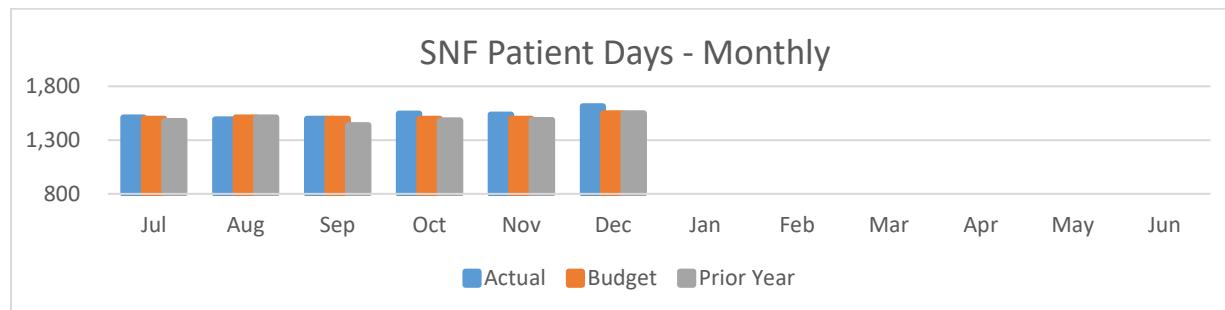
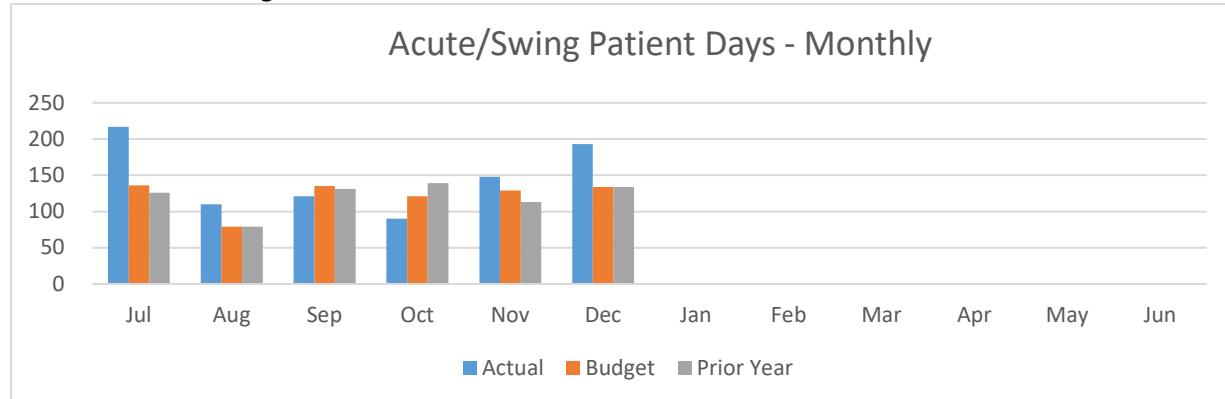
Summary

During the month of December, Modoc Medical Center reported a loss from operations of \$722K, outperforming the budget that anticipated an operating loss in December of \$1 million. Inpatient revenue was above the budget by \$254K in December. Outpatient revenue was under budget by \$257K for the month. Total patient revenue was \$4.9 million, under budget of \$3K. Modoc Medical Center reported a total net loss of \$176K for the month, outperforming the budget that anticipated an overall budget loss for the month of \$1 million.



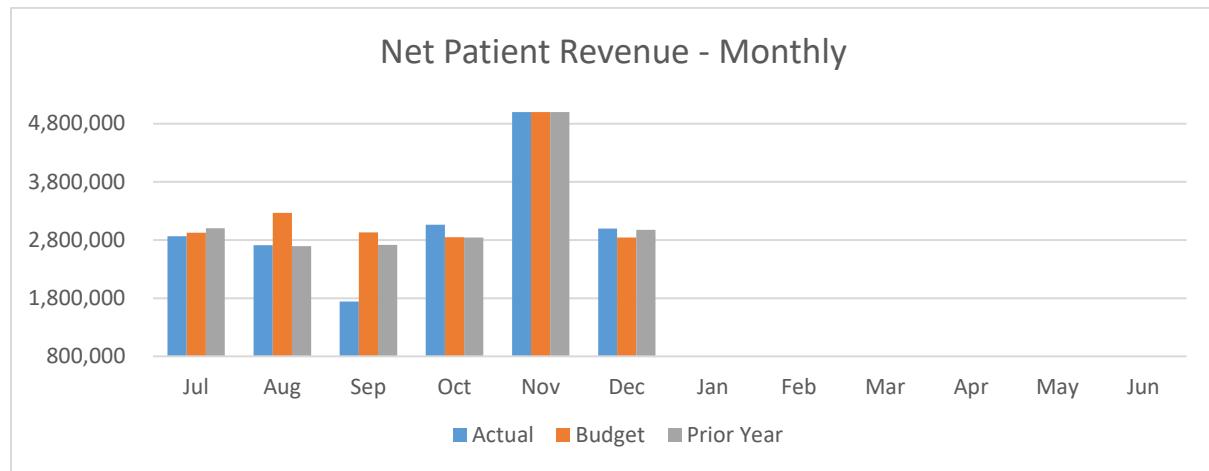
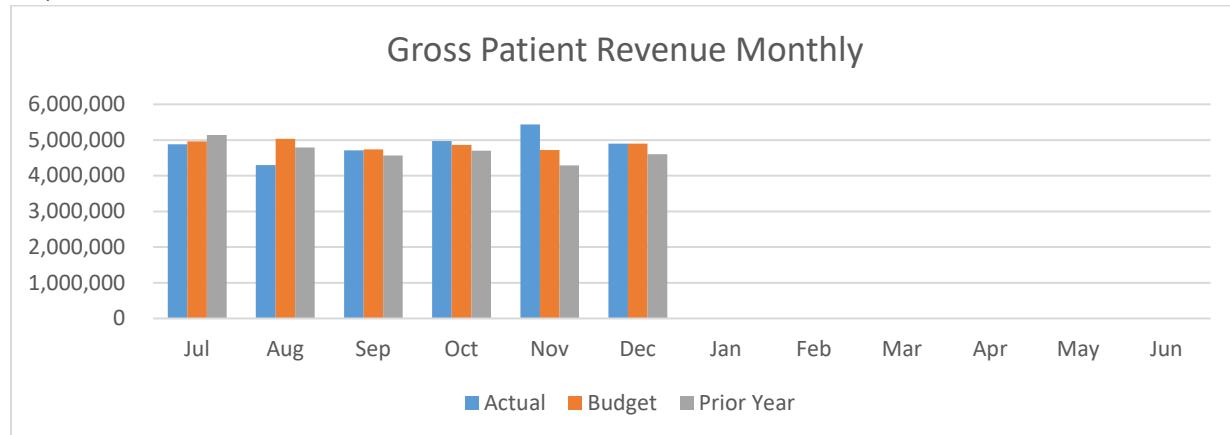
Patient Volumes

Combined Acute Days were above budget for the month by 59 days. SNF Patient Days were 1,615 for the month. Overall Inpatient and SNF Days were above budget by 124 days (1,808 actual vs. 1,684 budget). Most outpatient visits were above budget; however, Emergency and Anesthesia procedures were lower than budget.



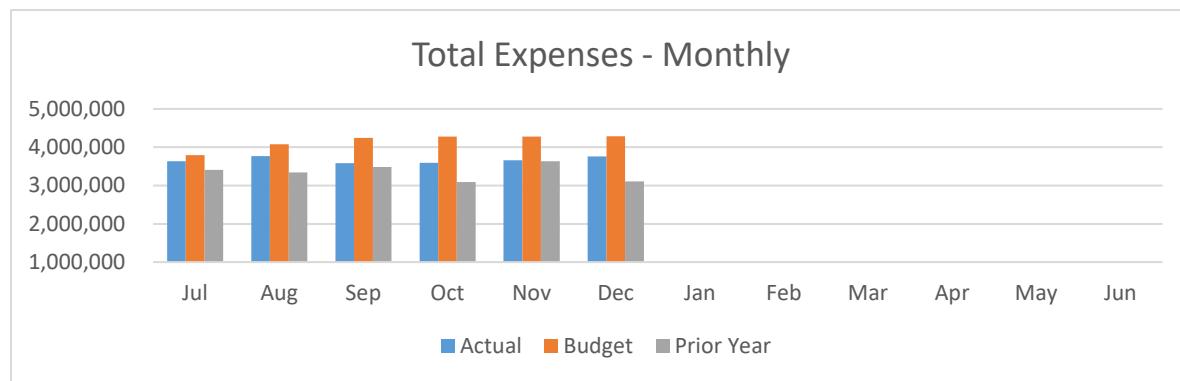
Revenues

Gross revenue was under budget of \$3K, and net revenue was higher than budget in the month of December. Gross Patient Revenues were \$4.9 million, compared to the budget of \$4.901 million. Inpatient Revenue was \$1.7 million compared to the budget of \$1.5 million; and Outpatient Revenue was \$3.2 million compared to the budget of \$3.4 million. Total deductions from revenue were \$1.9 million, compared to budget of \$2.1 million. Net patient Revenue was \$3 million, compared to budget of \$2.8 million.



Expenses

Total operating expenses were \$3.8 million this month, which is \$521K lower than budgeted operating expenses. The decrease was in all cost centers.



Non-Operating Activity

Non-Operating expenses for the month were as follows: Accrued Property Tax revenue was \$1.3 million, accrued Interest expense from USDA Loan was \$78K, and the total interest payoff over Zions bank was \$800K. District Vouchers totaled \$10K. Interest income of \$29K was earned from CDs. The retail pharmacy showed an income of \$107K. Total non-operating net income for the month was \$545K, which was above the budget of \$476K.

Balance Sheet

Cash decreased in December by \$1.3 million to \$12 million. The total current liabilities were \$4.5 million. Days in Cash totaled 81. Days in AP totaled 12. Days in AR totaled 57. The current ratio was 7.8. Net AR as a percentage of gross AR was 40.73%.

Modoc Medical Center
Income Statement
For the month of December 2025

	<u>Month</u>	<u>Dec-25 Budget</u>	<u>Variance</u>	<u>Prior Year Month</u>	<u>2026 YTD</u>	<u>2026 YTD Budget</u>	<u>Variance</u>	<u>Prior Year YTD</u>
Revenues								
Room & Board - Acute	726,928	626,088	100,840	613,961	3,433,330	3961718.37	(528,388)	3,819,043
Room & Board - SNF	992,223	839,198	153,026	832,648	5,493,312	4,987,405	505,907	4,751,659
Total Inpatient Revenue	<u>1,719,151</u>	<u>1,465,285</u>	<u>253,866</u>	<u>1,446,608</u>	<u>8,926,643</u>	<u>8,949,124</u>	<u>(22,481)</u>	<u>8,570,702</u>
Outpatient Revenue	3,179,258	3,436,117	(256,859)	3,157,692	20,270,423	20,260,533	9,890	19,525,679
Total Patient Revenue	<u>4,898,409</u>	<u>4,901,402</u>	<u>(2,993)</u>	<u>4,604,300</u>	<u>29,197,066</u>	<u>29,209,657</u>	<u>(12,591)</u>	<u>28,096,381</u>
Bad Debts (580000,580011,58010((104,018)	(34,063)	(69,955)	(123,520)	565,975	(86,804)	652,779	(1,995,584)
Contractuals Adjs	1,908,514	2,076,564	(168,050)	1,722,745	4,652,470	5,585,287	(932,817)	5,059,236
Admin Adjs (5930002-593001,598(94,527	16,897	77,630	31,098	794,052	101,382	692,670	3,709,238
Total Revenue Deductions	<u>1,899,023</u>	<u>2,059,398</u>	<u>(160,375)</u>	<u>1,630,323</u>	<u>6,012,497</u>	<u>5,599,865</u>	<u>412,632</u>	<u>6,772,890</u>
Net Patient Revenue	<u>2,999,387</u>	<u>2,842,004</u>	<u>157,382</u>	<u>2,973,977</u>	<u>23,184,568</u>	<u>23,609,792</u>	<u>(425,223)</u>	<u>21,323,491</u>
% of Charges	61.2%	58.0%	3.2%	64.6%	79.4%	80.8%	-1.4%	75.9%
Other Revenue	41,958	360,699	(318,741)	60,098	228,774	651,014	(422,240)	185,773
Total Net Revenue	<u>3,041,345</u>	<u>3,202,704</u>	<u>(161,359)</u>	<u>3,034,075</u>	<u>23,413,342</u>	<u>24,260,806</u>	<u>(847,463)</u>	<u>21,509,264</u>
Expenses								
Salaries	1,778,637	1,786,406	(7,769)	1,473,348	10,512,177	10,642,141	(129,963)	8,915,437
Benefits and Taxes	379,134	536,197	(157,063)	264,599	2,230,203	3,108,872	(878,669)	1,899,106
Registry	176,352	284,982	(108,630)	239,350	1,281,522	1,709,890	(428,368)	1,601,143
Professional Fees	468,475	425,781	42,694	277,732	2,432,631	2,330,610	102,021	2,162,637
Purchased Services	129,575	237,836	(108,261)	163,284	807,580	1,391,919	(584,339)	982,044
Supplies	293,423	412,741	(119,318)	233,935	2,200,717	2,482,401	(281,684)	2,015,059
Repairs and Maint	34,313	38,391	(4,077)	27,599	258,128	227,293	30,835	228,417
Lease and Rental	1,749	4,541	(2,792)	4,198	13,648	27,260	(13,612)	29,352
Utilities	57,280	79,256	(21,976)	101,132	353,398	475,537	(122,139)	427,345
Insurance	43,103	45,821	(2,718)	60,507	215,529	274,928	(59,399)	277,348
Depreciation	314,861	343,633	(28,772)	183,856	1,270,227	1,771,892	(501,665)	1,067,571
Other	86,043	87,927	(1,884)	81,796	453,676	518,347	(64,670)	470,695
Total Operating Expenses	<u>3,762,945</u>	<u>4,283,513</u>	<u>(520,568)</u>	<u>3,111,337</u>	<u>22,029,435</u>	<u>24,961,090</u>	<u>(2,931,655)</u>	<u>20,076,153</u>
Income from Operations	<u>(721,600)</u>	<u>(1,080,809)</u>	<u>359,209</u>	<u>(77,262)</u>	<u>1,383,907</u>	<u>(700,284)</u>	<u>2,084,191</u>	<u>1,433,112</u>
Property Tax Revenue	1,284,113	0	1,284,113	1,339,079	1,345,292	257,288	1,088,004	1,339,079
Interest Income	29,043	107,670	(78,627)	91,387	507,751	646,022	(138,271)	634,336
Interest Expense	(885,057)	(155,543)	(729,514)	(218,322)	(1,296,512)	(783,565)	(512,947)	(754,660)
Gain/Loss on Asset Disposal/Forter	0	0	0	0	0	0	0	0
Retail Pharmacy Net Activity	107,370	124,657	(17,287)	73,364	719,951	727,985	(8,034)	200,971
DISTRICT VOUCHERS AND OTHER	9,897	(7,911)	17,808	(7,911)	(19,994)	(44,688)	24,694	(44,905)
Total Non-Operating Revenue	<u>545,366</u>	<u>68,874</u>	<u>476,492</u>	<u>1,277,597</u>	<u>1,256,489</u>	<u>803,043</u>	<u>453,446</u>	<u>1,374,822</u>
Net Income/(Loss)	<u>(176,234)</u>	<u>(1,011,935)</u>	<u>835,701</u>	<u>1,200,336</u>	<u>2,640,396</u>	<u>102,758</u>	<u>2,537,637</u>	<u>2,807,933</u>
EBIDA	<u>1,023,684</u>	<u>(512,760)</u>	<u>1,536,444</u>	<u>1,602,514</u>	<u>5,207,134</u>	<u>2,658,215</u>	<u>2,548,919</u>	<u>4,630,164</u>
Operating Margin %	-23.7%	-33.7%	10.0%	-2.5%	5.9%	-2.9%	8.8%	6.7%
Net Margin %	-5.8%	-31.6%	25.8%	39.6%	11.3%	0.4%	10.9%	13.1%
EBIDA Margin %	33.7%	-16.0%	49.7%	52.8%	22.2%	11.0%	11.3%	21.5%

Notes to the Financial Statement:

1. \$800K interest expense from New SNF Interim Loan Interest due payment

Modoc Medical Center
Income Statement Trend

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	FYE 2025 YTD	FYE 2026 YTD	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
	July-Dec	July-Dec					July-Dec	July-Dec						
Revenues														
Room & Board - Acute	681,023	405,005	744,172	708,677	666,206	613,961	3,819,043	3,433,330	685,444	529,453	467,429	452,283	571,794	726,928
Room & Board - SNF	824,217	827,753	766,813	810,479	689,749	832,648	4,751,659	5,493,312	841,152	893,655	878,216	946,063	942,003	992,223
Total Inpatient Revenue	1,505,240	1,232,758	1,510,985	1,519,156	1,355,955	1,446,608	8,570,702	8,926,643	1,526,595	1,423,108	1,345,645	1,398,346	1,513,797	1,719,151
Outpatient Revenue	3,638,233	3,557,140	3,056,540	3,181,959	2,934,115	3,157,692	19,525,679	20,270,423	3,351,869	2,878,680	3,369,321	3,571,943	3,919,351	3,179,258
Total Patient Revenue	5,143,473	4,789,898	4,567,524	4,701,115	4,290,070	4,604,300	28,096,381	29,197,066	4,878,465	4,301,788	4,714,967	4,970,289	5,433,148	4,898,409
Bad Debts	(333,441)	(753,529)	(116,967)	(891,069)	222,941	(123,520)	(1,995,584)	565,975	84,182	101,595	192,942	68,244	223,030	(104,018)
Contractual Adjs	1,594,462	1,215,413	1,501,809	2,090,228	(3,065,421)	1,722,745	5,059,236	4,652,470	1,918,848	1,481,549	1,894,197	1,731,019	(4,281,656)	1,908,514
Admin Adjs	879,031	1,645,218	483,564	657,121	13,207	31,098	3,709,238	794,052	12,361	24,241	884,264	109,742	(331,083)	94,527
Total Revenue Deductions	2,140,052	2,107,102	1,868,406	1,856,280	(2,829,273)	1,630,323	6,772,890	6,012,497	2,015,392	1,607,384	2,971,403	1,909,004	(4,389,708)	1,899,023
Net Patient Revenue	3,003,421	2,682,796	2,699,118	2,844,835	7,119,343	2,973,977	21,323,491	23,184,568	2,863,073	2,694,403	1,743,564	3,061,285	9,822,857	2,999,387
% of Charges	58.4%	56.0%	59.1%	60.5%	165.9%	64.6%	75.9%	79.4%	58.7%	62.6%	37.0%	61.6%	180.8%	61.2%
Other Revenue	37,465	11,308	16,924	40,534	19,445	60,098	185,773	228,774	37,741	14,505	34,509	66,379	33,683	41,958
Total Net Revenue	3,040,886	2,694,104	2,716,042	2,885,369	7,138,788	3,034,075	21,509,264	23,413,342	2,900,814	2,708,908	1,778,073	3,127,663	9,856,539	3,041,345
Expenses														
Salaries	1,527,863	1,445,742	1,444,284	1,503,745	1,520,455	1,473,348	8,915,437	10,512,177	1,785,419	1,690,354	1,684,758	1,729,366	1,843,644	1,778,637
Benefits and Taxes	331,128	289,544	316,206	342,146	355,483	264,599	1,899,106	2,230,203	377,349	382,644	340,699	374,615	375,762	379,134
Registry	246,179	339,927	237,286	197,516	340,884	239,350	1,601,143	1,281,522	262,589	207,040	199,454	240,036	196,051	176,352
Professional Fees	467,629	382,412	407,095	270,910	356,859	277,732	2,162,637	2,432,631	379,442	488,717	373,455	441,028	281,514	468,475
Purchased Services	102,186	186,434	246,625	103,565	179,949	163,284	982,044	807,580	58,880	209,739	118,558	152,446	138,382	129,575
Supplies	358,177	288,679	357,516	265,495	511,257	233,935	2,015,059	2,200,717	397,284	344,376	403,531	351,006	411,097	293,423
Repairs and Maint	35,962	34,099	75,654	31,931	23,171	27,599	228,417	258,128	32,193	80,938	55,206	30,158	25,319	34,313
Lease and Rental	4,529	4,219	7,647	5,105	3,654	4,198	29,352	13,648	2,393	1,683	2,205	2,467	3,151	1,749
Utilities	48,137	65,094	74,090	68,206	70,685	101,132	427,345	353,398	59,208	60,628	56,867	54,083	65,332	57,280
Insurance	43,552	43,552	42,632	43,552	43,552	60,507	277,348	215,529	43,282	44,241	43,413	20,745	20,745	43,103
Depreciation	177,946	177,549	174,027	180,297	173,896	183,856	1,067,571	1,270,227	183,888	183,829	177,432	182,003	228,214	314,861
Other	68,109	84,564	100,195	80,562	55,469	81,796	470,695	453,676	70,025	77,764	135,953	16,174	67,717	86,043
Total Operating Expenses	3,411,397	3,341,817	3,483,258	3,093,031	3,635,314	3,111,337	20,076,153	22,029,435	3,651,953	3,771,953	3,591,532	3,594,126	3,656,927	3,762,945
Income from Operations	(370,511)	(647,712)	(767,216)	(207,662)	3,503,474	(77,262)	1,433,112	1,383,907	(751,139)	(1,063,045)	(1,813,459)	(466,463)	6,199,612	(721,600)
Property Tax Revenue	0	0	0	0	0	1,339,079	1,339,079	1,345,292	0	61,179	0	0	0	1,284,113
Interest Income	107,452	30,566	186,563	86,571	131,797	91,387	634,336	507,751	214,143	104,327	43,952	84,301	31,985	29,043
Interest Expense	(79,974)	(79,713)	(77,315)	(80,904)	(218,433)	(218,322)	(754,660)	(1,296,512)	(83,144)	(82,545)	(81,291)	(81,800)	(82,675)	(885,057)
Gain/Loss on Asset Disposal/Forte	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail Pharmacy Net Activity	107,736	(171,567)	133,165	101,606	(43,333)	73,364	200,971	719,951	93,595	235,880	40,127	246,607	(3,628)	107,370
DISTRICT VOUCHERS AND OTHER	(9,862)	(4,090)	(2,952)	(7,714)	(12,375)	(7,911)	(44,905)	(19,994)	(7,186)	(8,218)	(7,451)	(2,202)	(4,834)	9,897
Total Non-Operating Revenue	125,353	(224,804)	239,460	99,559	(142,344)	1,277,597	1,374,822	1,256,489	217,408	310,623	(4,663)	246,906	(59,151)	545,366
Net Income	(245,158)	(872,516)	(527,755)	(108,102)	3,361,130	1,200,336	2,807,933	2,640,396	(533,731)	(752,421)	(1,818,122)	(219,557)	6,140,461	(176,234)
EBIDA	12,762	(615,255)	(276,413)	153,098	3,753,459	1,602,514	4,630,164	5,207,134	(266,700)	(486,048)	(1,559,399)	44,246	6,451,350	1,023,684
Operating Margin %	-12.2%	-24.0%	-28.2%	-7.2%	49.1%	-2.5%	6.7%	5.9%	-25.9%	-39.2%	-102.0%	-14.9%	62.9%	-23.7%
Net Margin %	-8.1%	-32.4%	-19.4%	-3.7%	47.1%	39.6%	13.1%	11.3%	-18.4%	-27.8%	-102.3%	-7.0%	62.3%	-5.8%
EBIDA Margin %	0.4%	-22.8%	-10.2%	5.3%	52.6%	52.8%	21.5%	22.2%	-9.2%	-17.9%	-87.7%	1.4%	65.5%	33.7%

Modoc Medical Center
 Balance Sheet
 For the month of December 2025

	Unaudited 12/31/2025	Unaudited 11/30/2025	Unaudited 10/30/2025	Unaudited 9/30/2025	Unaudited 8/31/2025	Unaudited 7/31/2025
Cash	932,650	537,100	1,377,232	537,347	364,654	133,445
Investments	8,412,132	6,112,326	16,085,319	17,212,464	18,491,661	19,210,474
Designated Funds	2,686,203	6,657,936	6,640,065	6,621,947	8,039,751	8,016,285
Total Cash	12,030,984	13,307,362	24,102,615	24,371,758	26,896,066	27,360,203
Gross Patient AR (Patient AR-I)	9,031,770	9,100,176	8,191,503	8,552,822	9,637,386	10,084,488
Allowances	(5,353,141)	(5,408,452)	(4,812,248)	(5,100,262)	(5,197,898)	(5,333,160)
Net Patient AR	3,678,629	3,691,724	3,379,255	3,452,561	4,439,488	4,751,329
% of Gross	40.7%	40.6%	41.3%	40.4%	46.1%	47.1%
Third Party Receivable	16,752,736	14,961,623	1,930,757	2,423,387	2,423,387	1,955,578
Other AR	1,521,565	1,455,046	920,000	784,190	842,542	674,415
Inventory	692,837	683,165	753,237	760,880	737,889	688,927
Prepads	420,697	457,912	441,445	489,130	433,931	495,492
Total Current Assets	35,097,448	34,556,832	31,527,309	32,281,906	35,773,303	35,925,944
Land (120000-120900)	713,540	713,540	713,540	713,540	713,540	713,540
Bldg & Improvements (121100)	104,953,797	104,953,797	47,945,861	47,927,861	47,927,861	47,927,861
Equipment (124100-124204)	16,546,581	16,369,150	14,495,515	14,495,515	14,495,515	14,495,515
Construction In Progress (125)	1,727,082	3,897,901	59,316,095	59,132,300	57,511,960	57,155,087
Fixed Assets	123,940,999	125,934,388	122,471,011	122,269,216	120,648,876	120,292,003
Accum Depreciation	(21,723,943)	(21,408,884)	(21,180,479)	(20,998,278)	(20,820,655)	(20,636,628)
Net Fixed Assets	102,217,056	104,525,503	101,290,532	101,270,938	99,828,222	99,655,375
Other Assets	0	0	0	0	0	0
Total Assets	137,314,504	139,082,335	132,817,841	133,552,844	135,601,525	135,581,319
Accounts Payable	1,498,228	3,344,913	3,542,040	3,561,738	3,714,391	3,222,888
Accrued Payroll	1,792,561	1,579,475	1,332,074	1,904,474	1,716,038	1,513,818
Patient Trust Accounts	11,195	11,118	11,016	10,906	10,906	10,556
Third Party Payables	554,000	554,000	554,000	554,000	554,000	554,000
Accrued Interest						
Current Portion Liabilities	163,368	24,163,368	24,163,368	24,163,368	24,163,368	24,163,368
Other Current Liabilities/Accru	479,328	437,402	361,244	283,740	400,082	321,529
Total Current Liabilities	4,498,679	30,090,276	29,963,741	30,478,226	30,558,785	29,786,158
Long Term Liabilities	55,473,000	31,473,000	31,473,000	31,473,000	31,623,000	31,623,000
Total Liabilities	59,971,679	61,563,276	61,436,741	61,951,226	62,181,785	61,409,158
Fund Balance	74,705,892	74,705,892	74,705,892	74,705,892	74,705,892	74,705,892
Current Year Income/(Loss)	2,636,933	2,813,167	(3,324,793)	(3,104,275)	(1,286,153)	(533,731)
Total Equity	77,342,826	77,519,060	71,381,099	71,601,617	73,419,739	74,172,161
Total Liabilities and Equity	137,314,504	139,082,336	132,817,840	133,552,844	135,601,524	135,581,319
Days in Cash	81	58	151	151	176	180
Days in AR (Gross)	50	50	53	55	61	64
Days in AP	12	27	29	29	34	29
Current Ratio	7.80	1.15	1.05	1.06	1.17	1.21
Net AR as a percentage of gro	40.73%	40.57%	41.25%	40.37%	46.07%	47.12%
Check	0	(0)	0	(0)	0	0

Notes to Balance Sheet

1. We paid off the current liability of New SNF Interim Loan from Zions Bank in the amount of \$24.00 million, and received the USDA Loan in the amount of \$24 million that included in the Long Term Liability.

STATEMENT OF CASH FLOWS

December-25

	CURRENT MONTH	Dec-25	Nov-25	FISCAL YEAR
				YTD
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME	-176,234			2,636,933
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
DEPRECIATION EXPENSE	315,059	21,723,943	21,408,884	1,271,401
CHANGE IN PATIENT ACCOUNTS RECEIVABLE	13,096	3,678,629	3,691,724	820,489
CHANGE IN OTHER RECEIVABLES	-1,857,633	18,274,302	16,416,669	-15,681,899
CHANGE IN INVENTORIES	-9,672	692,837	683,165	-7,748
CHANGE IN PREPAID EXPENSES	37,215	420,697	457,912	66,537
CHANGE IN ACCOUNTS PAYABLE	-1,846,685	1,498,228	3,344,913	-7,247,193
CHANGE IN ACCRUED SALARIES AND RELATED TAXES	213,086	1,792,561	1,579,475	551,171
CHANGE IN OTHER PAYABLES	41,926	479,328	437,402	-39,782
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-3,093,610</u>			<u>-20,267,023</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES				
PURCHASE OF EQUIPMENT/CIP	1,993,389	123,940,999	125,934,388	-4,256,317
CUSTODIAL HOLDINGS	77	11,195	11,118	614
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,993,466</u>			<u>-4,255,703</u>
CASH FROM FINANCING ACTIVITIES				
Current Liability	-24,000,000	163,368	24,163,368	-24,000,000
Long Term Liability	24,000,000	55,473,000	31,473,000	23,446,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>0</u>			<u>-554,000</u>
CASH AT BEGINNING OF PERIOD	13,307,362			34,470,779
NET INCREASE (DECREASE) IN CASH	<u>-1,276,378</u>			<u>-22,439,793</u>
CASH AT END OF PERIOD	<u>12,030,984</u>			<u>12,030,984</u>

ODOC MEDICAL CENTER

"KEY STATISTICS"

Twelve Months Ending, December 31st, 2025

MODOC MEDICAL CENTER
"FULL TIME EQUIVALENT REPORT"
 Twelve Months Ending: December 31st, 2025

Department	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	12 Mo Ave		
Med / Surg	16.90	17.36	15.63	15.21	16.15	15.37	16.06	16.47	14.81	14.77	14.50	13.76	15.58	-0.46	(0.03)
Comm Disease Care														#DIV/0!	0.00
Swing Beds														#DIV/0!	0.00
Long Term - SNF	37.41	64.09	59.56	56.28	57.55	55.38	53.39	55.93	53.24	54.82	54.32	54.41	54.70	#####	(0.71)
MountainView - SNF	31.66													31.66	1.00
Emergency Dept	11.60	12.19	12.93	12.49	14.13	10.59	12.51	12.64	11.62	14.17	13.95	11.94	12.56	-0.59	(0.05)
Ambulance - Alturas	11.55	10.79	10.86	11.31	12.65	12.06	12.31	12.50	12.53	11.96	11.34	10.55	11.70	0.76	0.07
Clinic	17.28	19.78	19.45	20.43	19.71	20.32	19.93	20.31	19.52	18.89	18.54	16.84	19.25	-2.50	(0.14)
Canby Clinic	10.54	11.49	12.06	11.47	10.55	10.89	9.80	10.95	10.66	12.18	10.39	9.27	10.85	-0.95	(0.09)
Canby Dental	4.66	5.11	4.75	4.86	4.33	3.85	4.37	5.29	4.80	3.72	3.66	3.63	4.42	-0.45	(0.10)
Surgery	4.33	5.05	4.12	3.97	3.93	4.11	3.70	3.98	4.01	4.21	3.97	3.30	4.06	-0.72	(0.17)
IRR														#DIV/0!	0.00
Lab	8.51	8.90	8.94	9.08	9.07	8.21	8.74	8.78	9.32	9.15	9.09	8.56	8.86	-0.39	(0.05)
Radiology	6.86	7.13	5.37	5.05	5.67	5.85	3.65	4.12	4.45	4.35	4.52	3.81	5.07	-0.27	(0.04)
MRI	-													0.00	#DIV/0!
Ultrasound	1.39	1.33	1.37	1.31	1.28	1.33	1.13	1.27	1.36	1.29	1.31	1.26	1.30	0.06	0.04
CT	1.51	1.81	1.29	1.62	1.72	1.67	1.47	2.10	1.93	1.92	1.84	1.48	1.70	-0.30	(0.20)
Pharmacy	2.05	2.00	1.96	2.16	1.83	1.33	1.09	1.17	1.24	1.30	1.33	1.38	1.57	0.05	0.02
Physical Therapy	6.61	7.38	6.40	4.84	6.75	6.88	6.41	5.46	5.74	6.19	6.34	6.34	6.28	-0.77	(0.12)
Other PT														#DIV/0!	0.00
Dietary	13.72	16.43	12.85	12.25	13.15	14.01	11.48	12.87	13.82	13.99	13.37	12.65	13.38	-2.71	(0.20)
Dietary - MV SNF														#DIV/0!	0.00
Dietary Acute	7.48	7.08	8.43	8.17	7.77	6.76	7.36	7.81	7.69	8.39	7.60	7.27	7.65	0.40	0.05
Laundry	1.00	1.10	1.00	1.01	1.03	1.01	0.90	1.02	1.01	1.02	0.97	1.02	1.01	-0.10	(0.10)
Activities	5.11	5.72	5.67	4.74	4.64	4.43	4.41	4.50	4.12	3.59	3.76	3.67	4.53	-0.61	(0.12)
Social Services	1.79	1.97	2.02	1.82	1.95	1.43	1.65	2.12	1.97	2.04	1.95	1.87	1.88	-0.18	(0.10)
Purchasing	3.01	3.01	2.92	3.00	3.01	3.01	3.02	2.96	3.11	3.16	3.18	3.04	3.04	0.00	-
Housekeeping	17.10	15.12	13.97	13.67	14.00	13.78	13.94	13.82	14.45	14.52	14.87	13.39	14.39	1.98	0.12
Maintenance	6.06	5.93	6.05	5.80	5.16	5.82	5.99	5.96	5.99	6.04	5.96	5.44	5.85	0.13	0.02
Data Processing	4.07	4.87	4.68	4.69	4.73	4.58	4.63	4.68	4.76	4.26	4.05	4.00	4.50	-0.80	(0.20)
General Accounting	4.14	3.92	3.94	3.71	3.99	3.92	3.40	3.38	3.64	3.89	3.97	3.74	3.80	0.22	0.05
Patient Accounting	9.13	9.30	8.46	7.67	7.17	8.25	8.95	8.85	9.86	8.98	7.76	7.60	8.50	-0.17	(0.02)
Administration	3.38	3.37	3.49	3.43	3.53	3.40	3.65	3.25	3.41	3.32	3.46	3.15	3.40	0.01	0.00
Human Resources	2.99	3.01	2.97	2.85	2.92	1.98	2.01	2.00	2.01	2.01	2.01	2.01	2.40	-0.02	(0.01)
Medical Records	8.58	8.70	7.76	7.96	8.30	8.51	8.51	8.57	8.70	8.74	8.62	8.29	8.44	-0.12	(0.01)
Nurse Administration	2.91	2.78	3.07	3.02	3.02	2.88	2.80	3.05	3.11	3.02	2.51	2.33	2.88	0.13	0.04
In-Service	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.94	0.87	1.01	1.00	1.00	0.99	0.00	-
Utilization Review	1.48	1.49	1.49	1.44	1.48	1.41	1.44	1.49	1.39	1.47	1.48	1.49	1.46	-0.01	(0.01)
Quality Assurance	0.50	0.50	0.51	0.50	0.50	0.50	0.51	0.50	0.50	0.50	0.51	0.51	0.50	0.00	-
Infection Control	0.59	0.61	0.69	0.64	0.64	0.39	0.70	0.46	0.61	0.48	0.60	0.60	0.58	-0.02	(0.03)
Retail Pharmacy	6.41	6.39	6.67	6.17	5.94	4.96	4.50	5.03	4.96	4.13	4.15	3.92	5.27	0.02	0.00
TOTAL	273.31	276.71	262.33	253.62	259.25	249.87	245.41	254.23	251.21	253.48	246.88	233.52	254.99	-3.40	(0.01)

December thru January

3,059.82

ATTACHMENT C

LFHD FY 2025 Financial Audit

Last Frontier Healthcare District

Financial Statements and Supplementary Information

Years Ended June 30, 2025 and 2024



Independent Auditor's Report

Board of Directors
Last Frontier Healthcare District
Alturas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Last Frontier Healthcare District (the "District"), which comprise the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Last Frontier Healthcare District as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. 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 Last Frontier Healthcare District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 Last Frontier Healthcare District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Last Frontier Healthcare District's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

GAAP require that a management discussion and analysis ("MD&A") on pages 4 through 8 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 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, which 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Last Frontier Healthcare District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Spokane, Washington
December 12, 2025

Last Frontier Healthcare District

Management's Discussion and Analysis

Years Ended June 30, 2025, 2024, and 2023

Introduction

Last Frontier Healthcare District (the "District"), offers readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2025, 2024, and 2023. Readers can review the audited financial statements and accompanying notes to the financial statements to enhance their understanding of the District's financial performance.

The District is a municipal corporation that operates a critical access hospital (CAH), a distinct-part skilled nursing facility (SNF), two rural health clinics (RHCs), an ambulance service, and a retail pharmacy. The District is licensed for eight hospital beds and 50 long-term care beds. Hospital services include 24-hour emergency care, general surgery, physical therapy, diagnostic laboratory and radiology, outpatient IV infusion, general acute care, and swing bed services. The District serves a large geographic region that is roughly 35 miles in all directions and has a population of approximately 3,500 people.

The District operates a hospital designated as a CAH. CAH status has had and continues to have a favorable impact on the District's finances inasmuch as CAH Medicare are cost-based and therefore typically higher than what the District would otherwise receive under prospective payment system (PPS) reimbursement methodology. The District receives property tax revenue on assessed property within the District's boundaries to support operations. During the years ended June 30, 2025 and 2024, the District received property tax revenue of \$2,204,839 and \$2,196,856, respectively.

The District is governed by an elected five-member Board of Directors. Day-to-day operations are managed by the Chief Executive Officer. The District employed approximately 229 full-time equivalent employees on June 30, 2025, and had an annual payroll of approximately \$17.3 million, not including benefits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements. The financial statements comprise the statements of net position; revenues, expenses, and changes in net position; and cash flows. The financial statements also include notes to the financial statements that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the District's finances.

Required Financial Statements

The District's financial statements report information of the District using accounting methods similar to those used by private-sector healthcare organizations. These statements offer short-term and long-term information about its activities. The statements of net position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Last Frontier Healthcare District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2025, 2024, and 2023

Required Financial Statements (Continued)

All of the revenue and expenses for the years ended June 30, 2025 and 2024, are accounted for in the statements of revenues, expenses, and changes in net position. These statements can be used to determine whether the District has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources.

Revenue and expenses are reported on an accrual basis, which means the related cash could be received or paid in a different period.

The final required statements are the statements of cash flows, which report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights Executive Overview

The District's financial performance as of the fiscal year ended June 30, 2025, resulted in an excess of revenue over expenses of \$7,343,380. The profit was driven largely by a gain from operations and positive nonoperating revenues.

The District's gain from operations was \$6,065,400 in 2025, while the District's gain from operations was \$4,225,209 in 2024, and the District's loss from operations was \$674,676 in 2023.

During 2025, excess of revenue over expenses totaled \$7,343,380, while during 2024 and 2023 excess of revenue over expenses totaled \$7,010,344 and \$2,083,334, respectively.

Financial Analysis of the District

The statements of net position and the statements of revenues, expenses, and changes in net position report the net position of the District and the changes in net position. The District's net position, the difference between assets and liabilities, is a way to measure the financial health or financial position of an organization. Over time, sustained increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in economic condition, population growth, and new or changed legislation, should also be considered.

Last Frontier Healthcare District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2025, 2024, and 2023

June 30,	Condensed Statements of Net Position (In Thousands)			Change	
	2025	2024	2023	2025-2024	2024-2023
Other assets	\$ 42,734	\$ 46,587	\$ 45,417	\$ (3,853)	\$ 1,170
Capital assets - Net	98,577	63,289	50,691	35,288	12,598
Total assets	\$ 141,311	\$ 109,876	\$ 96,108	\$ 31,435	\$ 13,768
Other liabilities	\$ 11,234	\$ 10,425	\$ 3,291	\$ 809	\$ 7,134
Long-term liabilities	56,027	32,744	33,120	23,283	(376)
Total liabilities	67,261	43,169	36,411	24,092	6,758
Net position:					
Net investment in capital assets	34,833	24,162	17,046	10,671	7,116
Restricted	7,978	1,203	600	6,775	603
Unrestricted	31,239	41,342	42,051	(10,103)	(709)
Total net position	74,050	66,707	59,697	7,343	7,010
Total liabilities and net position	\$ 141,311	\$ 109,876	\$ 96,108	\$ 31,435	\$ 13,768

The District's net position reflects an increase, as discussed below:

- Other assets decreased by approximately \$3,853,000 in 2025 and increased by \$1,170,000 in 2024. The decrease in 2025 corresponds with a decrease in net patient and resident account receivables, investments, and prepaids expenses
- Capital assets consisted of depreciable and nondepreciable capital assets. Total capital assets increased by \$35,288,000 in 2025 due to the capitalization of construction in progress for the new SNF building.

Last Frontier Healthcare District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2025, 2024, and 2023

The following table presents a summary of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2025, 2024, and 2023:

Condensed Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)

Years Ended June 30,	2025	2024	2023	Change	
				2025-2024	2024-2023
Revenue:					
Net patient and resident service revenue	\$ 46,186	\$ 42,577	\$ 37,536	\$ 3,609	\$ 5,041
Other revenue	5,053	3,838	3,245	1,215	593
Total revenue	51,239	46,415	40,781	4,824	5,634
Expenses:					
Salaries	17,284	15,190	13,795	2,094	1,395
Benefits	5,502	4,886	4,654	616	232
Professional fees	7,509	8,672	9,828	(1,163)	(1,156)
Supplies	7,548	6,591	6,656	957	(65)
Purchased services	1,802	1,965	2,006	(163)	(41)
Depreciation	2,780	2,512	2,094	268	418
Other expenses	2,749	2,374	2,423	375	(49)
Total expenses	45,174	42,190	41,456	2,984	734
Income (loss) from operations	6,065	4,225	(675)	1,840	4,900
Nonoperating revenue - Net	1,278	2,785	2,758	(1,507)	27
Excess of revenue over expenses	7,343	7,010	2,083	333	4,927
Net position at beginning of year	66,707	59,697	57,614	7,010	2,083
Net position at end of year	\$ 74,050	\$ 66,707	\$ 59,697	\$ 7,343	\$ 7,010

Net patient service revenue increased by 8.5% in 2025. The increase was due to volume fluctuations and charge master increases across the various departments of the District.

Nonoperating revenue decreased by 54.1% in 2025. This was caused by an increase in interest expense and a loss on investments.

Salaries and benefits increased in 2025 by 13.5% because of rate increases from the District's health insurance provider, annual raises, and minimum wage increases. The total number of FTEs was 229.0, 205.0, and 202.2 in 2025, 2024, and 2023, respectively.

Last Frontier Healthcare District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2025, 2024, and 2023

Total operating expenses increased 7.1% from 2024 to 2025, compared with a 1.8% increase in the previous year from 2023 to 2024. Supplies expense saw a 14.5% increase from 2024 to 2025. This was caused mostly by increased salaries and benefits expense, as well as the increased utilization of pharmacy supplies since the closing of the local pharmacy and the increase in vaccinations and infusions during the year. In addition to these expenses, the District experienced a decrease in professional fees of 13.4% related to physician coverage in the laboratory, medical, and surgical departments.

Items Affecting Operations

The challenges facing the District this fiscal period are largely similar, although varying in degree of intensity, to those issues facing the healthcare industry in general and for small rural hospitals in particular. Where the immediate environment and circumstances uniquely influence the District, these areas are also highlighted in the discussion below:

Reimbursement: Medicare and Medi-Cal programs continue to look for ways to reduce reimbursement.

Indigent and Uncompensated Care: High uncompensated care continues to grow as eligibility requirements are raised for government-funded programs.

Primary Care Physician Shortage: The entire nation is facing an extreme shortage in primary care physicians who are available to see patients. This issue will continue to worsen as our population ages and demand for these services continues to grow.

Labor: Nursing and some technician positions continue to be difficult to recruit and retain, especially to the remote location of the District.

In July 2025, the federal government passed the One Big Beautiful Bill Act, which includes significant cuts to Medicaid reimbursement for healthcare providers that will be implemented over the next few years. These cuts will impact the amount of cash that the District will be able to collect for services that are provided to Medi-Cal and Managed Medi-Cal beneficiaries and will increase the deductions to revenue that are currently experienced by the District. Overall it is likely this will cause the District to experience lower profit margins. The District will have to make operational decisions about strategic growth, expense control, and other operational components to help navigate these budget cuts successfully.

In summary, multiple external factors continue to challenge small rural hospitals, with continuing declines in reimbursement, shortages of key clinical staff, increases in uncompensated care, and ongoing labor and health insurance issues. Consequently, the District and its employees are actively working to improve their clinical care and service to their patients and community while striving to improve their overall fiscal performance.

Last Frontier Healthcare District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2025, 2024, and 2023

Contacting the District's Finance Management

This financial report provides the District's patients, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and shows the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Modoc Medical Center
PO Box 190
Alturas, CA 96101
530-708-8801

Last Frontier Healthcare District

Statements of Net Position

<i>June 30,</i>	2025	2024
Current assets:		
Cash and cash equivalents	\$ 1,359,500	\$ 1,489,636
Investments and assets limited to use	25,133,123	35,207,420
Receivables:		
Patient and resident accounts - Net	4,499,119	6,685,250
Other accounts receivable	953,536	856,579
Estimated third-party payor settlements	1,637,111	-
Inventories	685,088	414,895
Prepaid expenses	488,990	730,942
 Total current assets	 34,756,467	 45,384,722
 Noncurrent assets:		
Restricted cash and cash equivalents	7,978,155	1,202,570
Nondepreciable capital assets	57,261,305	20,997,651
Depreciable capital assets - Net	41,315,414	42,291,518
 Noncurrent assets - Net	 106,554,874	 64,491,739
 TOTAL ASSETS	 \$ 141,311,341	 \$ 109,876,461

Last Frontier Healthcare District

Statements of Net Position (Continued)

<u>June 30,</u>	2025	2024
Current liabilities:		
Accounts payable	\$ 8,777,100	\$ 7,143,055
Accrued salaries, payroll taxes, and benefits	1,241,942	1,043,961
Accrued interest	497,458	476,100
Current portion of long-term debt	554,000	539,000
Current maturities of subscription-based liabilities	163,368	633,275
Estimated third -party payor settlements	-	589,609
 Total current liabilities	 11,233,868	 10,425,000
 Noncurrent liabilities:		
Long-term debt, less current portion	56,027,000	32,581,000
Subscription-based liabilities, less current portion	-	163,368
 Total noncurrent liabilities	 56,027,000	 32,744,368
 Total liabilities	 67,260,868	 43,169,368
 Net position:		
Net investment in capital assets	34,833,203	24,162,335
Restricted	7,978,155	1,202,570
Unrestricted	31,239,115	41,342,188
 Total net position	 74,050,473	 66,707,093
 TOTAL LIABILITIES AND NET POSITION	 \$ 141,311,341	 \$ 109,876,461

See accompanying notes to financial statements.

Last Frontier Healthcare District

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2025	2024
Operating revenue:		
Patient and resident service revenue	\$ 46,185,504	\$ 42,576,619
Other revenue	5,053,539	3,838,210
Total operating revenue	51,239,043	46,414,829
Operating expenses:		
Salaries	17,284,010	15,190,038
Benefits	5,501,945	4,885,505
Professional fees	7,509,234	8,672,242
Supplies	7,548,418	6,590,927
Purchased services	1,802,292	1,964,695
Depreciation	2,780,489	2,512,449
Other expenses	2,747,255	2,373,764
Total operating expenses	45,173,643	42,189,620
Gain from operations	6,065,400	4,225,209
Nonoperating revenue (expenses):		
Property tax revenue	2,204,839	2,196,856
Investment income	1,031,619	1,431,128
Noncapital grants and contributions	-	170,000
Interest expense	(1,958,478)	(1,012,843)
Total nonoperating revenue - Net	1,277,980	2,785,141
Excess of revenue over expenses	7,343,380	7,010,344
Net position at beginning of year	66,707,093	59,696,749
Net position at end of year	\$ 74,050,473	\$ 66,707,093

See accompanying notes to financial statements.

Last Frontier Healthcare District

Statements of Cash Flows

<i>Years Ended June 30,</i>	<i>2025</i>	<i>2024</i>
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from and on behalf of patients and third-party payors	\$ 46,144,915	\$ 43,275,450
Receipts from other operating revenue	5,025,361	3,441,263
Payments to employees for salaries and benefits	(22,587,974)	(19,994,709)
Payments to suppliers, contractors, and others	(19,790,352)	(14,097,495)
 Net cash provided by operating activities	 8,791,950	 12,624,509
Cash flows from noncapital financing activities:		
Cash received from property tax revenue	2,143,660	2,532,561
Cash received from grants	-	334,297
 Net cash provided by noncapital financing activities	 2,143,660	 2,866,858
Cash flows from capital and related financing activities:		
Interest paid on debt	(1,937,120)	(1,146,288)
Purchase of capital assets	(36,279,082)	(13,859,993)
Proceeds from the issuance of long-term debt	24,000,000	-
Principal payments on long-term debt and SBITAs	(1,172,275)	(853,549)
 Net cash used in capital and related financing activities	 (15,388,477)	 (15,859,830)
Cash flows from investing activities:		
Payments for investment purchases	(6,391,158)	(3,375,778)
Proceeds from sale of investments	22,585,032	-
Interest received	1,024,019	1,330,342
 Net cash provided by (used in) investing activities	 17,217,893	 (2,045,436)
 Net change in cash and cash equivalents	 12,765,026	 (2,413,899)
 Cash and cash equivalents at beginning of year	 7,840,219	 10,254,118
 Cash and cash equivalents at end of year	 \$ 20,605,245	 \$ 7,840,219
 Reconciliation of cash and cash equivalents to the statements of net position:		
Current cash and cash equivalents	\$ 1,359,500	\$ 1,489,636
Cash included in investments and assets limited as to use	11,267,590	5,148,013
Noncurrent cash and cash equivalents - Restricted	7,978,155	1,202,570
 Totals	 \$ 20,605,245	 \$ 7,840,219

Last Frontier Healthcare District

Statements of Cash Flows (Continued)

Years Ended June 30,	2025	2024
Reconciliation of gain from operations to net cash provided by operating activities:		
Gain from operations	\$ 6,065,400	\$ 4,225,209
Adjustments to reconcile gain from operations to net cash provided by operating activities:		
Depreciation	2,780,489	2,512,449
Provision for bad debts	(221,707)	2,382,688
Changes in assets and liabilities:		
Patient and resident accounts receivable	2,407,838	(2,424,574)
Other accounts receivable	(28,178)	(396,947)
Estimated third-party payor settlements	(2,226,720)	740,717
Inventories	(270,193)	17,713
Prepaid expenses	241,952	(337,491)
Accounts payable	(154,912)	5,823,912
Accrued salaries, payroll taxes, and benefits	197,981	80,833
Total adjustments	2,726,550	8,399,300
Net cash provided by operating activities	\$ 8,791,950	\$ 12,624,509

Supplemental disclosure of significant noncash financing activities:

Construction in progress in accounts payable	\$ 6,999,148	\$ 5,210,191
Assets financed with subscription-based information technology arrangements	-	4,688,499

See accompanying notes to financial statements.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Last Frontier Healthcare District (the "District") is a special healthcare district that is a political subdivision of the State of California (as set forth in the California Government Code) and is operated and governed by an elected Board of Directors. The District was organized for the purpose of operating Modoc Medical Center, which includes a eight-bed acute care facility that provides inpatient, outpatient, and emergency care services; two RHCs; a retail pharmacy; and a 50-bed SNF in Alturas, California.

The accompanying financial statements present the activities of the District. Accounting principles generally accepted in the United States of America (GAAP) require that these financial statements include the primary government and its component units. All significant activities and organizations the District exercises oversight responsibility for have been considered for inclusion in the financial statements.

The District maintains its financial records in conformity with guidelines set forth by Local Health Care District law and the Office of Statewide Health Planning and Development of the State of California.

Method of Accounting

The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Basis of Presentation

The financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB).

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The District considers significant accounting estimates to be those which require more significant judgments and include the valuation of accounts receivable, including contractual allowances and an allowance for doubtful accounts and the estimated third-party payor settlements.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. government or its agencies; bankers' acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

All investments are stated at fair value. Investment income includes changes in fair value of investments, interest, and realized gains and losses.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include certain cash whose use is limited by donors or lenders.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Patient and Residents Accounts Receivable and Credit Policy

Patient and resident receivables are uncollateralized patient and resident obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' or residents behalf, or if a patient or resident is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients or residents are billed for copay and deductible amounts that are the patients' or residents' responsibility. Payments on patient and resident receivables are applied to the specific claim identified on the remittance advice or statement. The District does not have a policy to charge interest on past due accounts.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Residents Accounts Receivable and Credit Policy (Continued)

The carrying amounts of patient and resident receivables are reduced by allowances that reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient and resident receivables. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and residents and amounts patients and residents are personally responsible for, through a reduction of gross revenue and a credit to the allowance for uncollectible accounts, based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to patient and resident receivables.

Taxes Receivable

Taxes receivable, which are recorded in other receivables on the accompanying statements of net position, are amounts due from Modoc County (the "County"). Per-parcel assessments are levied by the County on the District's behalf. The District receives distributions of proceeds from these taxes based on an apportionment schedule and accrues such revenue ratably over the year.

Inventory

Inventory is valued at the lower of cost, determined using the first-in, first-out (FIFO) method, or net realizable value.

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased or fair value at the date received if contributed or net book value if transferred from a related party. The District maintains a threshold level of a unit or group cost of \$5,000 or more for capitalizing capital assets. Maintenance and repair costs are charged to expense as incurred. Gain or loss on disposition of capital assets is reflected in nonoperating gains or losses. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method over the useful life of each asset. Estimated useful lives are 40 years for buildings, range from 3 to 25 years for land and building improvements, and range from 5 to 20 years for software and equipment.

Subscription Based Information Technology Arrangements

The District is a party to multiple noncancelable subscription based information technology arrangements (SBITAs). If the contract provides the District the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangements (Continued)

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred.

The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the District's incremental borrowing rate.

For all underlying classes of assets, the District does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

Compensated Absences

The District has a paid leave time system for all paid time-off from work. The District's employees earn vacation benefits at varying rates depending on years of service. Paid time-off accumulates up to specified maximum levels. Accumulated unused vacation benefits are paid to an employee upon either termination or retirement. Vacation accrual is included in accrued salaries, payroll taxes, and benefits in the accompanying statements of net position.

Net Position

Net position is reported in three categories:

Net investment in capital assets: This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted: This category consists of noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the facility.

Unrestricted: This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and residents, 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 are adjusted in future periods as final settlements are determined.

Charity Care

The District provides healthcare services to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The District maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient and resident service revenue.

Operating Revenue and Expenses

The District's accompanying statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services. Nonexchange revenue, including taxes, grants, and contributions received for purposes other than capital asset acquisition, and certain other revenue are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs, which are reported as nonoperating expenses.

District Property Tax Revenue

The District has the authority to impose taxes on property within the boundaries of the healthcare district. Taxes are received from the County, which bills and collects the taxes for the District. Taxes are due from those within the District on December 10 and April 10 of each calendar year.

Grants and Contributions

The District receives grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is 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 are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue (expenses).

Unemployment Compensation

The District is a part of a pooled unemployment insurance group through California Association of Hospital and Healthcare Systems (CAHHS) for unemployment insurance and does not pay state unemployment tax.

Last Frontier Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This Statement did not have a material impact on the District as of June 30, 2025.

Note 2: Reimbursement Arrangements With Third-Party Payors

The District has agreements with third-party payors that provide for reimbursement to the District at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital

Medicare - The Medicare program has designated the District as a CAH for Medicare reimbursement purposes. Under this designation, District inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules.

Medi-Cal - Services provided to beneficiaries of both Medi-Cal health maintenance organization (HMO) and traditional Medi-Cal are grouped as Medi-Cal. Medi-Cal HMO comprises the majority of business that is done by the District within the Medi-Cal payor classification. Under CAH designation, District inpatient and swing-bed services rendered to Medi-Cal program beneficiaries are paid based on a predetermined rate per day. The reimbursement for outpatient services is based on a fee schedule. The District also applies for and receives supplemental reimbursement for its outpatient services. The supplemental reimbursement is based on a cost-reimbursement methodology and is applicable for services provided to traditional Medi-Cal beneficiaries.

Nursing Facility

Medicare - The Medicare program pays the SNF for Part A services based on a predetermined rate per resident day, which varies depending on a resident's level of care and the types of services provided.

Medi-Cal - Long-term care services are reimbursed at a daily rate that is adjusted annually. The District applies for and receives supplemental reimbursement for its distinct-part nursing facility services provided to Medi-Cal HMO beneficiaries and any traditional Medi-Cal beneficiaries. The supplemental reimbursement is based on a cost-reimbursement methodology.

Last Frontier Healthcare District

Notes to Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Physician and Professional Services in RHC

Certain physician and professional services rendered to Medicare and Medi-Cal beneficiaries qualify for reimbursement as Medicare-approved RHC services. Qualifying services are reimbursed based on a cost-reimbursement methodology.

Others

The District has also entered into payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for payment to the District under these agreements includes discounts from established charges and prospectively determined daily rates.

Accounting for Contractual Arrangements

The District is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the District's related annual cost reports by the respective Medicare and Medi-Cal fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The cost reports for the District have been final settled by Medicare and Medi-Cal through 2020.

Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to matters, such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes the District is in substantial compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the District, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RAC) as part of CMS's efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to healthcare providers and not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of June 30, 2025, the District had not been notified by the RAC of any potential significant reimbursement adjustments.

Last Frontier Healthcare District

Notes to Financial Statements

Note 3: Cash, Cash Equivalents, and Investments

Deposits

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits and investments may not be returned. The District does not have a deposit policy for custodial credit risk.

The California Government Code (CGC) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit used by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2025 and 2024, the District had bank balances of \$1,568,380 and \$1,576,278, respectively. Of these balances, \$250,000 were covered by federal deposit insurance each year for demand deposits with an additional \$250,000 for time deposits. \$1,318,380 and \$1,326,278, respectively, were collateralized (i.e., with securities held by the pledging financial institutions of at least 110% of the District's cash deposits, in accordance with the California Government Code).

Investments

Concentration of Credit Risk - The California Government Code limits the purchase of certain investments to defined percentages of the investment portfolio.

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. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The District is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized-cost basis.

Last Frontier Healthcare District

Notes to Financial Statements

Note 3: Cash, Cash Equivalents, and Investments (Continued)

The District's cash and cash equivalents at June 30 consisted of the following:

	2025	2024
Current cash and cash equivalents:		
Bank deposits	\$ 11,918,265	\$ 5,959,700
LAIF	697,352	666,325
Resident trust accounts	8,002	8,622
Petty cash	3,471	3,002
 Total current cash and cash equivalents	 12,627,090	 6,637,649
Noncurrent cash and cash equivalents - Restricted	7,978,155	1,202,570
 Total cash and cash equivalents	 \$ 20,605,245	 \$ 7,840,219

The table below identifies the investment types that are authorized for the District by the CGC. The table also identifies certain provisions of the CGC that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District rather than the general provisions of the CGC.

<u>Authorized investment type:</u>	<u>Maximum maturity:</u>	<u>Maximum percentage of portfolio:*</u>	<u>Maximum investment in one issuer:</u>
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base value	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
LAIF	N/A	None	None
JPA pools (other investment pools)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to CGC restrictions.

Last Frontier Healthcare District

Notes to Financial Statements

Note 4: Patient and Resident Accounts Receivable

Patient and resident receivables consisted of the following at June 30:

	2025	2024
Patient and resident accounts receivable	\$ 10,446,831	\$ 17,581,751
Less:		
Contractual adjustments	4,420,685	8,193,206
Allowance for doubtful accounts	1,527,027	2,703,295
Patient and resident accounts receivable - Net	<u>\$ 4,499,119</u>	<u>\$ 6,685,250</u>

Note 5: Net Patient and Resident Service Revenue

Net patient and resident service revenue consisted of the following for the years ended June 30:

	2025	2024
Gross patient and resident service revenue:		
Hospital inpatient services	\$ 6,946,872	\$ 6,845,363
Hospital outpatient services	34,068,373	31,474,469
Nursing home services	9,504,192	9,719,920
Clinic services	4,839,893	4,256,249
Total gross patient and resident service revenue	<u>55,359,330</u>	<u>52,296,001</u>
Revenue reductions:		
Contractual allowances	9,395,533	7,336,694
Provision for bad debt	(221,707)	2,382,688
Total revenue deductions	<u>9,173,826</u>	<u>9,719,382</u>
Net patient and resident service revenue	<u>\$ 46,185,504</u>	<u>\$ 42,576,619</u>

Approximately 83% of gross patient service and resident revenue was from participation in Medicare and Medi-Cal programs for the year ended June 30, 2025. Approximately 83% of gross patient service and resident revenue was from participation in Medicare and Medi-Cal programs, for the year ended June 30, 2024.

Last Frontier Healthcare District

Notes to Financial Statements

Note 5: Net Patient and Resident Service Revenue (Continued)

Intergovernmental Transfers

The District qualifies for rate-range and other intergovernmental transfers (IGT) from the California State Health and Human Services Agency Department of Health Care Services. The District recorded \$14,029,271 and \$13,785,994 in IGT receipts for the years ended June 30, 2025 and 2024, respectively. Because the revenue generated is based on services provided to patients, it is classified as net patient and resident service revenue in the accompanying statements of revenues, expenses, and changes in net position.

Note 6: Charity Care

The District provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the District's mission, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in the District's charity care policy and from applications completed by patients and their families.

The District maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the District's charity care policy was \$0 and \$22,774 for the years ended June 30, 2025 and 2024, respectively.

Note 7: Investments, Assets Limited as to Use, and Restricted

Investments, assets limited as to use, and restricted consisted of the following at June 30:

	2025	2024
Cash - Money market deposit funds	\$ 11,267,590	\$ 5,148,013
Assets limited as to use and restricted:		
Money market	151,993	1,513
US Treasury securities	-	30,057,894
Mutual funds	1,103,546	-
Fixed income	12,609,994	-
Restricted cash and cash equivalents	7,978,155	1,202,570
Totals	\$ 33,111,278	\$ 36,409,990

Last Frontier Healthcare District

Notes to Financial Statements

Note 8: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value:

US Treasury securities: Valued at the closing price for identical assets traded on active markets.

Money market funds: Valued using net asset value (NAV) of \$1.

Fixed Income: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available for comparable securities of issuers with similar credit ratings.

The District's investments by level within the fair value hierarchy were as follows at June 30:

Fair Value of Assets as of June 30, 2025				
	Level 1	Level 2	Level 3	Total
Money market	\$ 151,993	\$ -	\$ -	\$ 151,993
Fixed income	-	12,609,994	-	12,609,994
Mutual funds	1,103,546	-	-	1,103,546
Subtotal - Investments				13,865,533
Cash and cash equivalents				19,245,745
Totals	\$ 1,255,539	\$ 12,609,994	\$ -	\$ 33,111,278

Fair Value of Assets as of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Money market	\$ 1,513	\$ -	\$ -	\$ 1,513
US Treasury securities	30,057,894	-	-	30,057,894
Subtotal - Investments				30,059,407
Cash and cash equivalents				6,350,583
Totals	\$ 30,059,407	\$ -	\$ -	\$ 36,409,990

Last Frontier Healthcare District

Notes to Financial Statements

Note 9: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Nondepreciable capital assets:					
Land	\$ 713,540	\$ -	\$ -	\$ -	\$ 713,540
Construction in progress	20,284,111	38,001,899	-	(1,738,245)	56,547,765
Total nondepreciable capital assets	20,997,651	38,001,899	-	(1,738,245)	57,261,305
Depreciable capital assets:					
Land improvements	355,853	-	-	-	355,853
Buildings and improvements	46,970,134	-	(932,271)	1,533,326	47,571,189
Equipment	11,083,206	57,653	-	204,919	11,345,778
Software	1,838,438	8,487	-	-	1,846,925
Subscription-based assets	1,295,381	-	-	-	1,295,381
Total depreciable capital assets	61,543,012	66,140	(932,271)	1,738,245	62,415,126
Total capital assets before depreciation	82,540,663	38,068,039	(932,271)	-	119,676,431
Accumulated depreciation	(18,833,321)	(2,125,069)	932,271	-	(20,026,119)
Accumulated amortization on SBITAs	(418,173)	(655,420)	-	-	(1,073,593)
Total accumulated depreciation and amortization	(19,251,494)	(2,780,489)	932,271	-	(21,099,712)
Depreciable capital assets - Net	42,291,518	(2,714,349)	-	1,738,245	41,315,414
Capital assets - Net	\$ 63,289,169	\$ 35,287,550	\$ -	\$ -	\$ 98,576,719

Last Frontier Healthcare District

Notes to Financial Statements

Note 9: Capital Assets (Continued)

	Balance July 1, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Nondepreciable capital assets:					
Land	\$ 713,540	\$ -	\$ -	\$ -	\$ 713,540
Construction in progress	6,774,767	13,870,692	-	(361,348)	20,284,111
Total nondepreciable capital assets	7,488,307	13,870,692	-	(361,348)	20,997,651
Depreciable capital assets:					
Land improvements	355,853	-	-	-	355,853
Buildings and improvements	46,970,134	-	-	-	46,970,134
Major movable equipment	10,776,847	-	-	306,359	11,083,206
Software	1,838,438	-	-	-	1,838,438
Subscription-based assets	-	1,240,392	-	54,989	1,295,381
Total depreciable capital assets	59,941,272	1,240,392	-	361,348	61,543,012
Total capital assets before depreciation	67,429,579	15,111,084	-	-	82,540,663
Accumulated depreciation	(16,739,045)	(2,094,276)	-	-	(18,833,321)
Accumulated amortization on SBITAs	-	(418,173)	-	-	(418,173)
Total accumulated depreciation and amortization	(16,739,045)	(2,512,449)	-	-	(19,251,494)
Depreciable capital assets - Net	43,202,227	(1,272,057)	-	361,348	42,291,518
Capital assets - Net	\$ 50,690,534	\$ 12,598,635	\$ -	\$ -	\$ 63,289,169

At June 30, 2025 construction in progress consisted primarily of the SNF building project and various other improvement projects. The estimated total costs to complete the SNF building project is approximately \$5,252,235 and construction was completed in November 2025. The construction is financed by certificate of participation bonds of approximately \$25,000,000 and \$34,000,000 in contributions by the District. In January 2023, the District entered into a Community Facilities Loan and Grants purchase agreement with USDA rural development to purchase the Bonds.

Last Frontier Healthcare District

Notes to Financial Statements

Note 10: Long-Term Debt

Long-term debt consisted of the following:

	July 1, 2024	Additions	Reductions	June 30, 2025	Amounts Due Within One Year
Direct borrowings:					
USDA loan	\$ 33,120,000	\$ -	\$ (539,000)	\$ 32,581,000	\$ 554,000
2024 Bond Anticipation Note	- 24,000,000	-	-	24,000,000	-
Totals	\$ 33,120,000	\$ 24,000,000	\$ (539,000)	\$ 56,581,000	\$ 554,000

	July 1, 2023	Additions	Reductions	June 30, 2024	Amounts Due Within One Year
Direct Borrowings - USDA loan	\$ 33,645,000	\$ -	\$ (525,000)	\$ 33,120,000	\$ 539,000

Scheduled payments of principal and interest on long-term debt are summarized as follows:

<i>Years Ending June 30,</i>	Principal	Interest	Total
2026	\$ 24,554,000	\$ 1,655,250	\$ 26,209,250
2027	572,000	917,250	1,489,250
2028	587,000	902,250	1,489,250
2029	605,000	884,250	1,489,250
2030	621,000	868,250	1,489,250
2031 - 2035	3,385,000	4,061,250	7,446,250
2036 - 2040	3,897,000	3,549,250	7,446,250
2041 - 2045	4,493,000	2,953,250	7,446,250
2046 - 2050	5,176,000	2,270,250	7,446,250
2051 - 2055	5,970,000	1,476,250	7,446,250
2056 - 2060	6,721,000	725,250	7,446,250
Totals	\$ 56,581,000	\$ 20,262,750	\$ 76,843,750

The 2024 Bond Anticipation Note is expected to be refinanced in December 2025 and is included in 2026 payments in the above schedule.

Direct Borrowings:

USDA loan - Effective July 1, 2019, the District issued \$35,130,000 in certificates of participation bonds (2019 Capital Projects, Series A, Series B, Series C, and Series D), with each bond series due in varying annual principal installments ranging from \$90,000 to \$130,000 during the year ended June 30, 2020, and \$273,000 to \$342,000 through maturity during the year ending June 30, 2060, plus interest at a rate of 2.875% per annum, and secured by real property, gross revenue of the district, and assessed property tax revenue.

Last Frontier Healthcare District

Notes to Financial Statements

Note 10: Long-Term Debt (Continued)

2024 Bond Anticipation Note - Effective October 2, 2024, the District issued \$24,000,000 in Bond Anticipation Note, due in semiannual interest payments on each June 2 and December 2 through maturity of December 2, 2025, at a rate of 6%. The Bond Anticipation Notes are secured by the District's gross revenues and are payable from the proceeds of the USDA financing, alternative take-out financing, or renewal notes.

Note 11: Subscription-Based Information Technology Arrangements.

Changes in subscription-based technology arrangements consisted of the following for the years ended June 30:

	July 1, 2024	Additions	Reductions	June 30, 2025	Amounts Due Within One Year
Cerner EHR	\$ 796,643	\$ -	\$ (633,275)	\$ 163,368	\$ 163,368

	July 1, 2023	Additions	Reductions	June 30, 2024	Amounts Due Within One Year
Cerner EHR	\$ -	\$ 1,251,091	\$ (454,448)	\$ 796,643	\$ 633,275

The terms of the District's subscription-based information technology arrangements are as follows:

- Cerner Electronic Medical Records - SBITA in the original amount of \$1,251,091, due in varying monthly installments of \$54,685, including imputed interest at 5.05%, through September 2025.

<i>Future Minimum Payments,</i>	Principal	Interest	Total
2026	\$ 163,368	\$ 687	\$ 164,055
Totals	\$ 163,368	\$ 687	\$ 164,055

Note 12: Retirement Plan

The District sponsors and administers the Principal Financial 457(b) retirement plan. The defined contribution plan covers substantially all of its employees who are classified as permanent part-time or full-time employees or work more than 1,000 hours per year. Permanent part-time and full-time employees are eligible to participate in the retirement plan on their first day of employment. Employees who work as extra employees or per diem employees are eligible to participate in the plan only if they work more than 1,000 hours per year. The District contributes 3% of each eligible employee's base wage each pay period and matches up to an additional 3% of their base wage. The District's match percentage is set at 50% of each employee's elective deferral percentage up to a maximum match of 3% of their base wage after a year of eligible service.

Last Frontier Healthcare District

Notes to Financial Statements

Note 12: Retirement Plan (Continued)

The 457(b) plan is funded by employer contributions and employee elective deferrals. Employee elective deferral amounts are immediately 100% vested. The plan provides for employer contributions, as outlined above, that are allocated on the basis of eligible compensation per the retirement plan documents. Benefit terms, including employer contributions, are established by management and the Board of Directors. Eligible participants employed for five years or more are 100% vested in their employer contributions. Eligible participants employed for less than five years are subject to a five-year graded vesting schedule at the rate of 20% starting the first year, 40% the second year, 60% the third year, 80% the fourth year, and 100% the fifth year. Forfeitures are used to reduce future employer contributions. Retirement contributions for the years ended June 30, 2025 and 2024, were approximately \$678,000 and \$604,000, respectively.

Note 13: Risk Management

The District purchases commercial malpractice liability insurance on an claims-made basis. The policy coverage is \$5,000,000 per occurrence, with a \$25,000 deductible. There is an aggregate limitation of \$15,000,000. The District accrues the deductible for all open claims. There were no settlements in excess of insurance coverage in any of the five prior fiscal years.

Under a claims-made policy, the risk for claims and incidentals not asserted within the policy period remains with the District. Although there exists the possibility of claims arising from services provided to patients through June 30, 2025, which have not yet been asserted, the District is unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made for them. These insurance policies are renewable annually and have been renewed by the insurance carrier for the annual period extending through July 1, 2026.

The District participates in these plans through a premium-based arrangement that consists of annual amounts not subject to adjustment for adverse claims. Insurance premium expense for the years ended June 30, 2025 and 2024, was \$216,514 and \$234,757, respectively.

Last Frontier Healthcare District

Notes to Financial Statements

Note 14: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient and resident receivables.

Patient and resident receivables consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medi-Cal programs) for healthcare provided to the patients. The majority of the District's patients are from Modoc County, California, and the surrounding area. The mix of receivables from patients, residents, and third-party payors was as follows at June 30:

	2025	2024
Medicare	35 %	27 %
Medi-Cal	26 %	40 %
Other third-party payors	20 %	15 %
Patients	19 %	18 %
Totals	100 %	100 %

Note 15: Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 classifications. Such reclassifications had no effect on the previously reported amounts of net position.

**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***

Board of Directors
Last Frontier Healthcare District
Alturas, California

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 Last Frontier Healthcare District, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Last Frontier Healthcare District's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.



Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Last Frontier Healthcare District'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 Last Frontier Healthcare District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Spokane, Washington

December 12, 2025

Last Frontier Healthcare District

Schedule of Findings and Responses

Year Ended June 30, 2025

Finding Number: 2025-001

Type of Finding: Significant Deficiency

Description: Financial statement preparation and accompanying note disclosures

Condition: The District relies on the auditor to compile the financial statements and notes. As part of our professional services for the year ended June 30, 2025, we assisted in drafting the basic financial statements and related notes. The District does not have sufficient expertise to prepare its own financial statements and disclosures. This circumstance is not unusual in an organization of the District's size.

Criteria: *Government Auditing Standards* considers the inability to report the financial data reliably in accordance with GAAP to be an internal control deficiency.

Cause: The District prepares a set of full-disclosure financial statements only on an annual basis and does not maintain the expertise to prepare full-disclosure financial statements due to cost and other considerations.

Effect: The completeness of the financial statement disclosures and the accuracy of the overall financial presentation may be negatively impacted, since outside auditors do not have the same comprehensive understanding as the District's internal finance staff.

Recommendation: We recommend management and those charged with governance continue to evaluate the degree of risk associated with this condition because of cost or other considerations. It is the responsibility of management and those charged with governance to make the decision of whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response: Management agrees with the assessment and has committed to evaluating the costs and benefits associated with preparing the annual financial statements.

Last Frontier Healthcare District

Schedule of Prior Year Findings and Responses

Year Ended June 30, 2025

Finding Number: 2024-001

Type of Finding: Significant Deficiency

Description: Financial statement preparation and accompanying note disclosures

Condition: The District relies on the auditor to compile the financial statements and notes. As part of our professional services for the year ended June 30, 2024, we assisted in drafting the basic financial statements and related notes. The District does not have sufficient expertise to prepare its own financial statements and disclosures. This circumstance is not unusual in an organization of the District's size.

Status: The finding was repeated as Finding 2025-001.

