



Reports of Independent Auditors  
and Financial Statements

**Public Hospital District No. 4,  
King County, Washington**

December 31, 2024 and 2023

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## Report of Independent Auditors

The Board of Commissioners  
Public Hospital District No. 4,  
King County, Washington

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Public Hospital District No. 4, King County, Washington, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Public Hospital District No. 4, King County, Washington's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Hospital District No. 4, King County, Washington, as of December 31, 2024 and 2023, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, 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 Public Hospital District No. 4, King County, Washington, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Hospital District No. 4, King County, Washington'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 Public Hospital District No. 4, King County, Washington'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 Public Hospital District No. 4, King County, Washington's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the 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 auditing standards generally accepted in the United States of America, 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 March 27, 2025, on our consideration of Public Hospital District No. 4, King County, Washington'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 Public Hospital District No. 4, King County, Washington'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 Public Hospital District No. 4, King County, Washington's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Everett, Washington

March 27, 2025

## **Management's Discussion and Analysis (Unaudited)**

# Public Hospital District No. 4, King County, Washington

## Management's Discussion and Analysis

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### Introduction

Our discussion and analysis provides an overview of the financial position and activities of Public Hospital District No. 4, King County, Washington, doing business as Snoqualmie Valley Health (the District). It should be read in conjunction with the financial statements and accompanying notes that follow.

### Operational Highlights

**Operational Growth:** The District implemented several key strategic decisions to increase operational efficiency, which were as follows:

1. Increased marketing participation in community outreach programs.
2. Increased efficiencies in outpatient clinics by aligning schedules and adjusting hours to meet demand.
3. Investment in patient satisfaction survey software for easier feedback.
4. Obtained quality certification through compliance team of hospital swing bed program.
5. Engagement of strategic emergency medical services partners to further enhance the reputation of the District with first responders.
6. Emphasis on culture and hiring practices to reduce first-year turnover. Those decisions led to an increase in patient satisfaction scores of 4.5 out of 5 in 2023 compared to 4.83 out of 5 in 2024, and a decrease in first-year turnover of 45% in 2023 to 31% in 2024.

**2024 Limited Tax General Obligation (LTGO) Bond:** In December of 2024, the District finalized a \$17,000,000 LTGO bond that will mature in December of 2044, with a fixed interest rate of 4.97%. These funds are restricted for our outpatient expansion project in accordance with an approved board resolution.

**Outpatient Volumes Growth:** The District's emergency department, clinics, and outpatient ancillary services all had increased volumes and revenue in 2024. The District's investment in management positions in key strategic areas of emergency room, rural health clinics, endoscopy, and radiology led to increased volumes in outpatient services as shown in the patient volumes table below. Growth in outpatient revenues and volumes coincides with the District's long term strategic plan to extend outpatient services in our community.

## Public Hospital District No. 4, King County, Washington

### Management's Discussion and Analysis

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#### Patient Volumes

Patient volumes compared to 2024 actuals are shown below:

Business Line	Patient Volumes Actual January Through December 2024	Patient Volumes Actual January Through December 2023	Percentage Change
Clinic Visits	27,030	24,969	8.3%
Emergency Department Visits	6,012	5,793	3.8%
Diagnostic Imaging Visits	8,975	7,940	13.0%
Outpatient Therapy Visits	5,353	3,686	45.2%
Inpatient Therapy Visits	10,311	9,535	8.1%
Inpatient and Swing Bed Admits	486	422	15.2%
Inpatient and Swing Bed Patient Days	6,964	7,440	-6.4%

#### **Key Volume Highlights:**

1. Total inpatient days increased by approximately 67% in 2024 (540) compared to 2023 (323), driven by the District's investment in hiring a medical director of hospital services. This strategic move enhanced the quality of care, enabling more local community members to receive treatment closer to home. Additionally, the medical director has contributed to the District's efforts to increase patient volumes within the community.
2. While total patient days (including swing bed and inpatient stays) decreased overall in 2024 compared to 2023, there was a notable rise in inpatient days, as noted above. Furthermore, total admissions for both swing bed and inpatient care increased between the two years. The reduction in average length of stay resulted from a management initiative aimed at improving skilled nursing and rehabilitation services. This approach benefits patients by reducing the risk of healthcare-associated infections, minimizing skilled nursing facility utilization, and lowering out-of-pocket expenses by facilitating earlier transitions to lower levels of care.
3. Emergency department volumes increased due to improved relationships with local emergency medical services departments, and increased marketing efforts.
4. Clinic volumes increased through continued management initiatives to improve accessibility by expanding provider availability to meet patient demand, and to offer a suite of specialty services and procedures such as endoscopy, cardiology, gastroenterology, and podiatry.
5. Therapy visits increased as a result of enterprise resource planning efficiencies and management changes that improved patient access by adjusting provider availability to meet patient demand.
6. Laboratory tests increased 17% as a result of the District's overall increases in our ancillary outpatient services, specifically our clinic volumes and our increase inpatient admissions.



## Public Hospital District No. 4, King County, Washington

### Management's Discussion and Analysis

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7. Imaging increased due to management initiatives to increase MRI, ultrasound, and dexta scan services by increasing accessibility through scheduling and improved prior authorization process implemented with the ERP, as well as the District's overall increases in our program service lines across the organization. Additionally, the District invested in a new CT machine, which decreased downtime and provided better imaging and faster results for better patient outcomes and satisfaction.

#### Summary Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023	2022
Net operating revenue	\$ 56,031,447	\$ 52,134,655	\$ 48,301,818
Nonoperating income	4,108,046	4,326,173	4,314,055
	<u>60,139,493</u>	<u>56,460,828</u>	<u>52,615,873</u>
Total operating expenses	52,200,066	48,783,256	46,289,968
Nonoperating expense	5,267,013	4,937,080	5,155,714
	<u>57,467,079</u>	<u>53,720,336</u>	<u>51,445,682</u>
Change in net position	2,672,414	2,740,492	1,170,191
Net position, beginning of year	<u>(11,966,934)</u>	<u>(14,707,426)</u>	<u>(15,877,617)</u>
Net position, end of year	<u>\$ (9,294,520)</u>	<u>\$ (11,966,934)</u>	<u>\$ (14,707,426)</u>

#### Comments on Summary Statement of Revenues, Expenses, and Changes in Net Position

**Operating Revenue:** Operating revenue grew by approximately 7.5% from 2023 to 2024, driven by enhanced charge capture with our new electronic medical record system and increased volumes across the organization for outpatient services. Operating revenue increased 7.9% from 2022 to 2023. The increase was due to an increase in charge capture and improved volumes in emergency room, endoscopy, cardiology, imaging, and clinics.

#### Operating Expense Highlights:

- Operating expenses increased by 7% in 2024 compared to 2023.
- Salaries, wages, and employee benefits account for approximately 52% of our total operating expenses. In 2024, total labor costs increased by about 4%, primarily due to the District's annual wage adjustments, which took effect for hours worked as of March 31, 2024. Additionally, starting January 1, 2024, the District introduced a 4% employer matching contribution for all benefits-eligible employees' retirement plans.

## Public Hospital District No. 4, King County, Washington

### Management's Discussion and Analysis

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- Contract labor costs represent approximately 9% of our total operating expenses. In 2024, we established processes to ensure that all contract labor expenses were consistently recorded in this category. This improvement allows for better tracking of contract and agency labor costs both by department and overall.
- Supplies expenses, which account for approximately 5% of total operating costs, decreased by more than \$700,000 due to improved vendor contract negotiations on product pricing and a strategic effort to control spending.
- Purchased services account for approximately 11% of total operating expenses, largely due to the continued outsourcing of information technology services and informatics services.

Operating expenses increased by 5% in 2023 compared to 2022.

- Salaries, wages and employee benefits account for approximately 53% of our total operating expenses. The combined labor expenses were 5% higher in 2023. Much of the increase was due to benefit costs for employees. The district implemented a matching retirement of 4% for physicians and executives. Employee health insurance and RX claims on the district's self-insured plan increased by approximately \$300,000. Direct salaries were only 3% higher year over year.
- Purchase services expenses represent approximately 10% of our total operating expenses. The 15% increase in 2023 over 2022 was primarily attributable to the District outsources our informatic department for improved EPIC utilization.

**Change in Net Position:** The positive net position change in 2024 resulted from disciplined cost management alongside growing service volumes. The net position increase in 2023 was due to higher revenues in outpatient services.

# Public Hospital District No. 4, King County, Washington

## Management's Discussion and Analysis

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### Summary Statement of Net Position

	2024	2023	2022
<b>ASSETS</b>			
Current assets	\$ 32,450,796	\$ 18,914,606	\$ 17,733,356
Capital assets, net	42,937,806	44,824,846	48,572,695
Other noncurrent assets	23,268,010	16,346,868	11,948,574
Total assets	98,656,612	80,086,320	78,254,625
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,284,740	1,377,176	1,469,612
Total assets and deferred outflows of resources	<u>\$ 99,941,352</u>	<u>\$ 81,463,496</u>	<u>\$ 79,724,237</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 9,243,650	\$ 8,229,800	\$ 8,208,588
Noncurrent liabilities	99,992,222	85,200,630	86,223,075
Total liabilities	109,235,872	93,430,430	94,431,663
<b>NET POSITION</b>			
Net (deficit) investment in capital assets	(2,523,781)	(1,295,673)	1,513,199
Restricted expendable for debt service	9,997,298	9,235,571	8,726,788
Unrestricted	(16,768,037)	(19,906,832)	(24,947,413)
Total net position	(9,294,520)	(11,966,934)	(14,707,426)
Total liabilities and net position	<u>\$ 99,941,352</u>	<u>\$ 81,463,496</u>	<u>\$ 79,724,237</u>

### Commentary on Summary Statement of Net Position

#### Current Assets

Current assets increased due to an increase in cash in 2024 and 2023.

#### Current Liabilities

Current liabilities increased due to timing of payments of accounts payable in 2024. Current liabilities decreased due to payment of deferred tax liability in 2023.

#### Long-Term Debt

Long-term debt increased due to the issuance of the 2024 LTGO Bond. Long-term debt decreased due to a decrease in the lease liability and payment of Revenue Bonds in 2023.

#### Net (Deficit) Investment in Capital Assets

Net (deficit) investment in capital assets decreased in 2024 and 2023 due to depreciation.

# Public Hospital District No. 4, King County, Washington

## Management's Discussion and Analysis

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### Revenue Bond Covenant Compliance

The schedule of revenue bond covenant compliance is shown below. The District complies with all its revenue bond covenants.

#### SCHEDULE OF BOND COVENANT COMPLIANCE

Coverage Requirement	DECEMBER 2024 Amount
Change in net position	\$ 2,672,414
Add	
Interest expense	4,885,917
Depreciation and amortization expense	4,983,679
	9,869,596
Less	
Taxation for bond principal and interest	(3,207,834)
	(3,207,834)
Available for debt service	\$ 9,334,176
Maximum annual debt service	\$ 3,675,188
Actual Coverage Ratio	2.54
Coverage Requirement	1.20
Available for debt service required by covenant	\$ 4,410,226
<b>Reserve Requirement For the Bonds</b>	
Max annual debt service on all bonds	\$ 3,675,188
125% of average annual debt service	4,593,985
10% of proceeds on all bonds	5,007,500
Reserve Requirement	\$ 3,675,188
Hospital reserve fund	\$ 3,925,621
<b>Liquidity Requirement for the Bonds</b>	
Cash and cash equivalents	\$ 29,192,642
Total operating expenses	\$ 52,200,066
Less depreciation and amortization expense	4,983,679
	\$ 47,216,387
Days cash on hand	226.29
Liquidity Requirement for Bond Covenant	60.00
Cash and cash equivalents required for bond covenants	\$ 7,761,598

### Contacting the District's Financial Management

This financial report is designed to provide the District's patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and show its accountability for the money it receives. If you have questions about this report or need additional information, contact the District's finance office at Snoqualmie Valley Hospital, 9801 Frontier Avenue SE, Snoqualmie, WA 98065.

## **Financial Statements**

**Public Hospital District No. 4, King County, Washington**  
**Statements of Net Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,595,281	\$ 4,508,652
Assets limited as to use required for current liabilities	2,769,374	2,410,652
Patient accounts receivable, net of allowances for doubtful accounts of \$1,361,480 in 2024 and \$1,050,806 in 2023	12,436,829	10,757,574
Prepays and other receivables	424,184	328,274
Estimated third-party payor settlements	1,052,000	785,800
Inventory	173,128	123,654
Total current assets	32,450,796	18,914,606
ASSETS LIMITED AS TO USE, net of current portion	20,825,285	13,926,123
INTANGIBLE RIGHT-TO-USE LEASE, net of accumulated amortization	1,655,700	1,618,557
SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS (SBITA)	787,025	802,188
CAPITAL ASSETS		
Land	14,631,178	14,631,178
Construction in progress	1,568,981	38,511
Depreciable capital assets, net of accumulated depreciation and amortization	26,737,647	30,155,157
Total capital assets, net of accumulated depreciation and amortization	42,937,806	44,824,846
Total assets	98,656,612	80,086,320
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	1,284,740	1,377,176
Total assets and deferred outflows of resources	\$ 99,941,352	\$ 81,463,496
<b>LIABILITIES AND NET POSITION</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,247,675	\$ 2,531,342
Accrued compensation and related payables	2,227,089	2,343,030
Accrued interest payable	214,374	165,652
Current portion of lease liability	631,284	670,244
Current portion of SBITA obligations	319,550	274,532
Current maturities of long-term debt	2,603,678	2,245,000
Total current liabilities	9,243,650	8,229,800
LEASE LIABILITY, net of current portion	1,106,043	1,005,379
SBITA OBLIGATIONS, net of current portion	463,232	548,380
LONG-TERM DEBT, net of current maturities	98,422,947	83,646,871
Total liabilities	109,235,872	93,430,430
NET POSITION		
Net (deficit) investment in capital assets	(2,523,781)	(1,295,673)
Restricted expendable for debt service	9,997,298	9,235,571
Unrestricted	(16,768,037)	(19,906,832)
Total net position	(9,294,520)	(11,966,934)
	\$ 99,941,352	\$ 81,463,496

See accompanying notes.

**Public Hospital District No. 4, King County, Washington**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of \$1,782,800 in 2024 and \$1,022,987 in 2023)	\$ 53,531,893	\$ 50,707,564
Taxation for operations	1,178,205	1,173,629
Other	1,321,349	253,462
Total operating revenues	<u>56,031,447</u>	<u>52,134,655</u>
OPERATING EXPENSES		
Salaries and wages	21,931,458	21,188,550
Employee benefits	5,070,783	4,873,131
Professional fees	9,251,449	6,418,705
Supplies	2,680,906	2,816,408
Repairs and maintenance	497,121	429,447
Utilities	795,375	651,634
Purchased services	5,676,196	4,827,039
Insurance	268,044	204,070
Depreciation and amortization	4,983,679	4,703,728
Other	1,045,055	2,670,544
Total operating expenses	<u>52,200,066</u>	<u>48,783,256</u>
OPERATING INCOME	<u>3,831,381</u>	<u>3,351,399</u>
NONOPERATING INCOME (EXPENSE)		
Investment income	855,241	540,369
Taxation for bond principal and interest	3,207,834	3,207,834
Interest expense	(4,885,917)	(4,775,631)
Issuance and financing costs	(381,096)	(161,449)
Other	44,971	577,970
Nonoperating income (expense), net	<u>(1,158,967)</u>	<u>(610,907)</u>
CHANGE IN NET POSITION	2,672,414	2,740,492
NET POSITION, beginning of year	<u>(11,966,934)</u>	<u>(14,707,426)</u>
NET POSITION, end of year	<u>\$ (9,294,520)</u>	<u>\$ (11,966,934)</u>

See accompanying notes.

**Public Hospital District No. 4, King County, Washington**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from and on behalf of patients	\$ 51,586,438	\$ 51,084,667
Cash paid to employees	(27,214,092)	(25,710,795)
Cash paid to suppliers	(20,199,500)	(18,777,910)
Other cash receipts	1,321,349	253,462
Net cash from operating activities	<u>5,494,195</u>	<u>6,849,424</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash from tax levies considered a noncapital financing activity	1,178,205	1,173,629
Other	44,971	577,970
Net cash from noncapital financing activities	<u>1,223,176</u>	<u>1,751,599</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(1,317,237)	(77,026)
Cash from tax levies for general obligation bonds	3,207,834	3,207,834
Proceeds from long-term debt	17,335,899	-
Principal payments on long-term debt	(2,293,581)	(2,108,738)
Interest paid on long-term debt	(5,033,419)	(5,004,885)
Payments on lease liability and SBITA obligations	(1,127,595)	(803,706)
Net cash from capital and related financing activities	<u>10,771,901</u>	<u>(4,786,521)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of investments	880,422	(250,912)
Investment income	855,241	540,369
Net cash from investing activities	<u>1,735,663</u>	<u>289,457</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>19,224,935</u>	<u>4,103,959</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>12,388,762</u>	<u>8,284,803</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 31,613,697</u></u>	<u><u>\$ 12,388,762</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 15,595,281	\$ 4,508,652
Cash and cash equivalents in assets whose use is limited	16,018,416	7,880,110
	<u><u>\$ 31,613,697</u></u>	<u><u>\$ 12,388,762</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND FINANCING ACTIVITIES</b>		
Capital assets financed through accounts payable	<u><u>\$ 652,213</u></u>	<u><u>\$ -</u></u>
Right-to-use asset obtained in exchange for lease obligations	<u><u>\$ 813,236</u></u>	<u><u>\$ 1,393,353</u></u>
Right-to-use asset obtained in exchange for SBITA obligations	<u><u>\$ 313,740</u></u>	<u><u>\$ 1,036,771</u></u>

See accompanying notes.



**Public Hospital District No. 4, King County, Washington**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

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Increase (Decrease) in Cash and Cash Equivalents		
	2024	2023
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 3,831,381	\$ 3,351,399
Adjustments to reconcile operating income to net cash from operating activities		
Revenue from tax levies considered noncapital financing activity	(1,178,205)	(1,173,629)
Depreciation and amortization	4,983,679	4,703,728
Provision for bad debts	1,782,800	987,737
Change in assets and liabilities		
Patient accounts receivable	(3,462,055)	(1,168,879)
Prepays and other receivables	(95,910)	(139,161)
Inventory	(49,474)	44,504
Estimated third-party payor settlements	(266,200)	558,245
Accounts payable	64,120	(804,567)
Accrued compensation and related payables	(115,941)	490,047
	\$ 5,494,195	\$ 6,849,424
Net cash from operating activities		

See accompanying notes.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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#### **Note 1 – Organization**

Public Hospital District No. 4, King County, Washington, doing business as Snoqualmie Valley Health (the District), is organized as a municipal corporation under the laws of the state of Washington and operates a licensed 28-bed acute care hospital and primary and specialty care clinics in Eastern King County, Washington. As organized, the District is exempt from payment of federal income tax. The Board of Commissioners consists of five elected community members. The District is not considered to be a component unit of King County.

#### **Note 2 – Summary of Significant Accounting Policies**

**Accounting standards** – The District reports its financial information in a form that complies with the pronouncements of the Governmental Accounting Standards Board (GASB).

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

**Cash and cash equivalents** – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity date of three months or less, excluding amounts limited as to use by board designation, indenture agreements, or donors.

**Assets limited as to use** – Periodically, the Board of Commissioners sets aside cash resources for the funding of future capital improvements. In addition, certain funds are restricted by bond indentures to be used solely for debt service or for the funding of future capital projects. These funds are invested in the King County Investment Pool, which is in accordance with state guidelines.

All District investments are carried at market value. Investment income is reported as nonoperating income and expense.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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

During 2024, due to deteriorations in collections related to receivables aged over 365 days, the District changed its reserve for those receivables, adjusting to 100% reserve. The result of this change in estimate resulted in an increase to the reserve of \$1,200,000 as of and for the year ended December 31, 2024. The total change in reserve was immaterial to the financial statements as a whole as of and for the year ended December 31, 2023.

**Capital assets** – Land, buildings, and equipment acquisitions are recorded at cost. Improvements and replacements of land, buildings, and equipment are capitalized. The District's capitalization threshold is \$5,000 per item and a useful life of at least three years. Maintenance and repairs are expensed. The cost of land, buildings, and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded.

Depreciation is recorded over the estimated useful life of each class of depreciable asset using the American Hospital Association guidelines and is computed using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The estimated useful lives used by the District are as follows:

Buildings and improvements	2 – 40 years
Equipment	3 – 20 years

The District evaluates capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets that are held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2024 and 2023.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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**Lease assets and liabilities** – The District recognizes lease assets and liabilities for lease contracts that convey the control of the right to use another party's asset and have a term exceeding one year. At the contract inception, the asset and liability are measured at the present value of payments expected during the contract term. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at the start of the lease. Short-term contracts that do not have a term exceeding one year are expensed when incurred. Lease assets are amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment.

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

**Net position** – Net position of the District is classified into three components. The net (deficit) investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt that is attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position represents noncapital assets that must be used for a specific purpose. The unrestricted component of net position is the remaining net amount of the assets, deferred outflows of resources, and liabilities that are not included in the determination of net (deficit) investment in capital assets or the restricted components of net position.

**Operating revenues and expenses** – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenue, result from exchange transactions associated with providing health care services—the District's primary business.

Nonexchange revenues, including taxes, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Tax levy income and debt service related to general obligation and revenue bonds and peripheral or incidental transactions, grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating income or expense.

**Net patient service revenue** – Patient service revenue is recorded at established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Preliminary settlements under reimbursement agreements with Medicare and Medicaid are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Reimbursements received from certain third-party payors are subject to audit and retroactive adjustment. Provision for possible adjustment as a result of audits is recorded in the financial statements. When reimbursement settlements are received, or when information becomes available with respect to reimbursement changes, any variations from amounts previously accrued are accounted for in the period in which the settlements are received or the change in information becomes available.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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**Charity care** – The District provides care to indigent patients who meet certain criteria under its charity care policies. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Forgone revenue for charity care provided during 2024 and 2023, measured by the District's standard charges, was approximately \$1,800,000 and \$2,449,000, respectively.

**Federal income taxes** – The District, as a political subdivision of the state of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code (IRC).

**Subscription-based information technology arrangements (SBITA)** – The District is the end user for various SBITAs. Short-term SBITAs, which have a maximum possible term of 12 months or less, are recognized as an outflow of resources when payment is made. For SBITAs with subscription terms extending beyond one year, the District recognizes an intangible right-to-use subscription asset and a corresponding subscription liability.

Initial measurement of the subscription asset/liability is calculated at the present value of payments expected to be paid during the subscription term, discounted using the incremental borrowing rate. The right-to-use asset is amortized on a straight-line basis over the subscription term.

There have been no outflows of resources recognized in the reporting periods for variable payments not previously included in the measurement of the SBITA liability, or other payments such as termination penalties.

**Adoption of new accounting standards** – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for the District for the year ending December 31, 2024.

In June 2022, the GASB issued 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 is effective for the District for the year ending December 31, 2024.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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#### **Note 3 – Net Patient Service Revenue**

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

**Medicare** – The District converted to critical access hospital status under the Medicare program on December 1, 2005, under which inpatient, swing-bed, and outpatient services and hospital-based clinics are reimbursed on a cost basis. Inpatient acute, swing-bed, and outpatient care services rendered to Medicare program beneficiaries are paid on an interim basis at a percentage of billed charges. These interim payments will be subject to final settlement upon submission and audit of the cost report to the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Net patient service revenue under the Medicare program totaled approximately \$27,019,000 and \$27,146,000 for 2024 and 2023, respectively. Net unsecured patient accounts receivable due from Medicare at December 31 was \$5,691,000 and \$4,463,000 in 2024 and 2023, respectively.

**Medicaid** – As a critical access hospital, the District is reimbursed for inpatient and outpatient services rendered to Medicaid program beneficiaries on a cost reimbursement methodology. Under this methodology, the District is reimbursed at a tentative rate, with final settlement determined after audits by the Medicaid fiscal intermediary of annual cost reports submitted by the District. Long-term care services are paid on a cost reimbursement basis, which may not exceed allocated costs plus state-mandated cost limits. Net patient service revenue under the Medicaid program totaled approximately \$5,879,000 and \$5,580,000 for 2024 and 2023, respectively. Net unsecured patient accounts receivable due from Medicaid at December 31 were \$1,248,000 and \$1,010,000 in 2024 and 2023, respectively.

The District's estimates of final settlements to or from Medicare and Medicaid for all years through 2024 have been recorded in the accompanying statements of net position. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2019.

**Other third-party payors** – The District has also entered into various payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations, which provide for payment or reimbursement at amounts different from published rates. Contractual adjustments represent the difference between published rates for services and amounts paid or reimbursed by these third-party payors.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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The following are the components of net patient service revenue for the District for the years ended December 31:

	2024	2023
Gross patient service charges	\$ 94,021,013	\$ 85,888,499
Adjustments to patient service charges		
Contractual discounts	36,906,658	31,743,954
Provision for bad debts	1,782,800	987,737
Charity care	1,799,662	2,449,244
	40,489,120	35,180,935
Net patient service revenue	\$ 53,531,893	\$ 50,707,564

#### Note 4 – Deposits and Investments

The District makes investments in accordance with Washington State law. Eligible investments include obligations secured by the U.S. Treasury, other obligations of the United States or its agencies, certificates of deposit with approved institutions, insured money market funds, commercial paper, registered warrants of local municipalities, the Washington State Local Government Investment Pool, eligible bankers' acceptances, and repurchase agreements (up to 30 days).

As a political subdivision of the state, the District categorizes deposits and investments to give an indication of the risk assumed at year-end. Category 1 includes deposits and investments that are insured, registered, or held by the District's agent in the District's name. Category 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits and investments for which the securities are held by the broker or dealer, or its trust department or agent, but not in the District's name.

The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. All cash and cash equivalents held by the County Treasurer's Office are insured by the State of Washington Public Deposit Protection Commission, as provided by Chapter 39.58 of the Revised Code of Washington. Qualified public depositories pledge securities with this Commission, which are available to insure public deposits within the state of Washington.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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All deposits and investments of the District are categorized as Category 1 and consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	<u>\$ 15,595,281</u>	<u>\$ 4,508,652</u>
Assets whose use is limited		
Board-designated		
Cash and cash equivalents	9,673,610	2,162,241
U.S. government agency obligations	3,571,822	4,601,615
Investment in King County Investment Pool	351,929	337,348
LTGO Bond Fund		
Investment in King County Investment Pool	5,992,877	5,380,521
Taxes receivable	78,800	82,757
Revenue Bond Fund		
U.S. government agency obligations	<u>3,925,621</u>	<u>3,772,293</u>
	<u>23,594,659</u>	<u>16,336,775</u>
Total deposits and investments	<u><u>\$ 39,189,940</u></u>	<u><u>\$ 20,845,427</u></u>

The District participates in the King County Investment Pool (KCIP). The King County Finance and Business Operations Division (FBOD) manages and operates the KCIP. Participation by local governments is voluntary. The investment policies of the KCIP are the responsibility of the FBOD, and any proposed changes are reviewed by King County's Executive Finance Committee. The KCIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high-quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The objectives of the FBOD's investment practices for the KCIP, in priority order, will be safety, liquidity, and return on investment. Separate financial statements for the KCIP are available from King County. The KCIP is not subject to risk evaluation.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits the types of securities to those authorized by statute; therefore, credit risk is very limited.

**Deposits** – All of the District's deposits are either insured or collateralized. The District's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (PDPC).

**Custodial credit risk** – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk.



# Public Hospital District No. 4, King County, Washington

## Notes to Financial Statements

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**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District is not exposed to concentration of credit risk, because all deposits and investments are insured or collateralized.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The District manages interest rate risk by having policy limitations on the maximum maturity of any one security to less than 36 months from settlement date to maturity date unless matched to a specific cash flow requirement.

The composition of investments, reported at fair value by investment type at December 31, 2024 and 2023, excluding cash and cash equivalents, and assets whose use is limited balances of \$31,692,497 and \$12,471,519, is as follows:

Investment Type as of December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
U.S. government agency obligations	\$ 7,497,443	100%

  

Investment Type as of December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
U.S. government agency obligations	\$ 8,373,908	100%

### Note 5 – Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the County Assessor at 100% of the fair market value. A revaluation of all property is required every four years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the District by the County Treasurer.

The District is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general District purposes. The Washington State constitution and Washington State law, Revised Code of Washington 84.55.010, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people.

For 2024 and 2023, the District’s regular tax levy was \$0.28 and \$0.25 per \$1,000 on a total assessed valuation of \$15,608,361,009 and \$17,469,683,771, respectively, for a total regular levy of \$4,413,127 and \$4,334,593, respectively. A portion of the tax revenue from the regular levy has been pledged toward payments of the limited tax general obligation (LTGO) bonds.

**Public Hospital District No. 4, King County, Washington**  
**Notes to Financial Statements**

**Note 6 – Capital Assets**

Capital asset additions, retirements, and balances for the years ended December 31, 2024 and 2023, were as follows:

	Balance, December 31, 2023	Additions	Retirements	Transfers	Balance, December 31, 2024
<b>NONDEPRECIABLE CAPITAL ASSETS</b>					
Land	\$ 14,631,178	\$ -	\$ -	\$ -	\$ 14,631,178
Construction in progress	38,511	1,530,470	-	-	1,568,981
Total nondepreciable capital assets	14,669,689	1,530,470	-	-	16,200,159
<b>DEPRECIABLE CAPITAL ASSETS</b>					
Land improvements	11,973,793	-	-	-	11,973,793
Buildings and improvements	33,213,026	324,275	-	-	33,537,301
Equipment	17,129,211	114,705	-	-	17,243,916
<b>LESS ACCUMULATED DEPRECIATION</b>					
Land improvements	(6,445,470)	(620,301)	-	-	(7,065,771)
Buildings and improvements	(14,895,513)	(1,588,417)	-	-	(16,483,930)
Equipment	(10,819,890)	(1,647,772)	-	-	(12,467,662)
Depreciable capital assets, net	30,155,157	(3,417,510)	-	-	26,737,647
Capital assets, net	\$ 44,824,846	\$ (1,887,040)	\$ -	\$ -	\$ 42,937,806
	Balance, December 31, 2022	Additions	Retirements	Transfers	Balance, December 31, 2023
<b>NONDEPRECIABLE CAPITAL ASSETS</b>					
Land	\$ 14,631,178	\$ -	\$ -	\$ -	\$ 14,631,178
Construction in progress	147,280	378,441	(237,246)	(249,964)	38,511
Total nondepreciable capital assets	14,778,458	378,441	(237,246)	(249,964)	14,669,689
<b>DEPRECIABLE CAPITAL ASSETS</b>					
Land improvements	11,973,793	-	-	-	11,973,793
Buildings and improvements	33,319,274	-	(235,725)	129,477	33,213,026
Equipment	17,256,718	159,716	(407,710)	120,487	17,129,211
<b>LESS ACCUMULATED DEPRECIATION</b>					
Land improvements	(5,809,638)	(635,832)	-	-	(6,445,470)
Buildings and improvements	(13,509,970)	(1,668,288)	282,745	-	(14,895,513)
Equipment	(9,435,940)	(1,520,755)	136,805	-	(10,819,890)
Depreciable capital assets, net	33,794,237	(3,665,159)	(223,885)	249,964	30,155,157
Capital assets, net	\$ 48,572,695	\$ (3,286,718)	\$ (461,131)	\$ -	\$ 44,824,846

Depreciation expense for the years ended December 31, 2024 and 2023, was \$3,856,490 and \$3,824,875, respectively.

# Public Hospital District No. 4, King County, Washington

## Notes to Financial Statements

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### Note 7 – Long-Term Debt and Other Noncurrent Liabilities

Interest rates and maturities of long-term debt at December 31, 2024 and 2023, for the District consisted of the following:

	<u>2024</u>	<u>2023</u>
Limited tax general obligation and refunding bonds, series 2015, 4.25% to 5.00%, due semiannually on June 1 and December 1, maturing in 2038, with annual amounts ranging from \$965,000 to \$2,880,000, net of unamortized discount of \$391,147 and \$419,083.	\$ 26,143,853	\$ 27,095,917
Revenue bonds, series 2015, 5.00% to 6.25%, due semiannually on June 1 and December 1, maturing in 2046, with annual amounts ranging from \$1,080,000 to \$3,455,000, net of unamortized discount of \$862,553 and \$903,629.	41,622,447	42,610,954
Limited tax general obligation and refunding bonds, series 2020A and 2020B, 4.12% due semiannually on June 1 and December 1, maturing in 2040, with annual amounts ranging from \$255,000 to \$4,145,000.	15,945,000	16,185,000
Limited tax general obligation bonds, series 2024, 4.97%, due semiannually on June 1 and December 1, maturing in 2044, with annual amounts ranging from \$0 to \$4,200,000.	17,000,000	-
Other notes payable, due in monthly installments ranging from \$1,197 to \$4,933, including interest ranging from 8.24% to 9.74%, maturities ranging from June 2029 to March 2030.	315,325	-
	101,026,625	85,891,871
Less current portion	<u>(2,603,678)</u>	<u>(2,245,000)</u>
	<u>\$ 98,422,947</u>	<u>\$ 83,646,871</u>

Under the terms of the revenue and refunding bonds, the District has agreed to maintain certain financial ratios and meet certain covenants. Management is not aware of any violations with its debt covenants.

# Public Hospital District No. 4, King County, Washington

## Notes to Financial Statements

Changes in the District's long-term liabilities during the years ended December 31, 2024 and 2023, are summarized below:

	Balance, December 31, 2023	Additions	Reductions	Balance, December 31, 2024	Amounts Due Within One Year
Bonds payable					
2020 LTGO bonds	\$ 16,185,000	\$ -	\$ (240,000)	\$ 15,945,000	\$ 380,000
2015 Revenue bonds	42,610,954	-	(988,507)	41,622,447	1,080,000
2015 LTGO bonds	27,095,917	-	(952,064)	26,143,853	965,000
2024 LTGO bonds	-	17,000,000	-	17,000,000	130,000
Other notes payable	-	335,899	(20,574)	315,325	48,678
<b>Total noncurrent liabilities</b>	<b>\$ 85,891,871</b>	<b>\$ 17,335,899</b>	<b>\$ (2,201,145)</b>	<b>\$ 101,026,625</b>	<b>\$ 2,603,678</b>
	Balance, December 31, 2022	Additions	Reductions	Balance, December 31, 2023	Amounts Due Within One Year
Bonds payable					
2020 LTGO bonds	\$ 16,305,000	\$ -	\$ (120,000)	\$ 16,185,000	\$ 240,000
2015 Revenue bonds	43,578,618	-	(967,664)	42,610,954	980,000
2015 LTGO bonds	28,047,978	-	(952,061)	27,095,917	1,025,000
<b>Total noncurrent liabilities</b>	<b>\$ 87,931,596</b>	<b>\$ -</b>	<b>\$ (2,039,725)</b>	<b>\$ 85,891,871</b>	<b>\$ 2,245,000</b>

Scheduled principal and interest repayments on long-term debt are as follows:

	2015 LTGO Bonds		2015 Revenue Bonds		2020 LTGO Bonds		2024 LTGO Bonds		Other Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 965,000	\$ 1,319,513	\$ 1,080,000	\$ 2,645,785	\$ 380,000	\$ 616,218	\$ 130,000	\$ 801,193	\$ 48,678	\$ 20,327	\$ 2,603,678	\$ 5,403,036
2026	1,220,000	1,278,500	1,130,000	2,594,625	255,000	601,476	105,000	841,765	52,861	20,655	2,762,861	5,337,021
2027	1,320,000	1,217,500	1,195,000	2,540,625	295,000	591,535	105,000	836,832	57,649	15,909	2,972,649	5,202,401
2028	1,430,000	1,151,500	1,265,000	2,475,650	340,000	580,034	95,000	831,923	62,709	10,849	3,192,709	5,049,956
2029	1,535,000	1,080,000	1,340,000	2,406,938	395,000	566,809	95,000	827,537	59,827	5,353	3,424,827	4,886,637
Amounts due 2030-2034	9,610,000	4,123,500	7,960,000	10,844,213	2,805,000	2,562,509	335,000	4,059,552	33,601	929	20,743,601	21,590,703
Amounts due 2035-2039	10,455,000	1,350,750	10,690,000	8,298,588	7,330,000	1,895,586	285,000	3,995,382	-	-	28,760,000	15,540,306
Amounts due 2040-2044	-	-	14,460,000	4,750,938	4,145,000	159,595	15,850,000	2,779,472	-	-	34,455,000	7,690,005
Amounts due 2045-2026	-	-	3,365,000	635,312	-	-	-	-	-	-	3,365,000	635,312
											102,280,325	\$ 71,335,377
											1,253,700	
											<u>\$ 101,026,625</u>	

Less amount representing unamortized discount

## Note 8 – Retirement Plans

**Deferred compensation plan** – In 2006, the District began offering its employees a deferred compensation plan, the Public Hospital District No. 4, King County, Washington 457 Plan, created in accordance with IRC Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The District makes no contributions to this plan. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

The plan is administered by Nationwide Retirement Plans, and the District has limited administrative involvement and does not perform the investing function for the plan. The District does not hold the assets of the plan in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the District employees' deferred compensation plan created in accordance with IRC 457 is not reported on the financial statements of the District. Contributions made by employees to the 457 Plan totaled \$154,083 and \$114,003 in 2024 and 2023, respectively.

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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**Defined contribution plan** – In 2006, the District also began sponsoring a defined contribution plan in accordance with IRC Section 403(b) covering substantially all qualified employees. Plan provisions and contribution requirements are established by the District and may be amended by the District's Board of Commissioners. Active participants meeting hourly and employee contribution criteria receive an employer matching contribution based on a percentage of the employees' base salary, subject to certain limitations. The employer contribution fully vests upon completion of two qualified years or upon the occurrence of death, disability, or attainment of age 65 for qualified employees. Forfeited contributions, if any, are applied against future employer obligations.

The District's liability under the plan, which is also administered by Nationwide Retirement Plans, is limited to its annual contribution. The District's contributions to the employee benefit plan totaled \$490,899 and \$208,196 in 2024 and 2023, respectively. Contributions made by employees to the benefit plan totaled approximately \$1,032,790 and \$900,322 in 2024 and 2023, respectively. For more information on the plans, contact the District's human resources office.

#### Note 9 – Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors was as follows:

	2024	2023
Medicare	45%	43%
Medicaid	10%	9%
Other commercial	39%	39%
Patient and self-pay	6%	9%
	<u>100%</u>	<u>100%</u>

#### Note 10 – Lease Assets and Lease Liability

The District leases certain facilities and equipment under lease arrangements. A summary of the lease asset and liability activity during the years ended December 31, 2024 and 2023, are as follows:

	Balance at December 31, 2023	Additions	Deductions	Balance at December 31, 2024	Amounts Due Within One Year
Lease assets	\$ 2,333,023	\$ 813,236	\$ -	\$ 3,146,259	
Less accumulated amortization	<u>(714,466)</u>	<u>(776,093)</u>	<u>-</u>	<u>(1,490,559)</u>	
Total lease assets, net	<u>\$ 1,618,557</u>	<u>\$ 37,143</u>	<u>\$ -</u>	<u>\$ 1,655,700</u>	
Lease liabilities	<u>\$ 1,675,623</u>	<u>\$ 813,236</u>	<u>\$ (751,532)</u>	<u>\$ 1,737,327</u>	<u>\$ 631,284</u>

# Public Hospital District No. 4, King County, Washington

## Notes to Financial Statements

	Balance at December 31, 2022	Additions	Deductions	Balance at December 31, 2023	Amounts Due Within One Year
Lease assets	\$ 3,523,723	\$ 1,393,353	\$ (2,584,053)	\$ 2,333,023	
Less accumulated amortization	(2,610,097)	(688,422)	2,584,053	(714,466)	
Total lease assets, net	<u>\$ 913,626</u>	<u>\$ 704,931</u>	<u>\$ -</u>	<u>\$ 1,618,557</u>	
Lease liabilities	<u>\$ 916,269</u>	<u>\$ 1,481,033</u>	<u>\$ (721,679)</u>	<u>\$ 1,675,623</u>	<u>\$ 670,244</u>

A summary of the principal and interest amounts for the remaining leases are as follows:

Years Ending December 31,	Principal	Interest	Total
2025	\$ 631,284	\$ 121,071	\$ 752,355
2026	518,663	69,587	588,250
2027	270,189	30,409	300,598
2028	171,419	15,756	187,175
2029	124,924	6,272	131,196
2030	20,848	189	21,037
	<u>\$ 1,737,327</u>	<u>\$ 243,284</u>	<u>\$ 1,980,611</u>

### Note 11 – Subscription-Based Information Technology Arrangements

A summary of the SBITA asset and liability activity during the years ended December 31, 2024 and 2023, are as follows:

	Balance at December 31, 2023	Additions	Deductions	Balance at December 31, 2024	Amounts Due Within One Year
SBITA assets - software	\$ 1,036,771	\$ 313,740	\$ -	\$ 1,350,511	
Less accumulated amortization	(234,583)	(328,903)	-	(563,486)	
Total SBITA assets, net	<u>\$ 802,188</u>	<u>\$ (15,163)</u>	<u>\$ -</u>	<u>\$ 787,025</u>	
SBITA liabilities	<u>\$ 822,912</u>	<u>\$ 313,740</u>	<u>\$ (353,870)</u>	<u>\$ 782,782</u>	<u>\$ 319,549</u>

  

	Balance at December 31, 2022	Additions	Deductions	Balance at December 31, 2023	Amounts Due Within One Year
SBITA assets - software	\$ -	\$ 1,036,771	\$ -	\$ 1,036,771	
Less accumulated amortization	-	(234,583)	-	(234,583)	
Total SBITA assets, net	<u>\$ -</u>	<u>\$ 802,188</u>	<u>\$ -</u>	<u>\$ 802,188</u>	
SBITA liabilities	<u>\$ -</u>	<u>\$ 1,036,771</u>	<u>\$ (213,859)</u>	<u>\$ 822,912</u>	<u>\$ 274,532</u>

## Public Hospital District No. 4, King County, Washington

### Notes to Financial Statements

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A summary of the principal and interest amounts for the remaining SBITA are as follows:

Years Ending December 31,	Principal	Interest	Total
2025	\$ 319,549	\$ 27,122	\$ 346,671
2026	261,534	15,137	276,671
2027	201,699	4,299	205,998
	<u>\$ 782,782</u>	<u>\$ 46,558</u>	<u>\$ 829,340</u>

#### Note 12 –Contingencies

**Litigation** – The District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the District’s future financial position or results from operations.

**Compliance with laws and regulations** – The health care industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased substantially. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. 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.

**Insurance** – The District has its professional liability insurance coverage with Physicians Insurance. This policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, they will be covered in the year the claim is filed only if claims-made coverage is obtained in that year or if the District purchases insurance to cover “prior acts.” Current coverage with no deductible is for \$1,000,000 per occurrence subject to a \$5,000,000 annual limit. No liability has been accrued for future claims for acts occurring in the current or prior years. Also, it is possible that claims may exceed coverage obtained in any given year.

#### Note 13 – Subsequent Events

On March 10, 2025, the District signed an extension of their current North Bend lease agreement for the use of the Hospital and Express Medical Clinic along with other related products and services. The lease is for a term of 10.5 years. Future minimum payments over the term of the lease are expected to be approximately \$890,000.

**Public Hospital District No. 4, King County, Washington**  
**Notes to Financial Statements**

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As a result of this lease agreement, the District will recognize an intangible right-to-use lease asset and a corresponding lease liability in its financial statements. The initial measurement of both the intangible right-to-use lease asset and the lease liability will be based on the present value of the future lease payments, which is estimated to be approximately \$680,000 at the commencement date of the lease.



**Report of Independent Auditors 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***

The Board of Commissioners  
Public Hospital District No. 4,  
King County, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Hospital District No. 4, King County, Washington, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Public Hospital District No. 4, King County, Washington's financial statements, and have issued our report thereon dated March 27, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Public Hospital District No. 4, King County, Washington'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 Public Hospital District No. 4, King County, Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Hospital District No. 4, King County, Washington's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Public Hospital District No. 4, King County, Washington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Everett, Washington

March 27, 2025

