Reports of Independent Auditors and
Financial Statements

Public Hospital District No. 2 of Clallam County, Washington dba Olympic Medical Center

December 31, 2024 and 2023

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Management Discussion & Analysis

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Management Discussion & Analysis

This discussion and analysis provides an overview of the financial position and financial activities of Public Hospital District No. 2 of Clallam County, Washington, doing business as Olympic Medical Center (the Medical Center or OMC). Please read it in conjunction with the Medical Center's financial statements and accompanying notes, which follow this section.

The Medical Center is currently an employer participating in the health care plan managed by the state's Public Employees Benefit Board (PEBB). Embedded in the health plan are certain health care benefits to eligible retirees that qualify as postemployment benefits other than pensions (OPEB) that Olympic Medical Center was previously unaware of and therefore did not record under GASB 45 from inception. The postemployment benefits are not part of the expressed or contracted employee benefits guaranteed by the Medical Center. Per Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and now GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, a liability must be recognized to account for the postemployment benefits. It was the viewpoint of the Medical Center that no liability would exist since the post-employment benefits would no longer be offered if a different health plan were to be selected. In 2019, all the Medical Center's employees were enrolled in the state PEBB program. However, on January 1, 2020, approximately 65% of the Medical Center's employees were enrolled in a new health plan which did not offer postemployment benefits. To avoid the extreme financial fluctuations that would result when the liability was recognized and then reversed, and in light of the fact that the Medical Center had moved 65% of its employees out of the PEBB plan as of January 1, 2020, the Medical Center had chosen to depart from GASB. The Medical Center believed the departure more accurately presents the financial status of the Medical Center to the users of the financial statements. In 2022, the Medical Center decided to transition all employees not in PEBB back to that plan. Effective January 1, 2023, that change was made. With that transition complete, the Medical Center has reconsidered the position above and took steps to adopt GASB 75 in 2024 on a retrospective basis (see Note 1 for additional details).

Financial Highlights

- A key component for 2024 was the stabilization of financials. In comparison to 2023, a reduction in supply expense of $1.8 million, a reduction in purchased services of $2.0 million, including contract labor, and an increase in volume in Endoscopy (4.3%), Clinic w/RVU (7.7%), Cat Scan procedures (9.3%), all other radiology procedures (4%), contributed to the total operating revenue increase of (12%). Tightening down capital expenditures was another component in 2024. Limiting large projects until prior years projects are completed. OMC spent $3.0 million on 2024 projects, the largest being Cat Scan Room 1 ($1.3 million), which had been approved in 2023.

- Due to allegations of a previously contracted physician, an estimate of $1.0 million for legal contingencies remains recorded. The statute of limitations is slated to expire by June of 2025.

- Travelers and contract labor decreased 65% in 2024 over 2023, representing a $5.62 million decrease. Locum tenens providers increased 34.5% in 2024, representing a $5.59 million increase; with $2.68 million of that increase related to the Cancer Center.

- The Medical Center's net position decreased by $12.0 million in 2024 compared with the decrease of $27.8 million in 2023.

- The Medical Center's total operating revenue was $266.0 million in 2024 compared with $237.8 million in 2023.

- The Medical Center invested approximately $9.5 million in capital assets, including improved medical facilities and new medical equipment in 2024, and approximately $10.1 million in 2023.

Overview of the Financial Statements

The Medical Center's financial statements consist of three statements: a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center that are held for specific purposes. The statement of net position includes all the Medical Center's assets and liabilities using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes and that are designated for a specific purpose. The statement of revenues, expenses, and changes in net position reports all the revenues and expenses during the time indicated. The statement of cash flows reports the cash provided by the Medical Center's operating activities, as well as other cash sources such as investment income and cash payments for additions and improvements.

Volumes and Statistics

Following are key operating statistics:

	2024	2023	2022	2024 - 2023 % Change
Available beds	67	67	67	0%
Admissions	3,795	3,334	3,550	14%
Patient days	14,241	14,031	12,565	1%
Imaging procedures	115,801	109,046	107,757	6%
Oncology procedures	33,260	30,792	31,903	8%
Surgery cases	8,129	8,051	7,553	1%
Emergency room visits	27,145	26,200	25,443	4%
Home health visits	40,715	41,087	46,870	-1%
Clinic w/RVU	303,164	281,414	215,505	8%
Full-time equivalent employees	1,404	1,375	1,405	2%

Statement of Net Position

The following is a presentation of certain financial information derived from the Medical Center's statement of net position (amounts in thousands):

	2024	2023	2022	2024 - 2023 Change
Assets		(As Restated)		
Total current assets	$ 46,907	$ 35,638	$ 52,688	$ 11,269
Assets limited as to use	17,397	35,860	39,801	(18,463)
Capital assets, net	118,301	118,619	120,718	(318)
Subscription assets	3,732	5,512	536	(1,780)
Other assets	2,603	2,765	2,899	(162)
Total assets	188,940	198,394	216,642	(9,454)
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	5,237	1,216	-	4,021
Total assets and deferred outflows of resources	$ 194,177	$ 199,610	$ 216,642	$ (5,433)
Liabilities				
Current liabilities	$ 38,410	$ 35,287	$ 33,773	$ 3,123
Subscription liabilities, net of current portion	1,830	2,407	201	(577)
Long-term debt, net of current portion	42,027	44,199	46,441	(2,172)
Compensated absences, net of current portion	6,285	6,008	-	277
Other post employment benefit liability, net of current portion	20,828	14,715	-	6,113
Other long-term liabilities	1,488	1,617	1,744	(129)
Total liabilities	110,868	104,233	82,159	6,635
Net position				
Invested in capital assets, net of related debt	74,022	72,179	72,648	1,843
Unrestricted	9,287	23,198	61,835	(13,911)
Total net position	83,309	95,377	134,483	(12,068)
Total liabilities and net position	$ 194,177	$ 199,610	$ 216,642	$ (5,433)

Current assets in 2024 included cash and investments (8%), total receivables (76%), supplies inventory (4%), and prepaid expenses (12%). Overall current assets increased 32% in 2024. The increase is primarily due to an increase in accounts receivable and a decrease in prepaid expenses.

Assets limited to use in 2024 totaled $17.4 million, and included capital reserves of $17.4 million, as well as unrealized losses of $1.9 million.

Assets limited as to use in 2023 totaled $35.9 million, and included capital reserves of $34.2 million, reserve for accrued liabilities of $1.7 million, which in total decreased $3.9 million from the prior year due to use of funds as well as unrealized losses of $2.5 million.

Total assets decreased 5% in 2024, primarily due to an increase in current assets of $11.3 million, a decrease of $18.4 million in assets limited as to use, and a decrease of $1.8 million in subscription-based information technology arrangements (SBITA).

Total assets decreased 8% in 2023, primarily due to a decrease in current assets of $17.1 million, a decrease of $3.9 million in assets limited as to use, offset by an increase of $4.4 million in prepaids and an increase of $5.0 million in SBITA.

In 2024, total current liabilities increased $3.1 million compared to 2023. Current liabilities include accounts payable (63%), accrued salaries and vacation (17%), other current liabilities of (20%), including compensated absences and postemployment benefits liabilities.

In 2023, total current liabilities increased $7.5 million (22%) from 2022. Current liabilities include accounts payable (47%), accrued salaries and vacation (33%), current other liabilities (7%), and current portion of long-term debt and SBITA obligations (13%).

Long-term debt, net of current portion, decreased $2.2 million (5%) in 2024. Long-term debt, net of current portion, decreased by $2.2 million (5%) in 2023.

Total net position decreased $12.0 million to $83.3 million at the end of 2024. The total consists of $74.0 million invested in capital assets, net of related debt, and $9.3 million of unrestricted net position.

Total net position decreased $25.5 million to $109.0 million at the end of 2023. The total consists of $72.2 million invested in capital assets, net of related debt, and $36.8 million of unrestricted net position. See Note 1 for information on the impact of the adoption of GASB 75 and related restatement of 2023 balances to reflect the adoption of that standard. The cumulative effect of that restatement decreased beginning 2023 net position by $11.8 million.

Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary of 2024 compared with 2023 and 2022 annual amounts (amounts in thousands):

	2024	2023 (As Restated)	2022	2024 - 2023 Change
Total operating revenue	$ 266,084	$ 237,796	$ 244,486	$ 28,288
Operating expenses				
Wages and benefits	168,419	156,565	151,916	11,854
Professional fees	18,211	15,946	13,992	2,265
Supplies	42,899	44,739	41,978	(1,840)
Purchased services, maintenance, and other	31,520	33,224	40,423	(1,704)
Insurance	3,227	2,841	2,127	386
Depreciation and amortization	14,842	14,133	11,747	709
Total operating expenses	279,118	267,448	262,183	11,670
Operating loss	(13,034)	(29,652)	(17,697)	16,618
Net nonoperating revenue	967	1,898	1,635	(931)
Change in net position	$ (12,067)	$ (27,754)	$ (16,062)	$ 15,687

Total operating revenue increased $29.0 million in 2024 primarily due to an increase in radiological visits, clinical visits and patient days and an increase in adjustments to patient service charges as a percentage of gross patient service charges primarily due to a shift in the payor mix. Medicare payor increased by 1.5%, Medicaid decreased by 2.9% and gross revenue from commercial payors remained consistent.

Total bad debt provision and charity care provided was $10.0 million in 2024 compared with $7.6 million in 2023. The increase was contributable to the Washington State Charity guidelines change in July 2023, which mandated increases in percentages and related qualifications were lowered.

The following is a summary of the Medical Center's gross revenue by payor:

	2024	2023	2022
Medicare	61%	59%	58%
Medicaid	13%	15%	15%
Other government	10%	7%	8%
Total governmental payors	84%	81%	81%
Commercial insurance	15%	18%	18%
Private pay	1%	1%	1%
Total	100%	100%	100%

Combined wages and benefits increased by 8% in 2024 and 3% in 2023. Supplies decreased 4% in 2024 and increased 7% in 2023. Purchased services, maintenance, and other decreased 5% in 2024 compared to a decrease of 18% in 2023. Professional fees increased by 14% in 2024 and 2023.

Charitable contributions received by the Medical Center in 2024 and 2023 totaled $0.9 million and $0.3 million, respectively. The monetary contributions primarily came from the Olympic Medical Center Foundation.

The Medical Center had an operating loss of $13 million in 2024 (with the PEBB non-cash liability adjustment of $2.3 million) compared to an operating loss of $28 million in 2023.

The Medical Center's Cash Flows

The following is a summary of cash flows in 2024, 2023, and 2022 (amounts in thousands):

	2024	2023	2022	2024 - 2023 Change
Net cash from operating activities	$ (9,129)	$ (17,113)	$ (8,426)	$ 7,984
Net cash from noncapital financing activities	5,349	5,061	10,786	288
Net cash from capital and related financing activities	(14,738)	(13,309)	(14,522)	(1,429)
Net cash from investing activities	18,944	5,137	(5,327)	13,807
Net change in cash and cash equivalents	$ 426	$ (20,224)	$ (17,489)	$ 20,650

Net cash used in operating activities was $9.1 million in 2024, compared to $17.1 million in 2023. Significant factors impacting the other categories of the cash flow in 2024 included the purchase of capital assets for $10.5 million, the decrease in receipts related to grant activity, and the improvement in the market with improved net cash from investing activities.

Net cash used in operating activities was $17.1 million in 2023, compared with $8.4 million in 2022. Significant factors impacting the other categories of the cash flow in 2023 included the purchase of capital assets for $10.1 million, the decrease in receipts related to grant activity, and the improvement in the market with improved net cash from investing activities.

Capital Assets

At the end of 2024, the Medical Center had $118.3 million invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. In 2024, the Medical Center purchased new capital assets costing approximately $10.5 million.

Major capital approved and/or acquired in 2024 included Workday implementation ($3.7 million paid by December 2024, not completed), Pet Scan and 64 slice CT construction and install ($2.8 million capitalized in the fourth quarter of 2024), Cat Scan Room 2 ($1.5 million capitalized in the third quarter of 2024), PACS replacement ($3.5 million including USC upgrade), and Cat Scan128 slice ($1.2 million to be completed in 2025). The remainder was spent on construction in progress, other building improvements, equipment, and information systems.

Major capital approved and/or acquired in 2023 included Workday implementation ($6.0 million to be paid quarterly until 2027), Pet Scan and 64 slice CT construction and install ($2.8 million completed in the first quarter of 2024), Cat Scan simulator for the Cancer Center ($1.6 million completed in 2023), PACS replacement ($1.2 million to be completed in the fourth quarter of 2024), and Cat Scan128 slice ($1.2 million to be completed in the first quarter of 2025). The remainder was spent on construction in progress, other building improvements, equipment, and information systems.

See Note 4 for additional information.

Debt

The Medical Center currently has long-term limited tax general obligation (LTGO) debt outstanding in the amount of $44.3 million consisting of three LTGO Loans:

1. $13.9 million remaining of a 20 million bank loan payable over 25 years to expand, make improvements, and equip the Medical Center’s health care facilities. The loan was completed in the fourth quarter of 2013. In December of 2023, the 2013 LTGO Loan was called and refinanced at 5.17% interest. The first optional tender date of the renegotiated bond was extended from December 1, 2023 to December 1, 2026.

2. $15.1 million remaining of a $20 million bank loan payable over the term of 25 years in order to refinance part of 2011 and 2012 debt balances, expand, make improvements to, and equip the Medical Center’s health care facilities. The loan was made directly by a bank and has fixed interest for 10 years of 3.04% and is callable at the option of the Medical Center after 10 years. The loan was completed in the fourth quarter of 2016.

3. $15.2 million remaining of a $20 million bank loan payable over the term of 20 years to expand, make improvements to, and equip the Medical Center’s facilities. The loan was made directly by a bank and has fixed interest for 10 years of 4.14% and is callable at the option of the Medical Center after 7 years. The loan was completed in the second quarter of 2018.

See Note 6 for additional information.

Budget Comparison

The following is a comparison of 2024 actual revenues, expenses, and changes in net position results to 2024 budgeted amounts (amounts in thousands):

	Actual	Budget	Variance
Operating revenues			
Net patient service revenue	$ 256,776	$ 259,171	$ (2,395)
Property rental, cafeteria, taxes, and other	9,307	8,448	859
Total operating revenue	266,083	267,619	(1,536)
Operating expenses			
Wages and benefits	168,419	166,377	2,042
Professional fees	18,211	7,280	10,931
Supplies	42,899	47,903	(5,004)
Purchased services, maintenance, and other	31,520	33,046	(1,526)
Insurance	3,227	3,029	198
Depreciation and amortization	14,842	11,452	3,390
Total operating expenses	279,118	269,087	10,031
Operating loss	(13,035)	(1,468)	(11,567)
Net nonoperating revenue	967	500	467
Change in net position	$ (12,068)	$ (968)	$ (11,100)

The Medical Center's operating revenue for 2024 was 1% below budgeted. Total operating expenses for 2024 were 4% higher than budgeted.

The negative margins for 2024 were 4.9% for operating margin and 4.5% for total margin, compared with budgeted negative margins of 0.5% and 0.4%, respectively.

Issues Facing the Medical Center

The Medical Center's payor mix of approximately 84% governmental payors is challenging due to generally low governmental reimbursement levels and the fact that governmental reimbursement reductions have such a significant financial impact on the Medical Center. Nationwide shortages of medical providers, nursing, and other medical professionals, in addition to the cost of recruiting and retaining qualified medical professionals is increasing. Due to severe workforce shortages, the Medical Center had to supplement staffing with contracted labor and locums for physicians/providers. The expense for this increased by 64.7% for locums and decreased by 11% for purchases services, including contract labor.

Summary of Financial Position and Financial Activity in 2024

Overall, the Medical Center's financial performance in 2024 was challenged because of 1) increases in workforce costs, including average hourly rate, traveler, and locum; 2) escalating construction and medical equipment costs; 3) continued downward pressure on reimbursement; and 4) litigation cost.

The Medical Center is focused on continuing to improve clinical quality and patient safety; providing excellent service and access to all patients, regardless of their insurance or ability to pay; and meeting community needs in core areas of service. While our financial position does not allow us to expand services, we will continue to work on strengthening the financial position through appropriate cost reduction, revenue optimization, and scrutinized capital asset expenditures.

Contacting the Medical Center's Financial Management

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Medical Center Finance Office at Olympic Medical Center, 939 Caroline, Port Angeles, Washington 98362.

Report of Independent Auditors

The Board of Commissioners
Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center (the Medical Center)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Hospital District No. 2 of Clallam County, Washington dba Olympic Medical Center (the Medical Center), which comprise the statements of net position as of December 31, 2024 and 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of December 31, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Accounting 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 the Medical Center 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 of the financial statements, in 2024, the Medical Center, corrected a departure from generally accepted accounting principles for postemployment benefits other than pension (OPEB) under the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). The Medical Center corrected the departure by adopting GASB 75 in 2024 and by restating the prior period financial statements. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center'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 accompanying Management's Discussion and Analysis on pages 1 through 9 and the Schedule of Changes in Net Other Postemployment Benefits and Related Ratios on page 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center'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 Medical Center's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Seattle, Washington
September 15, 2025

Financial Statements

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Statements of Net Position
December 31, 2024 and 2023

	2024	2023 (As Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 3,882,020	$ 2,812,556
Short-term investments	44,563	390,430
Accounts receivable, net of estimated uncollectibles of approximately $4,466,000 and $3,100,000 in 2024 and 2023, respectively	35,361,921	22,178,273
Supplies inventory	2,008,432	2,740,470
Prepaid expenses	5,610,963	7,516,605
Total current assets	46,907,899	35,638,334
ASSETS LIMITED AS TO USE	17,396,540	35,860,165
CAPITAL ASSETS		
Land	11,769,660	11,769,660
Construction in progress	10,031,701	8,133,053
Depreciable capital assets, net of accumulated depreciation	96,499,726	98,716,649
Total capital assets	118,301,087	118,619,362
SUBSCRIPTION ASSETS, net of accumulated amortization	3,731,673	5,512,206
OTHER ASSETS	2,602,530	2,763,698
Total assets	188,939,729	198,393,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other postemployment benefits outflows	5,237,495	1,216,053
Total assets and deferred outflows of resources	$ 194,177,224	$ 199,609,818

See accompanying notes.

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Statements of Net Position
December 31, 2024 and 2023

	2024	2023 (As Restated)
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 24,105,204	$ 19,431,713
Accrued salaries, wages, and payroll taxes	6,705,444	5,823,150
Other current liabilities	838,724	2,753,878
Estimated third-party payor settlements	-	171,729
Current portion of subscription liabilities	2,274,269	2,966,272
Current portion of long-term debt	2,252,026	2,241,915
Current portion of compensated absences	1,972,152	1,824,190
Current portion of other postemployment benefits liability	262,870	75,004
Total current liabilities	38,410,689	35,287,851
SUBSCRIPTION LIABILITIES, net of current portion	1,830,346	2,406,555
LONG-TERM DEBT, net of current portion	42,026,756	44,198,946
COMPENSATED ABSENCES, net of current portion	6,284,635	6,008,351
OTHER POSTEMPLOYMENT BENEFITS LIABILITY, net of current portion	20,827,879	14,715,055
OTHER LONG-TERM LIABILITIES	1,487,969	1,616,894
Total liabilities	110,868,274	104,233,652
NET POSITION		
Invested in capital assets, net of related debt	74,022,305	72,178,501
Unrestricted	9,286,645	23,197,665
Total net position	83,308,950	95,376,166
Total liabilities and net position	$ 194,177,224	$ 199,609,818

See accompanying notes.

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023 (As Restated)
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of approximately $6,177,000 in 2024, and $3,100,000 in 2023	$ 256,775,975	$ 228,545,684
Tax revenue for maintenance and operations	5,015,014	5,175,807
Property rental, cafeteria, and other revenue	4,293,337	4,074,701
Total operating revenue	266,084,326	237,796,192
OPERATING EXPENSES		
Salaries and wages	128,524,258	119,274,535
Employee benefits	39,894,770	37,290,216
Professional fees	18,211,301	15,945,724
Supplies	42,898,859	44,739,288
Purchased services, maintenance, and other	31,520,079	33,224,393
Insurance	3,227,185	2,841,031
Depreciation and amortization	14,841,890	14,132,973
Total operating expenses	279,118,342	267,448,160
OPERATING LOSS	(13,034,016)	(29,651,968)
NONOPERATING REVENUES (EXPENSES)		
Investment income	777,920	2,337,481
Interest expense	(2,021,552)	(2,002,063)
Grant revenue	1,386,931	1,281,926
Other income and expense	823,501	280,528
Net nonoperating revenue	966,800	1,897,872
CHANGE IN NET POSITION	(12,067,216)	(27,754,096)
NET POSITION, beginning of year	95,376,166	134,931,073
CUMULATIVE EFFECT OF RESTATEMENT	-	(11,800,811)
NET POSITION, beginning of year, restated	95,376,166	123,130,262
NET POSITION, end of year	$ 83,308,950	$ 95,376,166

See accompanying notes.

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

Increase (Decrease) in Cash and Cash Equivalents

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 243,420,598	$ 230,769,311
Payments to suppliers and contractors	(92,009,744)	(97,275,779)
Payments to employees	(164,833,240)	(154,681,580)
Other receipts and payments, net	4,293,337	4,074,701
Net cash from operating activities	(9,129,049)	(17,113,347)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant activity	334,271	(141,582)
Tax revenue considered a noncapital financing activity	5,015,014	5,202,908
Net cash from noncapital financing activities	5,349,285	5,061,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	907,690
Principal payments on long-term debt	(2,162,079)	(2,162,071)
Purchase of capital assets	(10,554,553)	(10,052,459)
Interest paid on long-term debt	(2,021,552)	(2,002,063)
Net cash from capital and related financing activities	(14,738,184)	(13,308,903)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	18,166,218	4,878,109
Purchase of investments	-	(2,078,215)
Cash from investment income	777,920	2,337,481
Net cash from investing activities	18,944,138	5,137,375
NET CHANGE IN CASH AND CASH EQUIVALENTS	426,190	(20,223,549)
CASH AND CASH EQUIVALENTS, beginning of year	3,521,860	23,745,409
CASH AND CASH EQUIVALENTS, end of year	$ 3,948,050	$ 3,521,860

See accompanying notes.

Public Hospital District No. 2 of Clallam County, Washington
dba Olympic Medical Center
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

Increase (Decrease) in Cash and Cash Equivalents

	2024	2023
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash	$ 3,882,020	$ 2,812,556
Cash and cash equivalents in short-term investments	44,563	390,430
Cash and cash equivalents in assets limited as to use	21,467	318,874
Total reconciliation to net position	$ 3,948,050	$ 3,521,860
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (13,034,016)	$ (29,651,968)
Tax revenue considered a noncapital financing activity	(5,015,014)	(5,175,807)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	10,866,078	11,114,463
Provision for bad debts	6,176,585	3,088,263
Loss on disposal of assets	-	128,833
Amortization of subscription liabilities	3,863,148	2,763,691
Changes in operating assets, deferred outflows of resources and liabilities		
Accounts receivable	(19,360,233)	(1,145,172)
Supplies inventory	732,038	248,860
Estimated third-party payor settlements	(171,729)	280,536
Prepaid expenses	1,905,642	(4,351,494)
Deferred other post-employment benefits outflows	(4,021,442)	(1,216,053)
Accounts payable	4,673,491	6,606,347
Accrued salaries, wages, and payroll taxes	882,294	(196,537)
Subscription liabilities	(3,350,827)	(2,903,070)
Compensated absences	424,246	306,513
Other postemployment benefits	6,300,690	2,989,248
Net cash from operating activities	$ (9,129,049)	$ (17,113,347)
NONCASH OPERATING ACTIVITIES		
Subscription assets exchanged for subscription liabilities	$ 2,082,615	7,739,872

See accompanying notes.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Reporting entity – Public Hospital District No. 2 of Clallam County, Washington (dba Olympic Medical Center), serving Port Angeles and Sequim, Washington, and surrounding communities, is organized as a municipal corporation pursuant to the laws of the state of Washington.

Olympic Medical Center (the Medical Center) operates Olympic Memorial Hospital (the Hospital), a general acute-care facility that maintains 126 licensed beds including a birth center. The Medical Center has three divisions: the Hospital; Olympic Medical Physicians, which includes 17 physician clinics; and Olympic Medical Home Health, which provides home health care services. The Hospital division also includes Olympic Medical Imaging Centers, Olympic Medical Cancer Center, Olympic Medical Surgical Services, Olympic Medical Cardiac Services, Olympic Medical Physical Therapy and Rehabilitation, and Olympic Medical Laboratory. The majority of the Medical Center's patients live in Clallam County.

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 and liabilities, the 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 could differ from those estimates.

Fund accounting – The Medical Center uses the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

Cash and cash equivalents – Cash and cash equivalents have original maturity dates of three months or less. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash on deposit, and deposits in the local government investment pool. Cash and cash equivalents are included in the following lines on the statement of net position: cash, short-term investments, and assets limited as to use.

Supplies inventory – Supplies inventory, consisting of medicine and medical supplies, is valued at the lower of cost (computed on the first-in, first-out basis) or net realizable value.

Investments in debt securities – Investments in debt securities are reported at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt securities are included in nonoperating income when earned.

Capital assets – Capital asset acquisitions are recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals are capitalized. It is the Medical Center's policy to capitalize assets that cost $2,000 or more and have a useful life of two years or greater.

All capital assets, other than land, are depreciated or amortized using the straight-line method of depreciation using these asset lives:

Land improvements	2–25 years
Buildings and equipment	1–40 years
Fixed equipment	1–30 years
Movable equipment	1–20 years

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event for change in circumstance is outside the normal life cycle of the capital asset. Such events of changes in circumstances that may be indicative of impairment include evidence of physical damage; enactment or approval of laws or regulations or other changes in environmental factors; technological changes or evidence of obsolecence; changes in the manner or duration of use of a capital asset; and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses are recorded in the statements of revenue, expenses, and changes in net position. There was no impairment charge recorded during the years ended December 31, 2024 and 2023.

Subscription-Based Information Technology Arrangements (SBITA) – The Medical Center 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 Medical Center 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.

Compensated absences – The Medical Center employees earn paid time off and paid sick leave depending on their employment classification. Accrual rates are based on level of employment, applicable labor agreements, and length of service. Paid time off may be converted to monetary compensation upon termination of employment. The Medical Center recognizes paid time off liabilities as time is earned. Paid sick leave balances are not eligible for monetary compensation upon termination of employment. The Medical Center recognizes paid sick leave liabilities that are more likely not to be used. Accrued compensated absences as of December 31, 2024 and 2023, were approximately $8,257,000 and $7,833,000, respectively.

Postemployment benefits other than pensions (OPEB) – The net OPEB liability is measured at the actuarial present value of projected benefit payments for the Medical Center's covered members. Deferred outflow of resources and deferred inflow of resources related to OPEB and OPEB expenses are recognized as they occur and are based on the changes in the net OPEB liability between measurement dates.

Other long-term liabilities – The Medical Center has purchased claims-made liability insurance coverage that covers only asserted malpractice claims. The Medical Center recognizes expenses associated with reported claims and estimated claims incurred but not reported in the period in which the incidents are estimated to have occurred, rather than when a claim is asserted. Expenses associated with these incidents are based on historical actuarial assumptions of settlement costs and management estimates.

Risk management – The Medical Center 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 health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net position – Net position of the Medical Center is classified into four components. *Invested in capital assets, net of related debt* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets offset by any unspent proceeds of these borrowings. *Restricted expendable net positions* are noncapital net positions that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. *Restricted nonexpendable net position* equals the principal portion of permanent endowments. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets, net of related debt* or *restricted*. There were no restricted net positions as of December 31, 2024 and 2023.

Operating revenues and expenses – The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services—the Medical Center's principal activity. Nonoperating revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services.

Tax revenue for maintenance and operations – Property taxes are levied by the county on the Medical Center's behalf and are intended to finance the Medical Center's activities of the same calendar year. Amounts levied are based on assessed property values.

Charity care – The Medical Center provides care to indigent patients who meet certain criteria under its charity care policies. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Forgone revenue for charity care provided during 2024 and 2023, measured by the Medical Center's standard charges, was approximately $3,888,000 and $4,480,000, respectively.

Federal income tax – The Medical Center is a municipal corporation and is exempt from federal income tax.

Recently adopted accounting pronouncements – The Governmental Accounting Standards Board (GASB) issued Statement No. 100, *Accounting Changes and Error Correction – 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. The requirements of this Statement were effective for the Medical Center's fiscal year ended December 31, 2024, and applies to the Medical Center's adoption of GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during 2024.

The GASB issued Statement No. 101, *Compensated Absences*. The primary 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. This Statement requires the recognition of liabilities for compensated absences 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, provided the leave is attributable to services rendered, accumulates, and is likely to be used or paid in cash. The requirements of this Statement were effective for the Medical Center's fiscal year ended December 31, 2024. The adoption of GASB Statement No. 101 did not have a material impact on the 2023 amounts as previously reported as the Medical Center had early adopted the requirements of this Statement to the recognition of liabilities for compensated absences to all prior periods presented.

Change in accounting principle and restatement – The Medical Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Medical Center is a participating employer in the health care plan managed by the state of Washington's PEBB. Effective January 1, 2023, all the Medical Center's employees were transferred to the PEBB health care plan. Embedded in the PEBB health care plan are certain health care benefits to eligible retirees that qualify as postemployment benefits other than pensions (OPEB). For plans that are not prefunded, GASB Statement No. 75 requires a liability for OPEB obligations, known as the total OPEB liability, to be recognized on the statement of net position for participating employees. During the year ended December 31, 2024, the Medical Center implemented GASB Statement No. 75 on a retroactive basis by restating December 31, 2023, balances.

The changes in the Medical Center's statements of net position and statements of revenues, expenses, and changes in net position as a result of the retroactive application of GASB Statement No. 75 are as follows:

	December 31, 2023, as Previously Reported	Impact of Adoption of GASB 75	December 31, 2023, as Restated
Statement of Net Position			
Current portion of other postemployment benefis liability	$ -	$ 75,004	$ 75,004
Other postemployment benefits liability, net of current portion	-	14,715,055	14,715,055
Total liabilities	89,443,593	14,790,059	104,233,652
Deferred outflows of resources	-	1,216,053	1,216,053
Net position - unrestricted	36,771,671	(13,574,006)	23,197,665
Total net position	108,950,172	(13,574,006)	95,376,166
Statement of Revenues, Expenses, and Changes in Net Position			
Employee benefits	$ 35,517,021	$ 1,773,195	$ 37,290,216
Total operating expenses	265,674,965	1,773,195	267,448,160

Reclassifications – The Medical Center reclassified certain amounts relating to its prior period results to conform to its current period presentation within the financial statements. These reclassifications have not changed the results of operations of prior periods.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are available to be issued. The Medical Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The Medical Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements are available to be issued.

The Medical Center has evaluated subsequent events through September 15, 2025, which is the date the financial statements are available to be issued and had one event to disclose. Effective September 3, 2025 UW Medicine issued a letter of intent regarding a collaborative, non-binding process to explore a durable, long-term strategic affiliation with the Medical Center. Over the next three months, the parties will explore and define the most suitable affiliation model.

Note 2 – 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 third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Reimbursement received from certain third-party payors is 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.

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

Medicare – Inpatient acute-care services rendered to Medicare program beneficiaries are paid at predetermined, specific rates for each hospital discharge. Discharges are classified according to a list of diagnosis-related groups (DRGs). Each DRG has a payment weight assigned to it, based on the average resources used to treat Medicare patients in that DRG. The Medical Center's classification of DRGs and the appropriateness of the related patient admissions are subject to an independent review by a peer review organization. Most outpatient services to Medicare beneficiaries are paid prospectively based on ambulatory payment classifications (APCs). Physicians and other providers are paid on a fee schedule. The Hospital's cost reports have been reviewed and/or audited by the Medicare fiscal intermediary through 2018. Net revenue from the Medicare program totaled approximately $122,022,000 and $112,269,000 for 2024 and 2023, respectively. Unsecured net patient accounts receivable due from Medicare at December 31, 2024 and 2023, were approximately $9,437,000 and $9,879,000, respectively.

Medicaid – The Medical Center is paid for inpatient Medicaid services based on costs, including certain costs of uncompensated care. The estimated costs for inpatient care are calculated as a ratio of cost to charges from a base year (two years before the service year). Under the program, the Medical Center will be reimbursed the higher of the full cost of service or "baseline" reimbursement that would have been received based on the pre-July 1 inpatient payment system. Outpatient services are paid on a fee schedule or a percentage of allowed charges based on a ratio of the Medical Center's allowable operating expenses to total allowable revenue. Physicians and other providers are paid on a fee schedule. Net revenue from the Medicaid program totaled approximately $42,000,000 and $28,916,000 for 2024 and 2023, respectively. Unsecured net patient accounts receivable due from Medicaid at December 31, 2024 and 2023, were approximately $1,898,000 and $1,275,000, respectively.

The Medical Center is a designated public hospital (DPH) that participates in the state of Washington's Hospital Safety Net Assessment Program (SNAP). SNAP is a state program designed to generate federal matching funds for Medicaid services by having participating hospitals pay assessments to the state. The funds received from these assessments are redistributed to participating hospitals to offset Medicaid losses. Revenue recognized from SNAP was approximately $23,087,000 for the year ended December 31, 2024, which was recorded as an offset to contractual allowances within net patient service revenue on the statements of revenue, expenses, and changes in net position for the year ended December 31, 2024. The Medical Center incurred assessments of approximately $6,582,000, which was recorded as an increase to contractual allowances within net patient service revenue on the statements of revenue, expenses, and changes in net position for the year ended December 31, 2024. The Medical Center has an outstanding assessment payable of approximately $1,836,000 associated with this program as of December 31, 2024, which is included with accounts payable on statements of net position.

Other payors – The Medical Center has also entered into various payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations.

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

	2024	2023
Gross patient service charges	$ 556,905,046	$ 517,550,343
Adjustments to patient service charges		
Contractual discounts	290,064,171	281,436,236
Provision for bad debts	6,176,585	3,088,263
Charity care	3,888,315	4,480,160
Total adjustments to charges	300,129,071	289,004,659
Net patient service revenue	$ 256,775,975	$ 228,545,684

Note 3 – Deposits and Investments

The Board of Commissioners has internally designated assets to provide for capital improvements and other requirements. The carrying amounts of these, as well as other deposits and investments, are included in the Medical Center's statements of net position as follows:

	2024	2023
Cash	$ 3,882,020	$ 2,812,556
Short-term investments	44,563	390,430
Assets limited as to use		
Capital reserves	17,380,976	34,151,068
Reserve for accrued liabilities	15,564	1,709,097
Total deposits and investments	$ 21,323,123	$ 39,063,151

Deposits – Deposits with financial institutions are either insured or collateralized. Deposits must be made with financial institutions qualified by the Washington Public Deposit Protection Commission (PDPC). The deposits of the Medical Center are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection in excess of the FDIC limit is provided by the Washington PDPC, a multi-financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

Investments – Eligible investments are only those securities and deposits authorized by statute. Eligible investments include:

- Obligations of the U.S. government;
- Obligations of U.S. government agencies or government-sponsored corporations;
- Obligations of Washington State and its agencies, or of other states and local governments in one of the three highest credit ratings of a nationally recognized rating organization;
- Bankers' acceptances with the highest credit rating;
- Commercial paper with the highest credit rating;
- Repurchase agreements with collateral exceeding 102% of cost and consisting of authorized investments;
- State Treasurer's local government investment pool; and
- Certificates of deposit with financial institutions qualified by the Washington PDPC.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center's investment policy limits the types of securities to those authorized by statute; therefore, credit risk is very limited. Obligations of the U.S. government and agencies are rated AAA by Standard and Poor's or Moody's credit rating organizations. Obligations of other states and local governments are rated A or higher by Standard and Poor's or Moody's and have one of the three highest ratings of nationally recognized rating organizations and are general obligations of those entities. The Medical Center's portfolio currently includes no bankers' acceptances or commercial paper.

The composition of investments, reported at fair value by investment type at December 31, 2024, and excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $7,235,832 is as follows:

Investment Type	Quoted Prices in Active Markets for Identical (Level 1)	Percentages of Totals
U.S. government agency obligations	$ 3,603,035	26%
Municipal securities	10,484,256	74%
Total	$ 14,087,291	

The composition of investments, reported at fair value by investment type at December 31, 2023, and excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $6,689,561, is as follows:

Investment Type	Quoted Prices in Active Markets for Identical (Level 1)	Percentages of Totals
U.S. government agency obligations	$ 11,176,691	35%
Municipal securities	21,196,899	65%
Total	$ 32,373,590	

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments are considered Level 1 within the fair value hierarchy which is quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure of the counterparty, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All U.S. government, U.S. government agency, and state and local agency securities are held by the Medical Center's safekeeping custodian acting as an independent third party and carry no custodial credit risk. Cash deposits and certificates of deposit are collateralized by the state collateral pool which is monitored by the Public Deposit Protection Commission and carries no custodial credit risk. Deposits with the state investment pool are covered by the state's master custodial agreement and carry no custodial credit risk.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Medical Center's investment in a single issuer. The Medical Center mitigates credit risk by limiting the percentage of the portfolio invested with any one issuer.

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 Medical Center manages interest rate risk by having policy limitations on the maximum maturity of any one security and limits to 35% the percentage of the investment portfolio maturing in more than five years. As of December 31, 2024 and 2023, the weighted-average maturity of the portfolio was less than five years.

Internally designated assets, bond proceeds, and short-term investments are generally carried at fair market value and are held in the following investments:

	2024	2023
U.S. government agency securities	$ 2,313,075	$ 9,154,528
Treasury obligations	1,289,961	2,022,163
Municipal securities	10,484,256	21,196,901
Local government investment pool	66,030	709,304
Certificates of deposit	3,287,781	3,167,699
Total fair market investments	$ 17,441,103	$ 36,250,595

Note 4 – Capital Assets

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

	Balance January 1, 2024	Additions	Sales and Retirements	Account Transfers	Balance December 31, 2024
ASSETS AT COST					
Land	$ 11,769,660	$ -	$ -	$ -	$ 11,769,660
Land improvements	9,579,559	-	-	-	9,579,559
Buildings and improvements	134,407,049	34,929	-	1,171,756	135,613,734
Fixed equipment	36,827,287	-	-	71,519	36,898,806
Movable equipment	73,889,804	781,929	(1,112,514)	6,605,315	80,164,534
Construction in progress	8,133,053	10,446,637	(699,588)	(7,848,590)	10,031,512
Total at cost	274,606,412	11,263,495	(1,812,102)	-	284,057,805
LESS ACCUMULATED DEPRECIATION					
Land improvements	5,816,303	506,057	-	-	6,322,360
Buildings and improvements	71,203,716	4,145,041	-	2,041	75,350,798
Fixed equipment	25,307,379	1,243,023	-	-	26,550,402
Movable equipment	53,659,652	4,971,957	(1,111,515)	13,064	57,533,158
Total depreciation	155,987,050	10,866,078	(1,111,515)	15,105	165,756,718
Total assets	$ 118,619,362	$ 397,417	$ (700,587)	$ (15,105)	$ 118,301,087

	Balance January 1, 2023	Additions	Sales and Retirements	Account Transfers	Balance December 31, 2023
ASSETS AT COST					
Land	$ 11,973,754	$ -	$ (641,649)	$ 437,555	$ 11,769,660
Land improvements	9,561,833	1,493	-	16,233	9,579,559
Buildings and improvements	129,144,717	72,646	-	5,189,686	134,407,049
Fixed equipment	36,547,277	-	(45,373)	325,383	36,827,287
Movable equipment	77,913,259	6,039	(6,165,694)	2,136,200	73,889,804
Construction in progress	6,265,829	9,972,281	-	(8,105,057)	8,133,053
Total at cost	271,406,669	10,052,459	(6,852,716)	-	274,606,412
LESS ACCUMULATED DEPRECIATION					
Land improvements	5,305,240	511,063	-	-	5,816,303
Buildings and improvements	67,192,853	4,010,863	-	-	71,203,716
Fixed equipment	24,075,607	1,275,916	(44,144)	-	25,307,379
Movable equipment	54,115,080	5,316,621	(5,772,049)	-	53,659,652
Total depreciation	150,688,780	11,114,463	(5,816,193)	-	155,987,050
Total assets	$ 120,717,889	$ (1,062,004)	$ (1,036,523)	$ -	$ 118,619,362

Depreciation expense of depreciable assets for the years ended December 31, 2024 and 2023, were approximately $10,866,000 and $10,986,000, respectively.

Note 5 – Subscription-Based Information Technology Arrangements

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

	Balance at January 1, 2024	Additions	Deductions	Balance at December 31, 2024	Amounts Due Within One Year
SBITA assets - software	$ 8,723,430	$ 2,082,615	$ -	$ 10,806,045	
Less accumulated amortization	(3,211,224)	(3,863,148)	-	(7,074,372)	
Total SBITA assets, net	$ 5,512,206	$ (1,780,533)	$ -	$ 3,731,673	
SBITA liabilities	$ 5,372,827	$ 2,042,506	$ (3,310,718)	$ 4,104,615	$ 2,033,385

	Balance at January 1, 2023	Additions	Deductions	Balance at December 31, 2023	Amounts Due Within One Year
SBITA assets - software	$ 983,558	$ 7,739,872	$ -	$ 8,723,430	
Less accumulated amortization	(447,533)	(2,763,691)	-	(3,211,224)	
Total SBITA assets, net	$ 536,025	$ 4,976,181	$ -	$ 5,512,206	
SBITA liabilities	$ 536,025	$ 7,739,872	$ (2,903,070)	$ 5,372,827	$ 2,966,272

Amortization expense of subscription assets for the years ended December 31, 2024 and 2023, were approximately $3,863,000 and $2,764,000, respectively.

The future minimum SBITA principal and interest payments as of December 31, 2024, is as follows:

	Principal	Interest	Total
Years Ending December 31,			
2025	$ 2,033,385	$ 148,753	$ 2,182,138
2026	1,363,765	83,484	1,447,249
2027	688,549	29,285	717,834
2028	18,679	754	19,433
2029	237	9	246
Total	$ 4,104,615	$ 262,285	$ 4,366,900

Note 6 – Long-Term Debt and Line of Credit

During the fourth quarter of 2013, the Medical Center entered into a $20 million debt agreement directly with a bank. The debt has a 25-year term with fixed interest at 3.69% through November 30, 2023, at which point the bank has the option to tender the bond without premium or penalty. The option to tender was extended through November 2026. For the period beginning December 1, 2023, the bond shall bear interest at 3.69% plus or minus .00675% for each one basis point variance in the 10-year U.S. Treasury Constant Maturity Note rate or other applicable Index Rate as defined by the bank. Principal and interest payments are due every six months with level payments, and the collateral for the debt is the Medical Center's revenues and tax levy.

During the fourth quarter of 2016, the Medical Center entered into a $20 million debt agreement directly with a bank. The debt has a 25-year term with fixed interest at 3.04% through December 1, 2026, at which point the bank has the option to tender the bond without premium or penalty. For the period beginning December 2, 2026, the bond shall bear interest at 3.04% plus or minus .00675% for each one basis point variance in the 10-year U.S. Treasury Constant Maturity Note rate or other applicable Index Rate as defined by the bank. Principal and interest payments are due every six months with level payments, and the collateral for the debt is the Medical Center's revenues and tax levy.

During the second quarter of 2018, the Medical Center entered into a $20 million debt agreement directly with a bank. The debt has a 20-year term with fixed interest at 4.14% through June 1, 2028, at which point the bank has the option to tender the bond without premium or penalty. For the period beginning June 2, 2028, the bond shall bear interest at 4.14% plus or minus .0079% for each one basis point variance in the 10-year U.S. Treasury Constant Maturity Note rate or other applicable Index Rate as defined by the bank. Principal and interest payments are due every six months with level payments, and the collateral for the debt is the Medical Center's revenues and tax levy.

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

	Principal	Interest
2025	$ 2,252,026	$ 1,787,693
2026	2,345,874	1,693,845
2027	2,443,799	1,595,921
2028	2,055,465	1,245,304
2029	13,642,619	920,905
2030 - 2034	9,303,140	3,505,935
2035 - 2039	10,027,429	1,366,322
2040 - 2044	2,208,430	84,552
Total repayments	$ 44,278,782	$ 12,200,477

The schedule of long-term debt activity for the years ended December 31, 2024 and 2023, is as follows:

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Principal Amounts Due Within One Year	Interest Amounts Due Within One Year
Long-term debt						
LTGO Bond 2013	$ 14,645,041	$ -	$ (666,680)	$ 13,978,361	$ 701,592	$ 713,731
LTGO Bond 2016	15,803,735	-	(671,122)	15,132,613	691,679	454,813
LTGO Bond 2018	15,992,085	-	(824,277)	15,167,808	858,755	619,149
Total long-term debt	$ 46,440,861	$ -	$ (2,162,079)	$ 44,278,782	$ 2,252,026	$ 1,787,693

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Principal Amounts Due Within One Year	Interest Amounts Due Within One Year
Long-term debt						
LTGO Bond 2013	$ 15,364,754	$ -	$ (719,713)	$ 14,645,041	$ 746,516	$ 533,580
LTGO Bond 2016	16,454,910	-	(651,175)	15,803,735	671,122	475,370
LTGO Bond 2018	16,783,268	-	(791,183)	15,992,085	824,277	653,628
Total long-term debt	$ 48,602,932	$ -	$ (2,162,071)	$ 46,440,861	$ 2,241,915	$ 1,662,578

Under the terms of the bonds, the Medical Center has agreed to maintain certain financial ratios and meet certain covenants. As of December 31, 2023, the Medical Center's minimum debt service coverage ratio was below the ratio required per the 2018 LTGO Bond agreement and the Medical Center's days cash on hand was below the minimum days cash on hand required per the 2018, 2016, and 2013 LTGO Bond agreements. While those were considered events of default, the bank did not exercise its rights and remedies including its right to charge interest at the default rate per the 2016 and 2018 LTGO Bond agreements.

As of December 31, 2024, the Medical Center's minimum debt service coverage ratio was below the ratio required per the 2018 LTGO Bond agreement and the Medical Center's days cash on hand was below the minimum days cash on hand required per the 2018, 2016 and 2013 LTGO Bond agreements. In addition, the audited financial statements were not submitted within 120 days of the fiscal year end. While those were considered events of default, the bank did not exercise its rights and remedies including its right to charge interest at the default rate per the 2016 and 2018 LTGO Bond agreements.

In addition to the long-term debt, the Medical Center has a $3,000,000 line of credit with a fixed interest rate of 6.6% that matures September 30, 2025. Outstanding borrowings as of December 31, 2024 and 2023 were $2,000,000 and $1,006,163, respectively and are included as current liabilities in accounts payable.

Note 7 – Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description – The Medical Center provides health care benefits for employees through a health plan managed by the PEBB. In addition to health care benefits for eligible employees, eligible retirees and covered dependents are entitled to subsidies associated with postemployment medical benefits provided through PEBB, which is an agent multiple-employer defined benefit plan. The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees. There are no assets accumulated in an irrevocable trust to pay for these benefits, therefore, there are no assets recognized for GASB purposes.

Eligibility – Employees are eligible for retiree health benefits if they retire at age 55 or older and have 20 or more years of service, or if they retire at age 65 or older and have five or more years of service.

Benefits provided – Upon retirement, retirees and covered dependents are eligible to elect to receive medical and dental benefits through PEBB. Retirees and covered dependents may only elect dental coverage if they have elected medical coverage. Depending on the age, pre-65 or post-65, and the type of coverage, medical or dental, subsidies will be provided by PEBB for the monthly premiums.

Membership data – At December 31, 2024 and 2023, the following membership census was used:

	2024	2023
Membership census		
Retirees and surviving spouses	63	-
Actives	1,536	1,568
	1,599	1,568

Individuals covered by benefit terms – At December 31, 2024 and 2023, the following retirees and covered dependents were covered by the benefit terms:

	2024	2023
Retirees and spouses currently receiving benefits		
Members	63	-
Spouses	34	-

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources related to OPEB

The Medical Center's reported net OPEB liability was approximately $21,091,000 and $14,790,000 as of the measurement dates of December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the Medical Center recognized OPEB expense of approximately $2,279,000 and $1,773,000, respectively, which was included within employee benefits on the statements of revenues, expenses, and changes in net position. At December 31, 2024 and 2023, the Medical Center reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
2024	
Differences between expected and actual experience	$ 1,512,183
Changes of assumptions or other inputs	3,462,442
Contributions made subsequent to the measurement date	262,870
	$ 5,237,495
2023	
Changes of assumptions or other inputs	$ 1,141,049
Contributions made subsequent to the measurement date	75,004
	$ 1,216,053

At December 31, 2024, the approximate $263,000 reported as deferred outflows of resources related to OPEB resulting from the Medical Center contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending December 31, 2025.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending December 31,	
2025	$ 516,929
2026	516,929
2027	516,929
2028	516,929
2029	516,929
Thereafter	2,389,980
	$ 4,974,625

Actuarial Assumptions

The net OPEB liability in the December 31, 2024, measurement date actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless specified otherwise:

Inflation	2.40%
Salary increases	3.25% and promotion and longevity increases ranging from 6% at 0 years of service to 0% at 21+ years of service

Even though the benefits are not based upon pay, salary assumptions are necessary for the actuarial cost method. These assumptions are for promotion and longevity and reflect the assumptions used in the actuarial valuation for the Washington State Public Employees' Retirement System (PERS).

Health cost trend rates	Ranging from 5.7% beginning the year ended June 30, 2024, to 3.8% beginning the year ending June 30, 2074, and beyond
Discount rate (liabilities)	4.08%

The discount rate was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. GASB Statement No. 75 requires that the bond discount rate be based on a 20-year high quality (AA/Aa or higher) municipal bond rate.

Demographic assumptions regarding retirement, mortality, disability mortality, turnover, and marriage are based on assumptions used in the actuarial valuation for the Washington State retirement systems and modified for the Medical Center.

- The assumed rates of disability under the PERS Plan 3 from the Office of the State Actuary's actuarial valuation for the Washington State retirement systems are less than 0.1% for ages 50 and below and continue to be low after that. An assumption of a 0% disability rate for all ages was used.

- For service retirement, the PERS Plan 3, with less than 30 years of service assumptions, from the actuarial valuation for the Washington State retirement systems was used. The service requirements vary based on hire date and years of service.

- For mortality, the assumptions from the actuarial valuation for the Washington State retirement systems, adjusted for the Medical Center was used. For healthy PERS members, the PubG.H-2010 base mortality table with generational mortality adjustments using the long-term MP-2017 generational improvement scale was used.

- For other termination of employment, the assumptions for PERS 3 from the actuarial valuation for the Washington State retirement systems, but no less than 2% per year, was used.

The actuarial assumptions used for the December 31, 2024 and 2023, OPEB liability measurement were based on a census date of July 1, 2024.

Changes in Net OPEB Liability

The following represents the change in net OPEB liability. The ending balances are as of the measurement dates of December 31, 2024 and 2023:

Balance at December 31, 2022	$ 11,800,811
Service cost	1,285,791
Interest	486,125
Effect of assumption changes or inputs	1,255,154
Benefit payments	(37,822)
Net Changes	2,989,248
Balance at December 31, 2023	14,790,059
Service cost	1,495,493
Interest	529,696
Effect of economic/demographic losses	1,666,487
Effect of assumption changes or inputs	2,684,018
Benefit payments	(75,004)
Net changes	6,300,690
Balance at December 31, 2024	$ 21,090,749

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the Medical Center, as well as what the Medical Center's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

2024	1% Decrease 3.08%	Discount Rate 4.08%	1% Increase 5.08%
Total OPEB liability	$ 25,426,346	$ 21,090,749	$ 17,674,202

2023	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total OPEB liability	$ 18,049,168	$ 14,790,059	$ 12,225,619

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the Medical Center, as well as what the Medical Center's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

2024	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 17,027,122	$ 21,090,749	$ 26,538,189
2023			
Total OPEB liability	$ 11,565,312	$ 14,790,259	$ 19,196,424

Note 8 – Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the county. 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 fair market value. A reevaluation 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 by the County Treasurer.

The Medical Center is permitted by law to levy up to $0.75 per $1,000 of assessed valuation for general purposes. The Washington State Constitution and Washington State Law, RCW 84-55-010, limit the rate. The Medical Center may also levy taxes at a lower rate. Additional amounts of tax need to be authorized by a vote of the residents of Clallam County.

For 2024, the Medical Center's regular levy was $0.3177 per $1,000 of assessed valuation. The Medical Center received $5,015,000 from the County for the regular levy and revenues related to the harvest of timber within the community. For 2023, the Medical Center's regular levy was $0.3345 per $1,000 of assessed valuation. The Medical Center received $5,175,000 from the County for the regular levy and revenues related to the harvest of timber within the community.

Property taxes are recorded as receivables when levied. Because state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Note 9 – Employee Benefit Plans

The Medical Center has a defined contribution pension plan covering substantially all qualified employees. All qualified employees may participate in the Medical Center's retirement plan. The employer's annual contribution is set by the plan documents. The Medical Center's liability under the plan is limited to its annual contribution. It is the Medical Center's policy to currently fund pension costs accrued under this plan.

The Medical Center has deferred compensation plans created in accordance with Internal Revenue Code Section 457 and Revenue Code Section 403(b). The plans are available to eligible employees and permit them to defer a portion of their salary until withdrawn in future years. The Medical Center makes contributions based on a percentage of certain employees' compensation. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Medical Center fully funds all compensation deferred under the plan agreements through deposits.

Contributions to the employee benefit plans from both the Medical Center and employees totaled approximately $13,347,000 in 2024, and $13,000,000 in 2023.

Note 10 – Collective Bargaining Agreements

At December 31, 2024, the Medical Center had a total of approximately 1,597 employees. Of this total, approximately 966 are covered by collective bargaining agreements. As of December 31, 2024, the Medical Center had no related agreements that expire in the next year.

Note 11 – Contingencies

Litigation – The Medical Center is involved in litigation arising in the ordinary course of business. Based on consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results from operations.

Compliance with laws and regulations – The Medical Center is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. 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 significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. The Medical Center has implemented a voluntary corporate compliance program, which includes guidance for all Medical Center employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Medical Center's future financial position or results of operations.

Note 12 – Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2024 and 2023, was as follows:

	2024	2023
Medicare	47%	54%
Medicaid	13%	10%
Other third-party payors	29%	25%
Patients	11%	11%
Total	100%	100%

Note 13 – Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash equivalents and short-term investments – The carrying amount reported on the statements of net position approximates fair value.

Assets limited as to use – The carrying amount approximates the fair values of investments. The fair values are estimated based on quoted market prices, if available, or estimated using quoted market prices of similar investments.

Long-term debt – The Medical Center is not able to estimate the fair value of its bonds because there is no trading of the bonds in secondary markets to establish a current fair value, as the bonds were privately placed with a financial institution.

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. 2 of Clallam County, Washington
dba Olympic Medical Center

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. 2 of Clallam County, Washington dba Olympic Medical Center (the Medical Center), which comprise the statement of financial position as of December 31, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements, and have issued our report thereon dated September 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center'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.

Baker Tilly US, LLP

Seattle, Washington
September 15, 2025

Required Supplementary Information

Public Hospital District No. 2 of Clallam County, Washington
Schedule of Changes in Net Other Postemployment Benefits and Related Ratios
December 31, 2024 and 2023

	2024	2023
Total OPEB liability		
Service cost	$ 1,495,493	$ 1,285,791
Interest	529,696	486,125
Effect of economic/demographic losses	1,666,487	-
Effect of assumption changes or inputs	2,684,018	1,255,154
Benefit payments	(75,004)	(37,822)
Net change in total OPEB liability	6,300,690	2,989,248
Total OPEB liability - beginning	14,790,059	11,800,811
Total OPEB liability - ending	$ 21,090,749	$ 14,790,059
Covered-employee payroll	$ 129,961,868	$ 119,085,483
Total OPEB liability as a percentage of covered-employee payroll	16.23%	12.42%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Medical Center will present information for available years.*

Changes in benefit terms – There are no changes in benefit terms.

Changes of assumptions – Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period. Updates to claims costs and premiums are reflected as economic/demographic experience gains and losses.

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