Washington Township Health Care District
2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111
Kimberly Hartz, Chief Executive Officer

BOARD OF DIRECTORS MEETING

Wednesday, November 10, 2021 – 6:00 P.M.
Meeting Conducted by Zoom
https://us06web.zoom.us/j/85818408111?pwd=b2Q1bkl1TStHcDFrejJDT2gxYVR3UT09
Password: 846690

AGENDA

		PRESENTED BY:
I.	**CALL TO ORDER & PLEDGE OF ALLEGIANCE**	William Nicholson, M.D. Board President
II.	**ROLL CALL**	Dee Antonio District Clerk
III.	**BROWN ACT FINDING** GOVERNMENT Code § 54953(e)(3)(B)(ii)	*Motion Required*
IV.	**COMMUNICATIONS**	
	A. Oral *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not on the agenda and within the subject matter of jurisdiction of the Board.. "Request to Speak" cards should be filled out in advance and presented to the District Clerk. For the record, please state your name.*	
	B. Written	
V.	**CONSENT CALENDAR** *Items listed under the Consent Calendar include reviewed reports and recommendations and are acted upon by one motion of the Board. Any Board Member or member of the public may remove an item for discussion before a motion is made.*	William Nicholson, M.D. Board President
	A. Consideration of Minutes of the Regular Meetings of the District Board: October 13, 18, 25, and 27, 2021	*Motion Required*
	B. Consideration of FY22 IS Data Storage Project	

VI.	**PRESENTATION**	
	A. Result of Annual Audit FY 2021	Will Cobb Price Waterhouse Cooper
	B. Action: Consideration of Annual Audit Report FY 2021	Filip Nowak Price Waterhouse Cooper
VII.	**REPORTS**	**PRESENTED BY:**
	A. Medical Staff Report	Shakir Hyder, M.D. Chief of Medical Staff
	B. Service League Report	Debbie Feary Service League President
	C. Quality Report: Quality Dashboard Quarter Ending September 30, 2021	Mary Bowron, DNP, RN, CIC, CNL, CPHQ Chief of Quality & Resource Management
	D. Finance Report	Chris Henry Vice President & Chief Financial Officer
	E. Hospital Operations Report	Kimberly Hartz Chief Executive Officer
VIII.	**ANNOUNCEMENTS**	
IX.	**ADJOURN TO CLOSED SESSION**	
	A. Conference with Legal Counsel – Anticipated Litigation pursuant to Government Code section 54956.9(d)(2)	
X.	**RECONVENE TO OPEN SESSION & REPORT ON PERMISSIBLE ACTIONS TAKEN DURING CLOSED SESSION**	William Nicholson, M.D. Board President
XI.	**ADJOURNMENT**	William Nicholson, M.D. Board President

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the District Clerk at (510) 818-6500. Notification two working days prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, October 13, 2021 via Zoom. Director Nicholson called the meeting to order at 6:02 pm and led those in attendance of the meeting in the Pledge of Allegiance.

ROLL CALL

Roll call was taken: Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace
Absent:

Also present: Kimberly Hartz, Chief Executive Officer; Dee Antonio, District Clerk

Guests: Ed Fayen, Chris Henry, Larry LaBossiere, Paul Kozachenko, Dr. Carmen Acgaoili, Tigist Awel, Mary Bowron, Brenda Brennan. Angus Cochran, Roy Coloma, Debbie Feary, Kristin Ferguson, Falisa Fullard, Gisela Hernandez, Dr. Shakir Hyder, Kel Kanady, John Lee, Nick Legge, Lauren Lucas, Dr. James McGuire, Dr. Jeff Stuart, Marcus Watkins, and Sri Boddu.

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting. He noted that in order to continue to protect the health and safety of the members of the Board, District staff, and members of the public from the dangers posed by the SARS-CoV-2 virus, the Brown Act allows a local agency to continue to hold its meetings remotely as opposed to being required to meet in-person. Section 54953(e)(3) of the Government Code requires that the Board make certain findings every 30 days to continue meeting remotely. One such finding is that “state or local officials continue to impose or recommend measures to promote social distancing.” The Alameda County Health Officer continues to recommend social distancing and the wearing of masks indoors, as referenced by the Alameda County Health Care Services Public Health Department COVID-19 website at www.covid-19.acgov.org.

In accordance with District law, policies, and procedures, Director Wallace moved that the Board of Directors make the finding required by Section 54953(e)(3)(B)(ii) of the Government Code that “state or local officials continue to impose or recommend measures to promote social distancing.” Director Eapen seconded the motion.

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

The motion unanimously carried and the finding is affirmed.

Director Nicholson noted that Public Notice for this meeting, including connection information, was posted appropriately on our website. This meeting, conducted via Zoom, will be recorded for broadcast at a later date.

COMMUNICATIONS: ORAL

There were no Oral communications.

COMMUNICATIONS: WRITTEN

There were no Written communications.

CONSENT CALENDAR

Director Nicholson presented the Consent Calendar for consideration:

A. Minutes of the Regular Meetings of the District Board: September 8, September 20, September 22, September 27, and September 30, 2021
B. MedRad Mark 7 Arterion Injection System
C. OEC Elite Digital Mobile C-Arm
D. AccuVein Fleet Upgrade
E. Outpatient Imaging IJR 17 X 17 Plate Budget Addendum

In accordance with District law, policies, and procedures, Director Wallace moved that the Board of Directors approve the Consent Calendar, items A through E. Director Yee seconded the motion.

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

The motion unanimously carried.

PRESENTATION: PALLIATIVE CARE PROGRAM ANNUAL REPORT

Kimberly Hartz, CEO, introduced Dr. Carmen Agcaoili, Interim Medical Director of the Palliative Care Program, and Bernardita Roe, Clinical Manager and Nurse Practitioner of the Palliative Care Program, who gave an annual report. Highlights of the report included a description of what Palliative Care is and the focus of this type of care on providing relief from symptoms and stress of serious illness. Dr. Agcaoili talked about the increase in Palliative Care Service consults and the profile of a typical Palliative Care patient including top diagnoses and reasons for referral. The program goals for FY 2021 and Next Steps were reviewed and discussed by Ms. Roe.

MEDICAL STAFF REPORT

Dr. Shakir Hyder, Chief of Staff, reported there are 574 Medical Staff members including 345 active members and 93 ambulatory members. Dr. Hyder noted that many physicians have received the Pfizer vaccine booster.

SERVICE LEAGUE REPORT

Ms. Debbie Feary, Service League President reported 121 members of the Service League volunteered 1,329 hours over the past month. For the first time since the onset of the pandemic, there were more than 100 adults and college volunteers contributing hours in September. Limited high-school students have also come back to staff the gift shop and work on special assignments. The Service League continues to volunteer on COVID-19 related activities including the assembling of 600 face shields in September for clinical staff. The Service League received an unqualified, clean opinion from the League's auditors.

LEAN REPORT: REDUCING CENTRAL LINE ASSOCIATED BLOOD STREAM INFECTIONS (CLABSI)

Kimberly Hartz introduced Roy Coloma, Staff Nurse III, PICC, who reported on Reducing Central Line Associated Blood Stream Infections (CLAPSI). Mr. Coloma talked about the estimated additional costs for hospital-acquired CLABSI and the goal of Washington Hospital to reduce incidents of CLABI to zero by December 2021. He reviewed the PDCA (Plan, Do, Check, Act) process used in addressed this performance improvement work and noted that since beginning this work in 2017, we have reduced the CLABSI infection rate significantly.

QUALITY REPORT: SPECIAL CARE NURSERY ANNUAL UPDATE

Kimberly Hartz introduced Dr. James McGuire, Medical Director of the Special Care Nursery. Dr. McGuire talked about the partnership and affiliation with UCSF, the department's goals, and new leadership from Joane Manantan, Director of Maternal Child Health. Dr. McGuire reviewed the SCN census information for 2020 and reviewed the Quality and Strategic Initiatives which includes Virtual Rounding and Infant Driven Feeding.

Dr. McGuire reviewed the SCN metrics: CLABSI, Hand Hygiene, and Patient Satisfaction, noting that WHHS has a lower antibiotic usage than the California benchmark. He reviewed the Central Line Associated Bloodstream Infection rate and indicated that from January to June 2020, we had zero CLABSIs over 28 central line days. He talked about educational and professional development for nursing staff and reviewed Next Steps for the program which included an Infant Driven Feeding Quality Improvement Project and new construction for a Level 3 NICU.

FINANCE REPORT

Chris Henry, Vice President & Chief Financial Officer, presented the Finance Report for August 2021. The average daily inpatient census was 163.3 with admissions of 858 resulting in 5,062 patient days. Outpatient observation equivalent days were 315. The average length of stay was 5.59 days. The case mix index was 1.618. Deliveries were 120. Surgical cases were 422. The Outpatient visits were 7,533. Emergency visits were 4,627. Cath Lab cases were 220. Joint Replacement cases were 169. Neurosurgical cases were 30. Cardiac Surgical cases were 12. Total productive FTEs were 1,339.1. FTEs per adjusted occupied bed were 5.81.

HOSPITAL OPERATIONS REPORT

Kimberly Hartz, Chief Executive Officer, presented the Hospital Operations Report for September 2021. Preliminary information for the month indicated total gross revenue at approximately $195,337,000 against a budget of $163,085,000. We had 66 COVID-19 discharges which represented 8% of total discharges.

The Average Length of Stay was 5.78. The Average Daily Inpatient Census was 154.9. Of the 66 COVID-19 discharges in the month, the average length of stays was 10.3 days; ten of the discharged patients had lengths of stay greater than 30 days. Still in house at the end of September were ten patients with length of stays of over 30 days.

There were 4,648 patient days. There were 384 Surgical Cases and 219 Cath Lab cases at the Hospital. The shift in Joints from inpatient to outpatient continues at a higher rate than expected; only 6% of the total joint replacement cases were inpatient compared to 35% budgeted.

Deliveries were 141. Non-Emergency Outpatient visits were 8,102. Emergency Room visits were 4,401 and we are at 98% of pre-COVID level. Total Government Sponsored Preliminary Payor Mix was 71.8%, against the budget of 71.9%. It was noted that Medi-Cal was high in this month primarily due to three high dollar accounts totaling $8.6M. Total FTEs per Adjusted Occupied Bed were 6.01. The Washington Outpatient Surgery Center had 498 cases and the clinics had approximately 17,361 visits.

There were $440,808 in charity care applications pending or approved in September.

ACTION: DEVCO AMENDED AND RESTATED BYLAWS

Paul Kozachenko stated that he worked with the DEVCO Board to complete a major update to the DEVCO Bylaws which better conformed the language to current law and DEVCO practices, clarified the roles of the Board members and officers and, where possible, eased the administrative burden on the Board and staff, and provided clarity and simplicity.

In accordance with District law, policies, and procedures, Director Wallace moved that the Board of Directors approve the Amended and Restated DEVCO Bylaws. Director Eapen seconded the motion.

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

The motion unanimously carried.

ANNOUNCEMENTS

- The COVID Testing Tent located in the Washington West parking lot will service patients who have been exposed to COVID-19, patients who have COVID-19 symptoms, and unvaccinated (asymptomatic) employees who are required to be regularly tested for COVID. Patients must have a physician's order.
- As of Wednesday, October 13th, a total of 69,260 COVID vaccine doses have been administered to community members at our vaccination clinic. 2,531 booster vaccinations have been administered.
- Thursday, September 16th: Navigating Your Mature Years with Purpose and Grace
- Tuesday, September 21st: The Signs and Symptoms of Sepsis
- Wednesday, September 29th: Chronic Pelvic Pain in Women
- Thursday, September 30th: Medicare Open Enrollment – What You Need to Know

- Scheduled for Thursday, October 14th: Think Pink Breast Health Awareness event on Facebook Live and YouTube.
- Scheduled for Thursday, October 21st: Understanding Breast Health
- Scheduled for Thursday, November 4th: Stroke: Warning Signs and Prevention
- October Employee of the Month: Julie Hill, Accounts Payable Associate, Finance Division

ADJOURN TO CLOSED SESSION

In accordance with Health & Safety Code Sections 32155, Director Nicholson adjourned the meeting to closed session at 8:00 p.m., as the discussion pertained to a Conference with Legal Counsel. Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this is a Zoom session and we have no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning October 14, 2021. He indicated that the minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:40 pm and reported that there was no reportable action taken in closed session.

ADJOURNMENT

There being no further business, Director Nicholson adjourned the meeting at 8:40 pm.

William F. Nicholson, M.D.	Michael J. Wallace
President	Secretary

CALL TO ORDER

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, October 18, 2021 via Teleconference. Director Nicholson called the meeting to order at 6:05 p.m. and led those present in the Pledge of Allegiance.

ROLL CALL

Roll call was taken. Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace

Also present: Kimberly Hartz, Chief Executive Officer; Chris Henry, Chief Financial Officer; Ed Fayen, Executive Vice President & Chief Operating Officer; Tina Nunez, Vice President; Larry LaBossiere, Chief Nursing Officer; Paul Kozachenko, Legal Counsel; Dee Antonio, District Clerk

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting. He noted that in order to continue to protect the health and safety of the members of the Board, District staff, and members of the public from the dangers posed by the SARS-CoV-2 virus, the Brown Act allows a local agency to continue to hold its meetings remotely as opposed to being required to meet in-person. Section 54953(e)(3) of the Government Code requires that the Board make certain findings every 30 days to continue meeting remotely. One such finding is that "state or local officials continue to impose or recommend measures to promote social distancing." The Alameda County Health Officer continues to recommend social distancing and the wearing of masks indoors, as referenced by the Alameda County Health Care Services Public Health Department COVID-19 website at www.covid-19.acgov.org. The Board made such a finding at its meeting earlier in the month.

COMMUNICATIONS

There were no oral or written communications.

ADJOURN TO CLOSED SESSION

In accordance with Health & Safety Code Sections 32106, 32155 and California Government Code 54956.9(d)(2), Director Nicholson adjourned the meeting to closed session at 6:08 p.m., as the discussion pertained to a Conference involving trade secrets pursuant to Medical Staff and Quality Assurance Committee, Health & Safety Code section 32155, Conference with Legal Counsel-Anticipated litigation pursuant to government code section 54956.9(d)(2), Conference involving Personnel Matters, and consideration of closed session Minutes: September 8, 20, and 22, 2021. Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this is a Teleconference call and we have no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning October 19, 2021. He indicated that the minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:26 pm. The District Clerk reported that the Board approved the Closed Session Minutes of October 8, 20, and 22, 2021 in closed session by unanimous vote of all Directors present:

William Nicholson, MD
Jeannie Yee
Bernard Stewart, DDS
Jacob Eapen, MD

There being no further business, Director Nicholson adjourned the meeting at 8:26 pm. *ADJOURNMENT*

William Nicholson, M.D.	Michael J. Wallace
President	Secretary

A meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, October 25, 2021 via Zoom. Director Nicholson called the meeting to order at 7:30 a.m.

CALL TO ORDER

Roll call was taken. Directors present: William Nicholson, MD; Bernard Stewart DDS; Jacob Eapen; Jeannie Yee

ROLL CALL

Excused: Michael Wallace

Also present: Shakir Hyder, MD; Tim Tsoi, MD; Jeff Stuart, MD; Prasad Kilaru, MD; Mark Saleh, MD; Jan Henstorf, MD; Kranthi Achanta, MD; Kimberly Hartz, Chief Executive Officer, Dee Antonio, District Clerk

Guests: Mary Bowron

There were no oral or written communications.

COMMUNICATIONS

Director Nicholson adjourned the meeting to closed session at 7:30 a.m. as the discussion pertained to Medical Audit and Quality Assurance Matters pursuant to Health & Safety Code Sections 1461 and 32155.

ADJOURN TO CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:31 a.m. and reported no reportable action taken in closed session.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

There being no further business, the meeting adjourned at 8:31 a.m.

ADJOURNMENT

William Nicholson, M.D. President	Michael Wallace Secretary

CALL TO ORDER

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, October 27, 2021 via Teleconference. Director Nicholson called the meeting to order at 6:04 p.m. and led those present in the Pledge of Allegiance.

ROLL CALL

Roll call was taken. Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace

Also present: Kimberly Hartz, Chief Executive Officer; Ed Fayen, Chief Operating Officer; Chris Henry, Chief Financial Officer; Larry LaBossiere, Chief Nursing Officer; Tina Nunez, Vice President Ambulatory Services; Paul Kozachenko, Legal Counsel; Dee Antonio, District Clerk

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting. He noted that in order to continue to protect the health and safety of the members of the Board, District staff, and members of the public from the dangers posed by the SARS-CoV-2 virus, the Brown Act allows a local agency to continue to hold its meetings remotely as opposed to being required to meet in-person. Section 54953(e)(3) of the Government Code requires that the Board make certain findings every 30 days to continue meeting remotely. One such finding is that "state or local officials continue to impose or recommend measures to promote social distancing." The Alameda County Health Officer continues to recommend social distancing and the wearing of masks indoors, as referenced by the Alameda County Health Care Services Public Health Department COVID-19 website at www.covid-19.acgov.org. The Board made such a finding at its meeting earlier in the month.

COMMUNICATIONS

There were no oral communications.

There were no written communications.

RESOLUTION NO. 1231: TO AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO ENTER INTO AN AMENDED AND RESTATED TENANCY IN COMMON AGREEMENT WITH THE UNITVERITY OF CALIFORNIA, SAN FRANCISCO

Paul Kozachenko gave a history and overview of the District's affiliation with the University of California, San Francisco. In accordance with District law, policies, and procedures, Director Wallace moved that the Board of Directors approve the Resolution No. 1231 to authorize the Chief Executive Officer to execute the Amended and Restated Tenancy in Common Agreement. Director Eapen seconded the motion.

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

The motion unanimously carried.

RESOLUTION NO. 1232: TO APPROVE AND AUTHORIZE A CHANGE ORDER TO THE CONTRACT FOR CONSTRUCTION OF

Ed Fayen reviewed the history of, and the proposed budget for, the proposed Bridge Connection Project and the construction Change Order to the contract for construction of the Morris Hyman Critical Care Pavilion. In accordance with District law, policies, and procedures, Director Wallace moved that the Board of Directors approve the Resolution No.1232 to authorize the Bridge Connection change order with terms consistent with this Resolution, the adjustment of the Project Budget to be $14,330.506. Director Eapen seconded the motion.

THE WASHINGTON HOSPITAL BRIDGE CONNECTION PROJECT

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

The motion unanimously carried.

ANNOUNCEMENTS

Kimberly Hartz announced that the Top Hat event raised $470,000 for the Inpatient Acute Rehabilitation Unit.

ADJOURN TO CLOSED SESSION

In accordance with Health & Safety Code Sections 32106 and 32155, and California Government Code 54956.9(d)(2), Director Nicholson adjourned the meeting to closed session at 6:20 p.m., as the discussion pertained to a Report of Medical Staff and Quality Assurance pursuant to Health & Safety Code Section 32155, Conference with Legal Counsel – Anticipated Litigation pursuant to Government Code section 54956.9(d)(2), and a Conference involving Personnel Matters. Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this is a Teleconference call and we have no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning October 28, 2021. He indicated that the minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:40 pm. The District Clerk reported that the Board approved the Medical Staff Credentials Report in closed session by unanimous vote of all Directors present:

William Nicholson, MD
Jeannie Yee
Bernard Stewart, DDS
Jacob Eapen, MD
Michael Wallace

ADJOURNMENT

There being no further business, Director Nicholson adjourned the meeting at 8:40 pm.

William Nicholson, M.D. President	Michael J. Wallace Secretary

Memorandum

DATE: **October 26, 2021**

TO: Kimberly Hartz, Chief Executive Officer

FROM: John Lee, Chief Information Officer
Ed Fayen, Executive Vice President and Chief Operating Officer

SUBJECT: FY22 IS Data Storage Project

As WHHS continues to evolve and provide state-of-the-art patient care, Information Systems is working with the Hitachi/Sirius storage vendors to upgrade infrastructure to meet new requirements. We purchased our current backup and recovery systems in 2018.

As part of the upgrades for Epic, PACS and other areas, we need to upgrade our infrastructure to meet our storage requirements and new retention standards. The storage is also for our backup and recovery systems to manage daily, weekly, monthly and ad hoc backups and, if necessary, restores. Backup and recovery is critical to our success if we had a disaster or malware attack. In addition, our PACS systems are now supporting the new 3D Tomography for mammograms which requires additional storage.

The project will take approximately four months to fully complete and will be performed using internal labor and vendor resources. The cost to install the system includes hardware, hardware installation services, maintenance, and professional services.

In accordance with District Law, Policies and Procedures, it is requested that the Board of Directors authorize the Chief Executive Officer to enter into the necessary contracts and proceed with the purchase of hardware and implementation services for a total amount not to exceed **$191,608.00.** This is an approved project in the fiscal year 2022 Capital budget.

Washington Township Health Care District

Financial Statements
June 30, 2021 and 2020

Washington Township Health Care District
Index
June 30, 2021 and 2020

pwc

Report of Independent Auditors

Overview of the Financial Statements

The annual report consists of Management's Discussion and Analysis, financial statements and notes to those statements and required supplementary information. These statements are organized to present the Washington Township Health Care District (the District) and Washington Hospital Healthcare Foundation (the Foundation) as discrete financial entities, operating as a financial whole. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's and Foundation's financial statements.

The District is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed in 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is considered a component unit of DEVCO and is blended in DEVCO's financial statements. DEVCO is considered a component unit of the District, and is blended in the District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO and WTMF. All significant inter-company accounts and transactions have been eliminated in the financial statements.

The statements of net position and the statements of revenues, expenses, and changes in net position, provide an indication of the District's and Foundation's financial health. The statements of net position include all of the District's and Foundation's assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting, as well as an indication about which portions of net position can be utilized for general purposes and which are restricted as a result of bond covenants, donor restrictions or other purposes. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses and increases and decreases in net position during the time period indicated that resulted from the District's and Foundation's operating and non-operating transactions during the year. For the District, the statements of cash flows report the cash provided and used by operating activities, as well as other cash sources and uses such as investment income, repayment of bonds, and capital additions and improvements.

For fiscal year 2021, two new financial statements have been added to the report, in connection with the District's adoption of Governmental Accounting Standards Board Statement 84 (GASB 84), *Fiduciary Activities*. The new statements are the statements of fiduciary net position and the statements of changes in fiduciary net position. These statements provide information about assets and obligations of the District that are not included on the statements described above. These assets and obligations are related to the District's Defined Benefit Retirement (Pension) Plan and Other Post-employment Benefit (OPEB) Plan.

<u>**Washington Township Health Care District**</u>

District Financial Highlights for Fiscal Year 2021

- The District generated an operating loss of $31.4 million for fiscal year 2021, compared with an operating loss of $35.4 million for fiscal year 2020, an improvement of $4.0 million. When non-operating income and special items are included, the District's activities resulted in a $27.4 million decrease in net position for fiscal year 2021, as compared to a nominal increase of $0.3M in net position for fiscal year 2020. Fiscal year 2020 results included recognition of $30.0 million in provider relief funding under the Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). CARES Act funding recognized in fiscal year 2021 totaled $4.1 million, including $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021.

- Major items that impacted the District's operating results for fiscal year 2021, as compared to those for fiscal year 2020, included:

    - In fiscal year 2021, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic.

    - As a result of pandemic shutdowns and COVID case surges, the District was unable to fully resume elective and non-emergent services until early May 2020, at which time a phased re-opening approach was developed, with the implementation of numerous additional safety initiatives for employees and patients. The resumption of services was slowed by limitations on COVID testing capacity, in addition to residual concerns by community members about the risks associated with entering the hospital facilities. These factors continued to impact volume recovery throughout fiscal year 2021.

    - Despite these challenges, the District did experience volume improvements in fiscal year 2021. Gross inpatient revenues increased by 2 percent ($26.4 million) and gross outpatient revenues increased by over 16 percent ($122.0 million) in fiscal year 2021.

    - Although admissions decreased by almost 12 percent from the fiscal year 2020 level, average length of stay increased by almost 18 percent, resulting in a 2.6% (1,363) increase in adult and pediatric patient days. The increase in length of stay was largely attributable to COVID cases, which tended to have higher acuities and longer lengths of stay, but was also related to non-COVID patients having delayed seeking care, due to concerns about COVID infection risk in healthcare settings.

    - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 24 percent (579 cases), but outpatient surgeries increased by almost 38 percent (668 cases). Outpatient cardiac catheterizations increased by over 5 percent (54 cases).

    - Outpatient visits at Washington Township Medical Foundation (WTMF) increased by over 7 percent in fiscal year 2021. WTMF implemented a telehealth visit platform in April 2020 and provided approximately 14,000 and 41,000 telehealth visits, in fiscal years 2020 and 2021, respectively. Also in February 2021, after COVID vaccines became available to the general public, WTMF initiated a COVID vaccine clinic, administering almost 67,000 injections through June 30, 2021.

- Total operating expenses increased by 3 percent ($16.7 million), in total, with increases in salary and supply expenses accounting for a combined increase of $18.1 million, which were offset by a decrease in benefits expenses of $6.7 million.

- The increase in salary expenses was due to FTE recovery from the COVID-reduced levels in fiscal year 2020, additional FTEs, such as resource nurses and screeners, required to support implementation of pandemic-related safety protocols, and scheduled wage rate increases.

- The reduction in benefit expenses was driven by an $11.6 million decrease in expense related to the District’s defined benefit retirement plan for fiscal year 2021. The significant decrease resulted from several factors, including a reduction in the recognition of net deferred amounts into expense from $9.2 million in fiscal year 2020 to $0.0 million in fiscal year 2021. The largest contributors to this decrease were the recognition of significant prior year investment gains, in excess of the anticipated rate, on the related asset portfolio and increased current year investment gains, attributable to the overall increase in the asset portfolio.

- The increase in supply expenses were partially related to volume increases, but also reflected additional spending for COVID testing supplies, pharmaceuticals and personal protective equipment. Supply cost increases for PPE and other items were driven not only be increased usage but were also impacted by increased demand and global supply chain pressures.

- Purchased services and professional fees increased due to contracted services for screeners and COVID testing performed by external labs.

- Changes in other expense categories were not significant.

- New Activities

  In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2021, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

Analysis of the District's Net Position – Fiscal Year 2021

- Total assets decreased $47.5 million, from $1,142.9 million at June 30, 2020 to $1,095.4 million at June 30, 2021. Total available cash and investments decreased $33.0 million, from $338.5 million to $305.5 million. Capital assets, net, decreased $31.2 million, from $697.8 million to $666.6 million. Through a conscientious commitment to consistent funding of its pension obligations, the District achieved full funding of its net pension obligation in fiscal year 2021. The net pension liability, which was $31.8 million as of June 30, 2020, became a prepaid pension asset of $5.2 million as of June 30, 2021.

- In March 2020, the District and the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF are in the process of forming a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District will be the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The $12.2 million investment in this venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2020 and June 30, 2021.

- Total liabilities decreased $40.7 million, from $807.6 million at June 30, 2020 to $766.9 million at June 30, 2021. The majority of this decrease was the achievement of full funding for the defined benefit pension plan as of June 30, 2021, which resulted in the elimination of the net pension liability of $31.8 million as of June 30, 2020 as mentioned above. In addition, total long-term debt of $566.0 million at June 30, 2020 was reduced by $4.9 million to $561.1 million at June 30, 2021. Also in fiscal year 2021, the District began the required repayment of $59 million in Medicare Advanced Payment (MAP) loans received under the CARES Act in fiscal year 2020. As of June 30, 2021, the District has repaid approximately $6 million and the remaining $53 million due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2021. The District was able to set aside the amounts received under the MAP program and the repayments are being made from the set aside funds.

- Total net position of $310.0 million at June 30, 2021 was $27.4 million less than the net position of $337.4 million at June 30, 2020.

Table 1 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2021, 2020 and 2019:

(in thousands)	2021	2020	2019
Assets			
Current assets	$ 172,666	$ 192,428	$ 161,238
Long-term investment and restricted funds	234,220	234,880	181,568
Capital assets, net	666,557	697,785	738,844
Prepaid pension asset	5,161	-	-
Other assets	16,787	17,765	5,357
Total assets	1,095,391	1,142,858	1,087,007
Deferred outflows of resources	46,751	65,665	67,493
Total assets and deferred outflows of resources	$ 1,142,142	$ 1,208,523	$ 1,154,500
Liabilities and Net Position			
Current liabilities	$ 170,931	$ 170,545	$ 104,981
Net pension liability	-	31,798	63,510
Net postemployment medical benefits (OPEB)	40,419	42,578	37,299
Long-term debt	549,533	556,097	560,701
Other long-term liabilities	5,987	6,615	5,970
Total liabilities	766,870	807,633	772,461
Deferred inflows of resources	65,274	63,497	44,923
Net position			
Net investment in capital assets	112,116	142,756	187,907
Restricted - expendable	30,005	29,301	29,276
Restricted for minority interest	4,528	3,666	4,301
Unrestricted	163,349	161,670	115,632
Total net position	309,998	337,393	337,116
Total liabilities, net position and deferred inflows of resources	$ 1,142,142	$ 1,208,523	$ 1,154,500

Table 2 provides a summary of total available cash and investments as of June 30, 2021, 2020 and 2019.

(in thousands)	2021	2020	2019
Cash and cash equivalents and short-term investments	$ 71,281	$ 103,643	$ 68,921
Board-designated for capital and debt	215,307	212,395	151,688
Workers' compensation fund	9,428	9,391	8,967
Unexpended capital bond funds, excluding amounts required for current liabilities	9,443	13,052	20,872
Restricted funds	42	42	41
Total available cash and investments	$ 305,501	$ 338,523	$ 250,489

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Capital Assets, Net (2021)

Capital assets, net, decreased $31.2 million, from $697.8 million at June 30, 2020 to $666.6 million at June 30, 2021. This decrease resulted from $20.0 million in capital additions and $0.2 million in net capitalized interest expense, offset by $51.4 million in depreciation. The net capital additions included $27.5 million in equipment, building, and land improvements combined with a decrease of $7.3 million in construction in progress. At June 30, 2021, outstanding commitments related to capital projects totaled $0.8 million.

In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021.

Debt Administration (2021 and 2020)

As part of the obligations under the bond indentures for the 2009, 2010, 2015, 2017A, 2017B and 2019 Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. For the year ended June 30, 2020, the Hospital's long-term debt service coverage ratio was 4.71 to 1.0. During the year ended June 30, 2020, the Moody's credit rating was downgraded to Baa2 (outlook negative) due to weak operating cash flow projections for fiscal year 2020, based on activity through December 2019. During the year ended June 30, 2021, the Moody's credit rating for the Hospital's revenue bonds did not change.

The Hospital's percentage of debt-to-capitalization, excluding general obligation bonds, of 28.7 percent at June 30, 2021, was lower than the percentage of 29.6 percent at June 30, 2020. The decrease in percentage reflects the combined effect of the $12.4 million reduction in outstanding debt, excluding general obligation bonds, and the $7.6 million decrease in the Hospital's net position.

Revenue and Expense Analysis for the District – Fiscal Year 2020

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2021, 2020 and 2019:

(in thousands)	2021	2020	2019
Operating revenues			
Net patient service revenues	$ 522,079	$ 499,516	$ 520,294
Other	11,534	13,403	11,661
Total operating revenues	533,613	512,919	531,955
Operating expenses			
Salaries and wages	240,958	229,485	227,166
Employee benefits	75,075	81,813	85,640
Supplies	70,407	63,811	65,798
Professional fees	68,998	66,844	66,348
Purchased services	42,245	39,499	40,626
Depreciation	49,416	49,931	43,829
Insurance	2,265	2,001	1,708
Other operating expenses	15,631	14,912	13,081
Total operating expenses	564,995	548,296	544,196
Operating income (loss)	(31,382)	(35,377)	(12,241)
Non-operating revenues and expenses			
Federal grant revenue	4,069	29,948	-
Other non-operating revenues and expenses, net	(2,076)	4,510	7,125
Total non-operating revenues and expenses	1,993	34,458	7,125
Increase (decrease) in net position before minority interest and restricted funds	(29,389)	(919)	(5,116)
Additional minority interest capital received	551	-	349
Minority interest distributions	(611)	(795)	(1,483)
Morris Hyman Critical Care Pavilion Transition	-	-	(2,402)
Special use grant	-	1	-
Contributions used for capital expenditures	2,054	1,990	2,966
Increase (decrease) in net position	(27,395)	277	(5,686)
Net position			
Beginning of year	337,393	337,116	342,802
End of year	$ 309,998	$ 337,393	$ 337,116

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 71 percent of the District's gross revenues. Commercial preferred provider organizations (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased by $22.6 million (4.5 percent), from $499.5 million in fiscal year 2020 to $522.1 million in fiscal year 2021. COVID-19 significantly reduced net patient service revenues from March to June of 2020. Net patient revenues in fiscal year 2021 reflected efforts to resume normal operations, however, patient volumes were slow to recover, in part due to lingering safety concerns by potential patients.

Inpatient Business Activity

The District's gross inpatient revenue increased by $26.4 million (2.0 percent), from $1,334.6 million in fiscal year 2020 to $1,361.0 million in fiscal year 2021.

Table 4 presents the patient days for each year and the percentage changes:

	2021 Days	2020 Days	% Change
Specialty			
Medical/surgical	42,495	40,515	4.9 %
Critical care	7,295	6,808	7.2 %
Special care nursery	883	1,290	(31.6)%
Pediatrics	130	341	(61.9)%
Obstetrics	3,791	4,277	(11.4)%
Subtotal adult and pediatric patient days	54,594	53,231	2.6 %
Newborn	2,697	3,068	(12.1)%
Total patient days	57,291	56,299	1.8 %

Admissions decreased by 1,262 (11.9 percent) from 10,615 in fiscal year 2020 to 9,353 in fiscal year 2021, however the average length of stay increased 17.6 percent, from 4.95 to 5.82 days, resulting in an increase in adult and pediatric patient days of 1,363 (2.6 percent), as indicated in Table 4 above. The increase in the length of stay was attributable to COVID-19 cases, which generally have a higher acuity and longer length of stay, but was also seen in non-COVID patients, which points to patients having delayed seeking care.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.632 in fiscal year 2020, as compared to 1.480 in fiscal year 2020. The Medicare case mix index for the same period increased from 1.692 to 1.828. As mentioned above, this increase in acuity was seen in both COVID and non-COVID patients.

Inpatient surgeries decreased by 579 (23.9 percent), from 2,418 in fiscal year 2020 to 1,839 in fiscal year 2021. The most significant factor in this decrease was the continuing migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2019, 58 percent of joint procedures were done as inpatients; in fiscal year 2021, only 20 percent of these procedures were performed in the inpatient setting. Inpatient joint surgeries were down by 480 (57.8 percent), year over year, in fiscal year 2021 versus fiscal year 2020.

Deliveries also continued to decline, decreasing by 140 (9.2 percent), from 1,520 to 1,380.

Outpatient Business Activity

The District's gross outpatient revenue increased by $122.0 million (16.2 percent), from $754.8 million in fiscal year 2020 to $876.8 million in fiscal year 2021. While a portion of this increase was attributable to the easing of the pandemic situation, as discussed above, a major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits increased by 2,844 (5.5 percent) from 51,526 in fiscal year 2020 to 54,370 in fiscal year 2021; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU) as compared to 4,313 visits in fiscal year 2020. The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020. Routine emergency department volumes for fiscal year 2021 were down by approximately 4,000 visits.

Outpatient visits increased by 3,523 (4.2 percent) from 82,963 to 86,486 in fiscal 2021.

Outpatient surgeries performed at the hospital in fiscal year 2021 increased by 668 (37.8 percent), from 1,765 to 2,433. Outpatient joint procedures increased by 583 (69.2 percent). Outpatient catheterization lab cases increased by 54 (5.1 percent) from 1,067 to 1,121.

Outpatient visits at Washington Township Medical Foundation increased by 13,340 (7.2 percent) from 184,490 in fiscal year 2020 to 197,830 in fiscal year 2021. WTMF implemented a telehealth visit platform in early April 2020 and provided over 13,500 telehealth visits in fiscal year 2020, and almost 41,000 telehealth visits in fiscal year 2021. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccine clinic, with 66,893 vaccine visits through June 30, 2021.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.69 percent and 74.09 percent for fiscal year 2021 and 2020, respectively. The increase resulted from primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $2.6 million and $3.1 million in foregone charges related to charity care for patient services during fiscal years 2021 and 2020, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues **increased** from $42.7 million in fiscal year 2020 to $66.8 million in fiscal year 2021.

Included in the charity care totals are amounts associated with care for homeless patients. In January 2019, the State of California implemented Senate Bill 1152 (SB-1152). SB-1152 is an additional unfunded mandate requiring California hospitals to provide certain services to homeless patients, including provision of a meal, clothing and transportation services, as needed. In addition, the law also requires that these patients cannot be discharged until a residence or a social services provider is located, and has agreed to accept the patient, which can result in lengthy discharge delays.

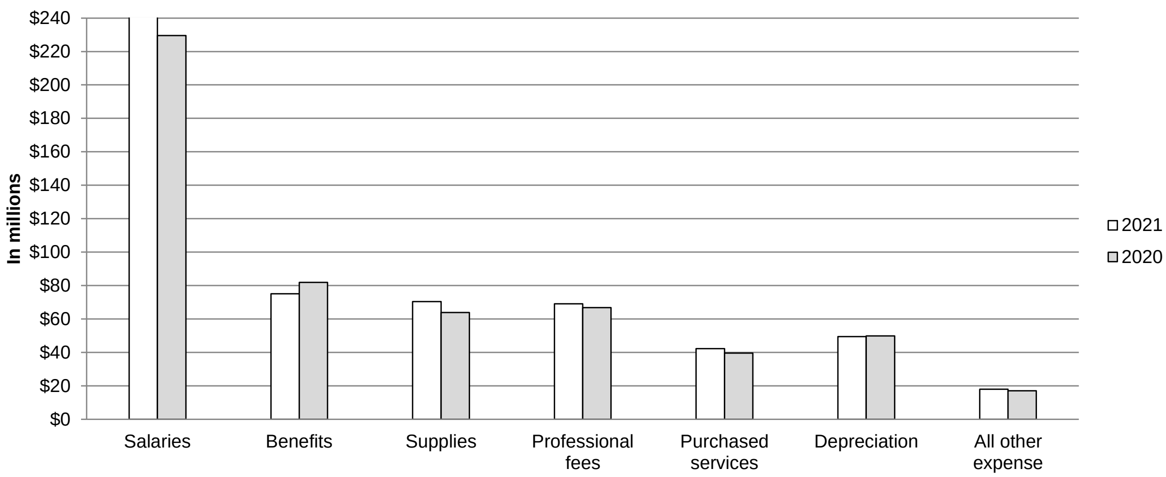
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was $68 million and $64 million in fiscal years 2021 and 2020, respectively, and uncompensated services with an estimated total cost of more than $148 million in fiscal year 2021 and $151 million in fiscal year 2020, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.95 percent in fiscal year 2021, compared to 1.97 percent in fiscal year 2020.

Operating Expenses

Total operating expenses were $565.0 million and $548.3 million for fiscal years 2021 and 2020, respectively, as summarized in the graph below:



Total operating expenses increased by 16.7 million (3.0 percent) from 2020 to 2021, with the largest dollar increase ($11.5 million) attributable to salaries and wage expense, and the next largest dollar increase attributable to supplies ($6.6 million). Benefits expense decreased by $6.7 million.

Salaries and Benefits

- Salaries and wages increased by $11.5 million (5.0 percent). As of June 2021, approximately 65 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs combined with an increase in full time equivalents from the COVID-related reduced levels in fiscal year 2020 (see below). The District considers the increases under the MOUs to be in line with the current local wage environment.

- Total District's full time equivalents (FTEs) at June 30, 2021 were 1,782 which reflects an **increase** of 35 FTEs (2.0 percent) from the 1,747 FTEs at June 30, 2020. The Hospital FTEs at June 30, 2021 were 1,499, an increase of 23 FTEs (1.6 percent) from the 1,476 FTEs at June 30, 2020. To the extent possible, during the COVID shelter-in-place period from mid-March to mid-May 2020, the District reduced staffing of non-essential personnel.

- Benefits expense decreased by $6.7 million (8.2 percent). The largest component of this decrease was pension expense which decreased by $11.6 million (56.0 percent). Pension expense declined due to recognition of deferred outflows of resources related to prior year investment performance outperforming expectations, combined with increases in current year investment gains due to the continued growth in the overall portfolio. The District's net pension obligation transitioned from a liability of $31.8 million as of June 30, 2020 to an asset of $5.2 million as of June 31, 2021.

Other Operating Expenses

- Supplies expense increased $6.6 million (10.3 percent) in fiscal year 2021. Factors contributing to this increase included fiscal year 2020 expenses being artificially lower due to COVID-related volume reductions, and fiscal year 2021 increases in costs related to personal protective equipment (PPE) caused by increased demand and global supply chain pressures, increased lab and pharmacy supply costs for COVID testing and treatment and higher inpatient days and outpatient visits.

- Depreciation decreased by $0.5 million (1.0 percent) and other expenses increased by $0.7 million (4.8 percent). Insurance expense increased by $0.3 million (13.2 percent) in fiscal year 2021 as a result of tightening in the insurance marketplace.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased $32.5 million in fiscal year 2021. The most significant changes in non-operating activity for fiscal year 2021 were the following items:

- In fiscal year 2020, the District received federal grants under the CARES Act including $28.8 million for the Hospital, $0.8 million for WTMF and $0.3 million for DEVCO. In addition, Washington Outpatient Surgery Center (WOSC) received a $1.6 million Payroll Protection Plan (PPP) forgivable loan. In fiscal year 2021, the District received an additional $2.6 million in federal grants; WOSC received an additional $1.6 million PPP loan and also received confirmation of the forgiveness of its first PPP loan.

- Net interest expense decreased by $0.7 million. Although total interest cost for fiscal year 2020 was $1.3 million less in fiscal year 2021 than in fiscal year 2020, capitalized interest for fiscal year 2021 was $0.5 million lower than the amount for fiscal year 2020, resulting in higher net interest expense.

- Bond issuance costs of $0.7 million expensed in fiscal year 2021 were related to the December 2020 refinancing of revenue bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2020.

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence) for several years beyond the year in which services were rendered and/or fees received.

Moreover, interpretation of the myriad of government regulations and other requirements is subject to a large degree of subjectivity. For example, individual reviewers or auditors might disagree on a patient's principal medical diagnosis, the medical necessity of a clinical procedure or the appropriate code for that procedure. Such disagreements might have a significant effect on the ultimate amount of reimbursement due from the government. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the District estimates the amount of revenue that will be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary from these estimates.

Health Care Reform

In 2012, the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2012 (collectively the "Affordable Care Act" or "the ACA") were signed into law. The Affordable Care Act addressed a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion was accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also included incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. The ACA has been the subject of much political debate and disagreement

During the period from 2013 through April 2020, automatic spending reduction provisions of the Budget Control Act of 2011 were in effect. These spending reductions, also known as sequestration reductions, resulted in an on-going 2.0 percent reduction in all Medicare spending. The reductions in reimbursement for fiscal years 2020 and 2019 were $1.8 million and $2.2 million, respectively. As a component of COVID-19 relief under the CARES Act, sequestration reductions were temporarily suspended effective May 1, 2020 and had not been re-instituted as of June 30, 2021. The most current information available indicates that these reductions will begin again in January 2022.

In addition to sequestration reductions, Medicare Disproportionate Share (DSH) payments to eligible hospitals were significantly reduced in 2014. DSH payments are intended to partially offset the losses that providers incur when serving a disproportionate number of Medicare beneficiaries, as compared to other providers. For fiscal years 2021 and 2020, DSH payments received were $2.7 million and $4.8 million, respectively.

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that demonstrated meaningfully use of certified electronic health record ("EHR") technology to improve quality, efficiency and patient safety. In fiscal years 2018 through 2020, revenues recognized related to Meaningful Use were not significant. Beginning in fiscal year 2018 for Medicare EHR and in fiscal year 2020 for Medi-Cal EHR, the District is no longer eligible for additional incentive funding, as the Meaningful Use Programs have entered the penalty phase. The District is compliant with all Meaningful Use requirements and has not incurred any penalties. The District will continue to be required to report on a specified list of quality measures; failure to comply with these reporting requirements will result in downward payment adjustments.

Economic Factors Expected to Affect the District's 2022 Operations

The Board of Directors of the District approved the fiscal year 2021 operating budget at their June 2021 meeting. The operating budget was developed after a review of internal and external forces, key volume indicators and trends. It was based on the best information available during a time of continuing uncertainty caused by the COVID-19 pandemic and focuses on the District's road to recovery and adaptation to a new normal. The budget incorporates the District's current Institutional Agenda as well as economic factors, such as estimated population growth and unemployment rates.

Downward pressures on reimbursement are expected to continue. In estimating net revenues for fiscal year 2022, the District has attempted to incorporate the continued effects of the changes in reimbursement from government, commercial and third party payors, based on the available information. Likewise, the future state of the Bay Area economy, which is also difficult to predict, could have a significant impact on the District's operations. Additional legislation at either the State or Federal level may affect the accuracy of many of the assumptions included in the budget estimate.

The fiscal year 2022 budget anticipates a slight increase in operating revenues combined with a slight decrease in expenditures from the fiscal year 2021 level, primarily related to pension expense. Salaries and wages are expected to remain the same, and supply costs are expected to decrease as the supply chain recovers. Insurance expenses are anticipated to increase significantly due to tightening in the insurance market for fiscal year 2022, and marketing expenses are expected to grow with the promotion of new ventures. All other expense categories are expected to increase or decrease only modestly in fiscal year 2022.

The District continues to pursue opportunities to expand services and profitability, including the new joint venture investment in the Peninsula surgery center and the continued development of the Warm Springs joint venture with UCSF.

<u>Washington Hospital Healthcare Foundation</u>

Foundation Financial Highlights for Fiscal Year 2021

- Total assets of $2.9 million at June 30, 2020 decreased by $1.9 million from the balance at June 30, 2020 of $4.8 million. Total cash and investments decreased $1.3 million, from $3.3 million to $2.0 million, while net contributions receivable decreased $0.5 million from $1.4 million to $0.9 million.

- Net position of $2.9 million at June 30, 2021 was $1.9 million lower than at June 30, 2020.

Foundation Net Position – Fiscal Year 2021

Table 5 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2021, 2020 and 2019:

(in thousands)	2021	2020	2019
Assets			
Cash and cash equivalents	$ 490	$ 1,494	$ 1,114
Short-term investments	423	308	307
Short-term investments held by District on behalf of Foundation	1,090	1,364	2,376
Contributions receivable, net	925	1,445	1,827
Prepaid expenses and other	20	60	42
Long-term investments, unrestricted	-	111	110
Total assets	$ 2,948	$ 4,782	$ 5,776
Liabilities			
Accounts payable and accrued expenses	$ -	$ -	$ -
Total liabilities	-	-	-
Net position			
Restricted - expendable	2,892	4,569	5,631
Unrestricted	56	213	145
Total net position	2,948	4,782	5,776
Total liabilities and net position	$ 2,948	$ 4,782	$ 5,776

Table 6 provides a summary of cash and investments for the Foundation as of June 30, 2021, 2020 and 2019:

(in thousands)	2021	2020	2019
Cash and cash equivalents	$ 490	$ 1,494	$ 1,114
Certificates of deposit	423	419	417
	913	1,913	1,531
Short-term investments held by District on behalf of Foundation	1,090	1,364	2,376
	$ 2,003	$ 3,277	$ 3,907

Revenue and Expense Analysis for the Foundation – Fiscal Year 2021

Table 7 shows the Foundation's changes in net position for 2021, 2020 and 2019:

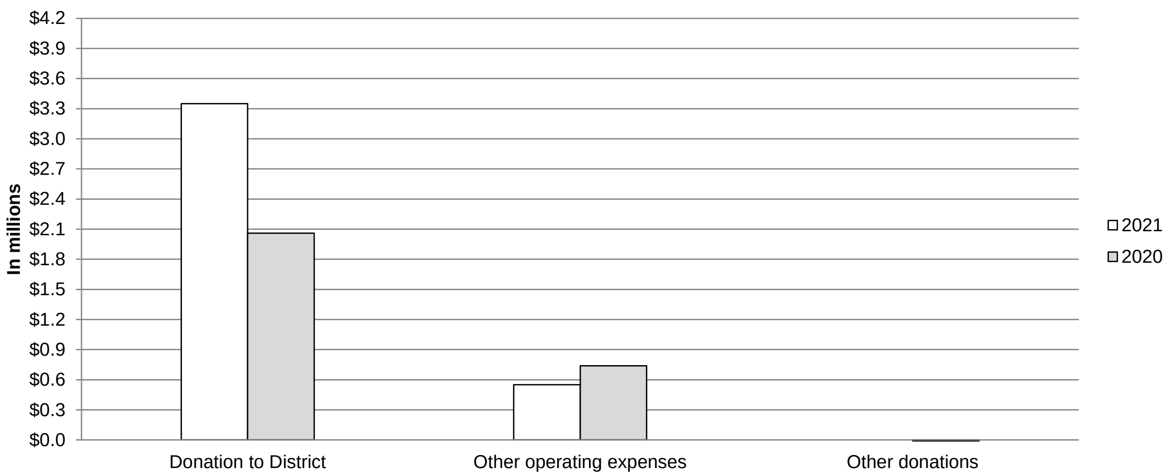
(in thousands)	2021 Total	2020 Total	2019 Total
Operating revenues			
Contributions	$ 1,342	$ 1,323	$ 1,342
Contributed services	715	425	638
Total operating revenues	2,057	1,748	1,980
Net assets released from restrictions	-	-	-
Total operating revenues	2,057	1,748	1,980
Operating expenses			
Donation to Pathways Hospice	-	-	10
Donation to Washington Hospital Service League	5	-	-
Donation to Washington Township Medical Fndn	-	-	-
Donation to District	3,345	2,056	3,025
Other operating expenses	552	735	1,103
Total operating expenses	3,902	2,791	4,138
Operating income (loss)	(1,845)	(1,043)	(2,158)
Non-operating revenues and expenses			
Investment income	11	49	53
Unrealized gain (loss) on investments	-	-	-
Total non-operating revenues and expenses	11	49	53
Increase (decrease) in net position	(1,834)	(994)	(2,105)
Net position			
Beginning of year	4,782	5,776	7,881
Transfers	-	-	-
End of year	$ 2,948	$ 4,782	$ 5,776

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased $0.3 million from $1.8 million in fiscal year 2020 to $2.1 million in fiscal year 2020. Contributions of $1.3 million in fiscal year 2021 were the same as in fiscal year 2020.

Expenses

Total expenses for the Foundation increased by $1.1 million from $2.8 million in fiscal year 2020 to $3.9 million in fiscal year 2021 (including the transfer of $1.1 million in funds designated for activities related to COVID-19 and $1.2 million additional pledge collections related to the Hyman Pavilion), as summarized in the graph below:



District Financial Highlights for Fiscal Year 2020

- The District generated an operating loss of $35.4 million for fiscal year 2020, compared with an operating loss of $12.2 million for fiscal year 2019, a decrease of $23.2 million. When non-operating income and special items are included, the District's activities resulted in a $0.3 million increase in net position for fiscal year 2020.

- Major items that impacted the District's operating results for fiscal year 2020, as compared to those for fiscal year 2019, included:

  - In fiscal year 2020, the District, along with all other healthcare providers, was greatly impacted by the COVID-19 pandemic, the most significant disruption of the healthcare system in recent memory. On March 4, 2020, the governor of California declared a State of Emergency in response to the pandemic. On March 17, 2020, Alameda County issued a shelter-in-place order and all elective and non-emergency healthcare services were cancelled.

  - The District was not able to resume elective or non-emergent services until early May 2020, at which time a phased re-opening approach was developed, with the implementation of numerous additional safety initiatives for employees and patients. The resumption of services was slowed by limitations on COVID-19 testing capacity, in addition to residual concerns by community members about the risks associated with entering the hospital facilities.

  - For the eight months ended February 2020, the District's patient days were down from the same period in fiscal year 2019 by three percent (1,365 days), while net patient revenues for the period exceeded the budget by $3.0 million and the prior year by $14.6 million. With operating expenses exceeding the budget by $2.5 million and the prior year by $16.6 million, the District's operating income for the eight month period of $1.8 million, while lower than the prior year period by $2.0 million, was favorable by $0.7 million compared to the budgeted amount. Due to the impact of COVID-19, by the end of June 2020, total net patient revenues were $19.1 million below budget and had decreased $20.8 million (4.0 percent) from fiscal year 2019, with a 13.1 percent decrease (8,019 days) in adult and pediatric patient days (53,231) compared to the prior fiscal year (61,250).

  - Total surgeries were down 2.0 percent from the prior year at the end of February and 14 percent by the end of June. Cardiac catheterizations for the eight months ended February 2020 were ahead of the numbers through February 2019 by 21.2 percent; by the end of June 2020, they were only 7.0 percent ahead of the fiscal year 2019 numbers.

  - Operating expenses increased $4.1 million (0.8 percent), primarily due to depreciation expense increasing by $6.1 million (13.9 percent) with the Morris Hyman Critical Care Pavilion (the Hyman Pavilion), which opened in November 2018, in operation for twelve months in fiscal year 2020 versus eight months in fiscal year 2019. Salaries and wages increased by $2.3 million (1.0 percent) however, benefits expense decreased by $3.8 million (4.5 percent), and supplies expense decreased by $2.0 million (3.0 percent).

  - Incremental expenses which were specific to the COVID-19 response included additional staffing in various areas: resource and registry nurses, temperature and symptom screeners at all entrances, additional environmental services staff to implement and expand disinfectant cleaning of high touch surfaces and additional laboratory staff to process COVID-19 tests. Supplies expenses for personal protective equipment (PPE) increased dramatically as the District competed with all other providers for masks, infection control gowns, and antibacterial cleaning products with scarce availability. Total incremental non-wage expenses of $1.7 million also included 1) the cost of implementing and outfitting a Rapid Screening and Treatment Unit (RSTU) as an ancillary location of the Emergency Department to segregate potential COVID-19 patients from other patients, 2) retrofitting of 57 additional patient rooms to accommodate the negative pressure requirement for COVID-19 patients, 3) reagents used to perform in-house testing and 4) send-out fees for testing not able to be performed in-house, due to limited availability of the necessary reagents.

- Under the Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the District received Medicare advance loans totaling $59 million, and Provider Relief Funding totaling $30 million. The Medicare advance loans are reflected as liabilities in due to third party payors on the statement of net position for fiscal year 2020. The Provider Relief Funding is reflected as federal grant revenue in the non-operating section of the statement of revenues, expenses and changes in net position for fiscal year 2020. In August 2020, the District received additional CARES Act provider relief funding of $1.3 million.

- In September 2020, HHS issued new reporting requirements for CARES Act provider relief funding. The new requirements stated that the District must first identify healthcare related expenses attributable to coronavirus that another source had not reimbursed. If those expenses did not exceed the funding received, the District needed to demonstrate that the remaining provider relief funding was used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. HHS would then be entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses.

- In October 2020, based on concerns raised by providers and others regarding the reporting requirements issued in September, HHS amended the reporting requirements again. The October amendment allows increased flexibility in how providers can apply provider relief funding toward lost revenues attributable to coronavirus. After reimbursing healthcare-related expenses attributable to coronavirus that were unreimbursed by other sources, providers may now use remaining provider relief funding to cover any lost revenue, measured as a negative change in year-over-year actual revenue from patient care related sources.

- Due to the continuing evolution of the reporting requirements there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funding recognized by the District may change in future periods.

Analysis of the District's Net Position – Fiscal Year 2020

- Total assets increased $55.9 million, from $1,087.0 million at June 30, 2019 to $1,142.9 million at June 30, 2020. Total available cash and investments increased $88.0 million, from $250.5 million to $338.5 million. Bond drawdowns, to reimburse construction-related payments, resulted in a decrease in unexpended capital bond funds of $7.8 million. Capital assets, net, decreased $41.1 million, from $738.8 million to $697.8 million.

- In March 2020, the District, with the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building was most recently used for manufacturing and includes approximately 30,000 square feet of office space. The District and UCSF anticipate forming a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District will be the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The investment in this venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2020.

- Total liabilities increased $35.2 million, from $772.5 million at June 30, 2019 to $807.6 million at June 30, 2020. Current liabilities increased by $65.6 million from $105.0 million to $170.5 million. The primary contributor to both of these increases was the Medicare payment advance loans of $59 million, repayment of which was originally scheduled to begin in August 2020, but which has been postponed by the federal government pending further review. This repayment will take the form of offsets against future payments due for services provided to Medicare patients. Within total liabilities, the impact of the Medicare advance loans was offset by a reduction in net pension liability of $31.7 million, which was primarily attributable to higher than projected investment returns on pension assets for fiscal year 2020.

- Total net position of $337.4 million at June 30, 2020 was $0.3 million more than the net position of $337.1 million at June 30, 2019.

Capital Assets, Net (2020)

Capital assets, net, decreased $41.0 million, from $738.8 million at June 30, 2019 to $697.8 million at June 30, 2020. This decrease resulted from $11.1 million in capital additions and $0.2 million in net capitalized interest expense, offset by $51.9 million in depreciation and a $0.4 million net loss on disposal of capital assets. The net capital additions included $13.0 million in equipment, building, and land improvements combined with a decrease of $2.0 million in construction in progress. At June 30, 2020, outstanding commitments related to capital projects totaled $0.5 million.

Debt Administration (2020 and 2019)

As part of the obligations under the bond indentures for the 2009, 2010, 2015, 2017A, 2017B and 2019 Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2020, the Hospital's long-term debt service coverage ratio was 4.7 to 1.0. For the year ended June 30, 2019, the Hospital's long-term debt service coverage ratio was 3.5 to 1.0. During the year ended June 30, 2019, the Moody's credit rating for the Hospital's revenue bonds was Baa1 (outlook negative). During the year ended June 30, 2020, the rating was downgraded to Baa2 (outlook negative) due to weak operating cash flow projections for fiscal year 2020, based on activity through December 2019.

The Hospital's percentage of debt-to-capitalization, excluding general obligation bonds, of 29.6 percent at June 30, 2020, was lower than the percentage of 30.7 percent at June 30, 2019. The decrease in percentage reflects the combined effect of the $0.4 million reduction in outstanding debt, excluding general obligation bonds, and the $25.0 million increase in the Hospital's net position.

Revenue and Expense Analysis for the District – Fiscal Year 2020

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 70 percent of the District's gross revenues. Commercial preferred provider organizations (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues decreased by $20.8 million (4.0 percent), from $520.3 million in fiscal year 2019 to $499.5 million in fiscal year 2020. COVID-19 was the most significant factor in this decrease, and unless otherwise indicated, accounts for the declines in the specific areas below. Another major factor which impacted both inpatient and outpatient net patient revenues in fiscal year 2020 was related to joint replacements. Over the past several years, Medicare has moved certain joint replacement procedures, which have historically been considered "inpatient-only", to the outpatient setting, with associated reductions to the reimbursement for these procedures. In 2018, total knee replacements were transitioned off the inpatient only list, and in 2020, total hip replacements were also removed from the list. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule.

Inpatient Business Activity

The District's gross inpatient revenue decreased by $161.0 million (10.8 percent), from $1,495.6 million in fiscal year 2019 to $1,334.6 million in fiscal year 2020.

Table 4 presents the patient days for each year and the percentage changes:

	2020 Days	2019 Days	% Change
Specialty			
Medical/surgical	40,515	47,364	(14.5)%
Critical care	6,808	7,742	(12.1)%
Special care nursery	1,290	1,319	(2.2)%
Pediatrics	341	378	(9.8)%
Obstetrics	4,277	4,447	(3.8)%
Subtotal adult and pediatric patient days	53,231	61,250	(13.1)%
Newborn	3,068	3,238	(5.3)%
Total patient days	$ 56,299	$ 64,488	(12.7)%

Admissions decreased by 1,369 (11.4 percent) from 11,984 in fiscal year 2019 to 10,615 in fiscal year 2020 and the average length of stay decreased 2.0 percent, from 5.05 to 4.95 days, resulting in a decrease in adult and pediatric patient days of 8,019 (13.1 percent), as indicated in Table 4 above.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.480 in fiscal year 2020, as compared to 1.463 in fiscal year 2019. The Medicare case mix index for the same period increased from 1.628 to 1.692.

Inpatient surgeries decreased by 384 (13.7 percent), from 2,802 in fiscal year 2019 to 2,418 in fiscal year 2020. Inpatient joint surgeries were down by 24 (3.5 percent), year over year, as of the end of February 2020.

Inpatient catheterization lab procedures increased by 340 (14.4 percent), from 2,360 to 2,700 in fiscal year 2019 and 2020, respectively. The District's expansion of its interventional radiology program, in fiscal year 2020, accounts for this increase, despite the impact of COVID-19.

Deliveries decreased by 22 (1.4 percent), from 1,542 to 1,520.

Outpatient Business Activity

The District's gross outpatient revenue increased by $6.5 million (0.9 percent), from $748.3 million in fiscal year 2019 to $754.8 million in fiscal year 2020. COVID-19 also significantly impacted outpatient volumes, and unless otherwise indicated, accounted for the declines in the activity measures below.

Despite the declines in outpatient volumes, gross outpatient revenue increased, in part due to the movement of certain joint procedures from the inpatient to the outpatient setting, as discussed above.

Emergency room visits decreased by only 196 (0.4 percent) from 51,722 in fiscal year 2019 to 51,526 in fiscal year 2020; however the fiscal year 2020 total includes 4,313 visits to the Rapid Screening and Treatment Unit (RSTU) which was mobilized outside of the main Emergency Department to manage COVID-19 intake activities. Routine emergency department volumes were down by approximately 4,500 visits.

Outpatient visits decreased by 7,143 (7.9 percent) from 90,106 to 82,963 in fiscal 2020. Through the end of February 2020, these visits were projected to exceed fiscal year 2019 volumes by 9.2 percent.

Outpatient surgeries performed at the hospital in fiscal year 2020 increased by 9 (0.5 percent), from 1,756 to 1,765. Through the end of February 2020, these volumes were projected to exceed fiscal year 2019 volumes by 10.2 percent, with outpatient joint replacement surgeries exceeding fiscal year 2019 by 22.2 percent, due to CMS removing some of them from the inpatient-only category. By the end of fiscal year 2020, outpatient joint replacement surgeries exceeded those for fiscal year 2019 by 95 (12.7 percent). Outpatient catheterization lab procedures decreased by 10 (0.5 percent) from 1,838 to 1,828. The District's expansion of its interventional radiology program, in fiscal year 2020, accounts for this volume decreasing only nominally, despite the impact of COVID-19.

Outpatient visits at Washington Township Medical Foundation decreased by 7,065 (3.7 percent) from 191,555 in fiscal year 2019 to 184,490 in fiscal year 2020. Prior to COVID-19, these visits were projected to exceed fiscal year 2019 by seven percent. Management quickly implemented a telehealth visit platform in early April 2020. WTMF provided over 13,500 telehealth visits in fiscal year 2020, which partially offset the loss of revenue from in-person visits.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.09 percent and 74.57 percent for fiscal year 2020 and 2019, respectively. The decrease resulted from modest increases in Medicare and Medi-Cal inpatient payment rates.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $3.1 million and $2.7 million in foregone charges related to charity care for patient services during fiscal years 2020 and 2019, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues decreased to $42.7 million in fiscal year 2020 from $54.2 million in fiscal year 2019.

Included in the charity care totals are amounts associated with care for homeless patients. In January 2019, the State of California implemented Senate Bill 1152 (SB-1152). SB-1152 is an additional unfunded mandate requiring California hospitals to provide certain services to homeless patients, including provision of a meal, clothing and transportation services, as needed. Even more onerous than these requirements, however, is the requirement that these patients cannot be discharged until a residence or a social services provider is located, and has agreed to accept the patient, which can result in lengthy discharge delays.

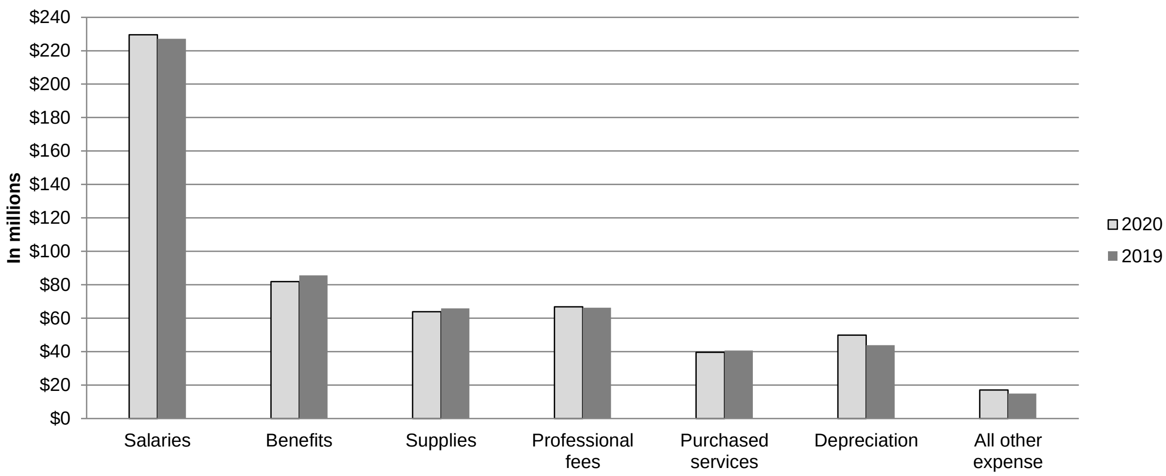
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was $64 million and $67 million in fiscal years 2020 and 2019, respectively, and uncompensated services with an estimated total cost of more than $151 million in fiscal year 2020 and $150 million in fiscal year 2019, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.97 percent in fiscal year 2020, compared to 2.22 percent in fiscal year 2019. The single largest contributing factor to this decrease was a decline in high dollar account write-offs in fiscal year 2020.

Operating Expenses

Total operating expenses were $548.3 million and $544.2 million for fiscal years 2020 and 2019, respectively, as summarized in the graph below:



Total operating expenses increased by 4.1 million (0.8 percent) from 2019 to 2020, with the largest dollar increase ($6.1 million) attributable to depreciation expense, and the next largest dollar increase attributable to salaries and wages ($2.3 million). Benefits expense decreased by $3.8 million and supplies expense decreased by $2.0 million.

Salaries and Benefits

- Salaries and wages increased by $2.3 million (1.0 percent). As of June 2020, approximately 65 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs offset by a decrease in full time equivalents (see below). The District considers the increases under the MOUs to be in line with the current local wage environment.

- Total District's full time equivalents (FTEs) at June 30, 2020 were 1,747 which reflects a decrease of 13 FTEs (0.7 percent) from the 1,760 FTEs at June 30, 2019. The Hospital FTEs at June 30, 2020 were 1,476, a decrease of eight FTEs (0.5 percent) from the 1,484 FTEs at June 30, 2019. To the extent possible, during the COVID shelter-in-place period from mid-March to mid-May 2020, the District reduced staffing of non-essential personnel, however additional staffing was needed for resource nurses to monitor donning and doffing of personal protective equipment for those caring for COVID patients, for pre-entry temperature and symptom screening of employees and patients, for increased facility cleaning efforts, and various other activities.

- Benefits expense decreased by $3.8 million (4.5 percent). The two largest components of this decrease were health insurance claims costs which decreased by $1.8 million (5.6 percent) and pension expense which also decreased by $1.8 million (8.2 percent). Health insurance claims were reduced by lower demand and access to services by our benefited employees during the shelter-in-place period, and were further reduced by stop loss reimbursements on several individually large claims in fiscal year 2020. Pension expense declined due to improved investment performance, offset by a reduction in the discount rate used to value future liabilities.

Other Operating Expenses

- Supplies expense decreased $2.0 million (3.0 percent) in fiscal year 2020, despite additional expenditures for PPE, due to reductions in the provision of services deemed non-essential. Expenses for prosthetics and implants, which declined by $1.8 million due to lower surgical volumes, accounted for the majority of the decrease. Depreciation increased by $6.1 million (13.9 percent) and insurance expense increased by $0.3 million (17.2 percent) in fiscal year 2020. These increases were associated with the the Hyman Pavilion's being operational for all twelve months of fiscal year 2020, versus only eight months in fiscal year 2019.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, increased $27.3 million in fiscal year 2020. The most significant changes in non-operating activity for fiscal year 2020 were the following items:

- As discussed above, in fiscal year 2020, the District received federal grants under the CARES Act including $28.8 million for the Hospital, $0.8 million for WTMF and $0.3 million for DEVCO. In addition, Washington Outpatient Surgery Center (WOSC) received a $1.6 million Payroll Protection Plan (PPP) forgivable loan. WOSC expects the full amount of this loan to be forgiven, however, GASB guidance precludes recognition of this amount as revenue until confirmation of the forgiveness is received, which has not yet occurred.

- Net interest expense increased by $4.5 million. Although total interest cost for fiscal year 2020 was $1.8 million less in fiscal year 2020 than in fiscal year 2019, capitalized interest for fiscal year 2020 was $6.3 million lower than the amount for fiscal year 2019, resulting in higher net interest expense. In November 2018, the Hyman Pavilion construction project was placed in service which reduced the amount of interest capitalized to construction projects. The District's construction projects were reduced to $7.4 million at June 30, 2020 from $10.4 million at June 30, 2019.

- Bond issuance costs of $0.9 million expensed in fiscal year 2019 were related to the July 2, 2019 refinancing of revenue and general obligation bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2020.

<u>Washington Hospital Healthcare Foundation</u>

Foundation Financial Highlights for Fiscal Year 2020

- Total assets of $4.8 million at June 30, 2020 decreased by $1.0 million from the balance at June 30, 2019 of $5.8 million. Total cash and investments decreased $0.6 million, from $3.9 million to $3.3 million, while net contributions receivable decreased $0.4 million from $1.8 million to $1.4 million.

- Net position of $4.8 million at June 30, 2020 was $1.0 million lower than at June 30, 2019.

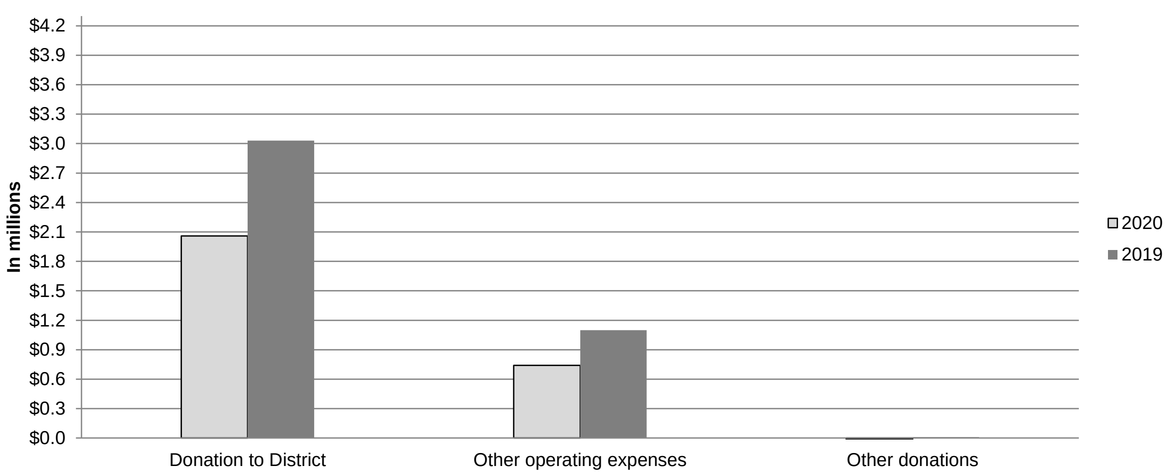
Revenue and Expense Analysis for the Foundation – Fiscal Year 2020

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues decreased $0.2 million from $2.0 million in fiscal year 2019 to $1.8 million in fiscal year 2020. Contributions of $1.3 million in fiscal year 2020 were the same as in fiscal year 2019.

Expenses

Total expenses for the Foundation decreased by $1.4 million from $4.2 million in fiscal year 2019 to $2.8 million in fiscal year 2020 (including the transfer of $1.2 million in funds designated for equipment for the Hyman Pavilion), as summarized in the graph below:



Washington Township Health Care District
Statements of Net Position
June 30, 2021 and 2020

(in thousands)	District 2021	District 2020	Foundation 2021	Foundation 2020
Assets				
Current assets				
Cash and cash equivalents	$ 40,697	$ 72,035	$ 490	$ 1,494
Short-term investments	30,584	31,608	423	308
Short-term investments held by District on behalf of Foundation	-	-	1,090	1,364
Patient accounts receivable, less allowance for estimated uncollectibles of $40,885 and $26,940 in 2021 and 2020, respectively	84,653	68,256	-	-
Contributions receivable, net	-	-	114	235
Supplies	4,264	4,146	-	-
Other receivables	5,681	10,278	-	-
Prepaid expenses and other	6,787	6,105	20	60
Total current assets	172,666	192,428	2,137	3,461
Long-term investment and restricted funds				
Board-designated for capital, debt and workers' compensation	224,735	221,786	-	-
Held by trustee	9,443	13,052	-	-
Restricted funds	42	42	-	-
Unrestricted	-	-	-	111
Capital assets, net	666,557	697,785	-	-
Other assets				
Prepaid pension costs	5,161	-	-	-
Contributions receivable, net	-	-	811	1,210
Other noncurrent assets	16,787	17,765	-	-
Total assets	1,095,391	1,142,858	2,948	4,782
Deferred outflows of resources				
Deferred outflows of resources - goodwill	2,689	3,361	-	-
Deferred outflows of resources - postemployment medical benefits (OPEB)	9,336	10,122	-	-
Deferred outflows of resources - pension	34,726	52,182	-	-
Total deferred outflows	46,751	65,665	-	-
Total assets and deferred outflows of resources	$ 1,142,142	$ 1,208,523	$ 2,948	$ 4,782
Liabilities and Net Position				
Current liabilities				
Current portion of long-term debt	$ 11,550	$ 9,856	$ -	$ -
Accounts payable and accrued expenses	26,091	22,474	-	-
Due to foundation	1,091	1,364	-	-
Due to third party payors and deferred revenue	61,668	67,441	-	-
Accrued liabilities				
Payroll related	15,451	14,994	-	-
Vacation	19,451	16,425	-	-
Health benefits	4,519	5,300	-	-
Interest	10,597	11,247	-	-
Other	20,513	21,444	-	-
Total current liabilities	170,931	170,545	-	-
Long-term liabilities				
Workers' compensation claims	5,987	6,615	-	-
Net pension liability	-	31,798	-	-
Net postemployment medical benefits (OPEB)	40,419	42,578	-	-
Long-term debt, net of current maturities	220,969	224,105	-	-
Long-term debt, general obligation bonds	328,564	331,992	-	-
Total long-term liabilities	595,939	637,088	-	-
Total liabilities	766,870	807,633	-	-
Deferred inflows of resources				
Deferred inflows of resources - postemployment medical benefits (OPEB)	17,530	21,280	-	-
Deferred inflows of resources - pension	47,744	42,217	-	-
Total deferred inflows	65,274	63,497	-	-
Net position				
Net investment in capital assets	112,116	142,756	-	-
Restricted - expendable	30,005	29,301	2,892	4,569
Restricted for minority interest - nonexpendable	4,528	3,666	-	-
Unrestricted	163,349	161,670	56	213
Total net position	309,998	337,393	2,948	4,782
Total liabilities, deferred inflows of resources and net position	$ 1,142,142	$ 1,208,523	$ 2,948	$ 4,782

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

(in thousands)	District 2021	District 2020	Foundation 2021	Foundation 2020
Operating revenues				
Net patient service revenues	$ 522,079	$ 499,516	$ -	$ -
Other	11,534	13,403	-	-
Contributions	-	-	1,342	1,323
Contributed services	-	-	715	425
Total operating revenues	533,613	512,919	2,057	1,748
Operating expenses				
Salaries and wages	240,958	229,485	-	-
Employee benefits	75,075	81,813	-	-
Supplies	70,407	63,811	-	-
Professional fees	68,998	66,844	-	-
Purchased services	42,245	39,499	-	-
Depreciation	49,416	49,931	-	-
Insurance	2,265	2,001	-	-
Donations	-	-	3,350	2,056
Other operating expenses	15,631	14,912	552	735
Total operating expenses	564,995	548,296	3,902	2,791
Operating income (loss)	(31,382)	(35,377)	(1,845)	(1,043)
Non-operating revenues and expenses				
Federal grant revenue	4,069	29,948	-	-
Investment income	3,163	3,897	11	49
Net increase (decrease) in the fair value of investments	(2,041)	4,346	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(21,554)	(22,298)	-	-
Property tax revenue	17,317	17,026	-	-
Bond issuance costs	(718)	-	-	-
Other non-operating income	1,757	1,539	-	-
Total non-operating revenues and (expenses), net	1,993	34,458	11	49
Increase (decrease) in net position before other changes	(29,389)	(919)	(1,834)	(994)
Minority interest - additional contributions from	551	-	-	-
Minority interest - distributions to	(611)	(795)	-	-
Special use grant	-	1	-	-
Contributions used for capital expenditures	2,054	1,990	-	-
Increase (decrease) in net position after other changes	(27,395)	277	(1,834)	(994)
Net position				
Beginning of year	337,393	337,116	4,782	5,776
End of year	$ 309,998	$ 337,393	$ 2,948	$ 4,782

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

(in thousands)	District 2021	District 2020
Cash flows from operating activities		
Cash received from patient service activities	$ 505,682	$ 507,312
Other cash receipts	11,534	13,403
Cash payments to suppliers	(197,459)	(124,673)
Cash payments to employees and employee benefit programs	(331,758)	(314,158)
Net cash provided by (used in) operating activities	(12,001)	81,884
Cash flows from noncapital financing activities		
Donation from Foundation to District	1,188	66
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC	551	-
Net assets distributed to minority shareholders in Washington Outpatient Surgery Center, LLC	(611)	(795)
Morris Hyman Critical Care Pavilion Transition	-	-
Federal grant revenue	4,069	29,948
Net cash provided by (used in) noncapital financing activities	5,197	29,219
Cash flows from capital and related financing activities		
Purchases of capital assets	(21,338)	(13,047)
Proceeds on sale of capital assets	-	164
Donation from Foundation to District	2,054	1,990
Principal paid on debt	(12,208)	(14,202)
Interest paid on debt	(25,057)	(25,851)
Proceeds from debt issuance, net of issuance costs	9,055	11,662
Proceeds from property taxes levied by the County	17,960	17,604
Net cash provided by (used in) capital and related financing activities	(29,534)	(21,680)
Cash flows from investing activities		
Purchases of investments	(234,421)	(300,481)
Sales of investments	233,860	253,493
Investment income	3,459	4,519
Purchase of interest in equity investments	(484)	(13,697)
Other non-operating income received	2,586	3,443
Net cash provided by (used in) investing activities	5,000	(52,723)
Net increase (decrease) in cash and cash equivalents	(31,338)	36,700
Cash and cash equivalents		
Beginning of year	72,035	35,335
End of year	$ 40,697	$ 72,035
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income (loss)	$ (31,382)	$ (35,377)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	49,416	49,931
Loss on disposal of fixed assets	18	254
Provision for doubtful accounts	43,691	41,152
Amortization of goodwill	672	672
Pension funding	(23,100)	(23,100)
Postemployment medical benefits (OPEB) funding	(6,046)	(4,891)
Net change in deferred outflows and inflows	10,047	21,288
Changes in assets and liabilities		
Accounts receivable	(60,088)	(33,356)
Supplies, prepaid expenses, and other current assets	3,563	(4,255)
Other assets	1,666	1,289
Due to foundation	(273)	(1,012)
Due from/to third party payors	(5,773)	63,933
Accounts payable and accrued expenses	5,088	(1,448)
Payroll, vacation, and health accrued liabilities	2,702	3,171
Other liabilities	(2,202)	3,633
Net cash provided by (used in) operating activities	$ (12,001)	$ 81,884
Noncash transactions		
Capitalized interest	$ 275	$ 845
Accounts payable and accrued expenses for capital assets	833	2,349
Proceeds from bond issuances deposited in irrevocable escrow accounts	46,320	52,497
Capitalized Leases	188	-

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2020 and 2019[1]

(in thousands)	2020 Pension and OPEB Trust Funds	2019 Pension and OPEB Trust Funds
Assets		
Cash and cash equivalents	$ 2,085	$ 1,949
Investments at fair value:		
Mutual Funds	-	-
Fixed Income Funds	136,433	164,971
Domestic Equity Funds	144,971	123,473
International Equity Funds	102,317	92,020
Commodity Funds	26,642	3,592
Real Estate Funds	26,923	4,199
Infrastructure funds	8,764	-
Total investments	446,050	388,255
Total assets	448,135	390,204
Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	-	-
Total liabilities	-	
Net position		
Restricted for:		
Pensions	430,112	377,329
OPEB	18,023	12,875
Total liabilities and net position	$ 448,135	$ 390,204

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2020 and 2019[1]

(in thousands)	2020 Pension and OPEB Trust Funds	2019 Pension and OPEB Trust Funds
Additions		
Contributions:		
Members	$ 1,919	$ 1,655
Employers	26,400	26,400
Total contributions	28,319	28,055
Investment earnings		
Net increase in fair value of investments	$ 39,537	$ 49,734
Interest, dividends, and other	10,158	11,347
Total investment earnings	49,695	61,081
Less investment costs:		
Investment activity costs	181	202
Net investment earnings	49,514	60,879
Total additions	77,833	88,934
Deductions		
Benefits paid to participants or beneficiaries	19,623	18,145
Medical, dental, and life insurance for retirees	-	-
Administrative expense	279	275
Total deductions	19,902	18,420
Net increase (decrease) in fiduciary net position	57,931	70,514
Net position - beginning	390,204	319,690
Net position - ending	$ 448,135	$ 390,204

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

District

Washington Township Health Care District (the District) is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency (Local Agency). It is exempt from federal and state income taxes. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portions of the city of Hayward and the unincorporated area known as Sunol.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public. The DEVCO Board is appointed by the District's Board. DEVCO contractually operates a radiation oncology center and also operates an outpatient rehabilitation center and an urgent care clinic. On July 1, 2010, DEVCO purchased a controlling interest in the Washington Outpatient Surgery Center, LLC (WOSC) and has blended its financial statements since this date. DEVCO is considered a component unit of the District, and is blended in the District's financial statements based on the extent of District management's involvement in, and oversight of, DEVCO's operations and financial activity.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed on November 1, 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is considered a component unit of DEVCO, and is included in the DEVCO component unit of the District's financial statements based on the extent of District and DEVCO management's involvement and oversight of WTMF's operations and financial activity.

In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2021, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements. The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO and WTMF. All significant inter-company accounts and transactions have been eliminated in the financial statements.

Foundation

Washington Hospital Healthcare Foundation (the Foundation), founded in 1982, is a California non-profit corporation exempt from federal and state income tax. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Accordingly, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation at 2000 Mowry Avenue, Fremont, CA 94538.

Accounting Standards

District

Pursuant to Government Accounting Standards Board ("GASB") Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements, the accompanying financial statements have been prepared in accordance with the codified pronouncements and all subsequent applicable GASB pronouncements.

Foundation

As a private non-profit organization, the Foundation reports under the Financial Accounting Standards Board (FASB) standards, including generally accepted accounting principles for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. For purposes of the District's financial statements, the Foundation's financial statements have been conformed to GASB presentation.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The District's most significant estimates relate to patient accounts receivable allowances, amounts due to third-party payors, self-insurance liabilities and employee benefit costs. Estimates related to employee benefit costs include actuarial estimates of pension and OPEB obligations. The Foundation's most significant estimates relate to allowances for uncollectible pledges and net present value of contributions receivable. Actual results may differ from those estimates.

Proprietary Fund Accounting

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and financial statements are prepared using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments with an original maturity of three months or less. Cash equivalents held in short-term investments and long-term investment and restricted funds are treated as investments and are not included in cash and cash equivalents on the Statement of Cash Flows.

Due to the District's status as a Local Agency, amounts in the District's deposit accounts are considered to be public funds, which, by State statute, are required to be collateralized, with pledged securities, by the depository bank. The value of the pledged securities, in addition to the deposit insurance provided by the Federal Deposit Insurance Corporation, equals or exceeds the District's carrying value. Collateral is held by the depository bank's trust department in the name of the District.

Contributed Services

Certain general and administrative support to the Foundation is provided by the District. The value of the services is recorded as a contribution to the Foundation and an equivalent amount is included in operating expense of the District.

Contributions Received
Contributions are recognized by the Foundation as revenues in the period received.

Promises to Give
The Foundation records unconditional promises to give that are expected to be collected within one year in contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using rates representative of market participants' perspectives. Among other things, this takes into consideration when the promise to give is expected to be collected, past collection experience, the Foundation's policy on enforcing promises to give, and creditworthiness of the donor. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Donations Granted
Donations granted by the Foundation are recognized as expenses in the period made and as decreases of assets or increases of liabilities, depending on the form of benefits given. Donations received from the Foundation for capital expenditures are recognized as other changes in net position, or as other non-operating income, depending on the stated purpose of the donation.

Supplies
The inventory of supplies is valued on a first-in, first-out basis.

Long-Term Investment and Restricted Funds
Long-term investments and restricted funds are invested in corporate debt securities, United States Treasury bonds and government agency debt issues. These investments are measured at fair value, which is determined based upon quoted market prices. These investments are exposed to various risks, such as interest rate, market and credit risks. Investments set aside for future capital improvements, or for funding insurance are considered to be Board-designated funds. These and other investments, whose use has been limited by financial arrangements, are classified as long- or short-term investment funds. Investments whose use by the District has been limited by Foundation donors to a specific time period or purpose are classified as restricted funds.

Capital Assets
Capital assets are recorded at cost. District assets with an original cost of $500 or more are considered capital assets. Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciable lives by property classification are as follows:

Land improvements	2-25 years
Buildings	10-40 years
Equipment	3-20 years

Interest income and cost incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of acquiring those assets.

Deferred Inflows and Outflows of Resources
In addition to assets, liabilities and net position, the statement of financial position includes separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow represents a consumption or use of net position, applicable to a future period that will not be recognized as an outflow (expense) until that future period. Similarly, a deferred inflow represents an acquisition of net position, applicable to a future period that will not be recognized as an inflow (revenue) until that future period. The District has deferred outflows of resources related to goodwill (described further under Business Combinations and Goodwill below), and both deferred inflows and deferred outflows of resources related to pension and other postemployment medical benefits (OPEB) both of which are described further under Note 10, Employee Benefit Plans.

Business Combinations and Goodwill
The goodwill is associated with the July 2010 purchase of a controlling interest in the WOSC and was assigned a life of fifteen years. *Other operating expenses* for fiscal years 2021 and 2020 each include annual expense of $0.7 million for amortization of this goodwill.

Within the Statements of Net Position, unamortized goodwill is reflected in *Deferred outflows of resources – goodwill*.

In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2021, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

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 illnesses; natural disasters; employee health, dental, and accident claims; and medical malpractice. The District utilizes both commercial insurance and self-insurance for claims arising from such matters. The District is self-insured with excess insurance above specified retention amounts for workers' compensation claims, health, vision and dental claims. The District has commercial insurance coverage for professional and general liability, directors' and officers' liability, and property damage claims.

Self-Insurance Plans
The District is self-insured for workers' compensation benefits for employees, up to a specified retention amount. An actuarial estimate of future claims payments, up to the retention amount, are accrued as a long-term liability. This estimate is based on the expected, undiscounted payments. Assets have been set aside for future payments of workers' compensation benefits, related expense, and the cost of administering the plan. These assets are classified as long-term investment funds in the accompanying financial statements.

The District provides eligible employees with health, vision and dental benefits through self-insured programs administered by Blue Shield, Vision Service Plan and Delta Dental, respectively. The accrued liabilities for claims arising from these programs are estimated based upon annual actuarial reviews and are recorded at the expected, undiscounted amounts.

The District is a member of and participates in a professional and general liability and also directors' and officers' liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

The District's BETA professional and general liability insured program is on a "claims-made" basis, with a deductible and $40 million limits. The District converted coverage for these liabilities from occurrence-based to claims-made on July 1, 2004. The District records actuarially-determined liabilities related to this coverage for 1) deductible amounts for currently open claims, 2) tail liability (based on claims associated with occurrences subsequent to July 1, 2004), and 3) unreported claims from occurrences prior to July 1, 2004 (subject to the deductible limit). The accrued liabilities are recorded at the expected, undiscounted amounts.

Net Position

Net position is composed of the following categories:

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable

Net position, whose use is subject to externally-imposed restrictions that can be fulfilled by actions of the District, pursuant to those restrictions, or that expire by the passage of time.

Restricted for Minority Interest – Nonexpendable

Net position of a legally separate organization attributable to other participants. In July 2010, the District acquired the WOSC and concurrently sold a minority interest in the entity to area physicians. During fiscal year 2021, the WOSC operations generated an operating gain of $0.6 million. Also during fiscal 2021, the WOSC submitted, and received approval for, forgiveness of $1.6 million in Payroll Protection Program (PPP) loans, which has been reflected in Federal grant revenue in the statement of revenues, expenses and changes in net position. Additionally, during fiscal year 2021, the WOSC received a second PPP loan in the amount of $1.6 million, which has not been forgiven as of June 30, 2021 and which is reflected as due to government in current liabilities. The District distributed a portion of the minority interest's share of 2020 earnings in fiscal year 2021.

Unrestricted

Net position that is neither restricted nor included in net investment in capital assets. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

When an expense is incurred where both restricted and unrestricted net positions are available for use, the restricted net position is applied first.

Concentration of Credit Risk

District

Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash equivalents and patient accounts receivable.

The District invests its cash and cash equivalents in highly rated financial instruments including insured deposits and the Local Agency Investment Fund (LAIF). All of the District's investments, including assets held by trustees, are collateralized and/or are held by the District, or its agent, in the District's name. Other than U.S. Treasury obligations, LAIF funds, and money market mutual funds, there is no significant concentration in one investment or group of similar investments.

The District's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the District's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Reimbursements from the Medicare program accounted for approximately 26 percent and 25 percent of the District's net patient service revenues for the fiscal years ended June 30, 2021 and 2020, respectively. Medicare (16.2 percent) and Blue Cross Prudent Buyer (13.3 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2021. The District maintains an allowance for doubtful accounts based on the expected collectability of patient accounts receivable.

Foundation
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash equivalents and pledged contributions receivable.

The Foundation invests its cash and cash equivalents in highly rated financial instruments including insured deposits. The District holds a portion of the Foundation assets in the District's LAIF account.

The Foundation maintains an allowance for uncollectible pledges based on the expected collectability of pledges. The Foundation had 44 donor pledges, with the largest individual pledge representing approximately 48.4 percent of the total pledge receivable balance, as of June 30, 2021. The Foundation had 157 donor pledges, with the largest individual pledge representing approximately 37.1 percent of the total pledge receivable balance, as of June 30, 2020.

Statements of Revenues, Expenses, and Changes in Net Position
For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions, which include federal grant revenues, property tax revenues, interest expense, investment income, changes in unrealized gains and losses, rental income and bond issuance costs are reported as non-operating revenues and expenses.

Net Patient Service Revenues
Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Reimbursement from third-party payors under various methodologies is based on the level of care provided. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, increased net patient service revenues by approximately $1.5 million in fiscal year 2021 and approximately $6.1 million in fiscal year 2020.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change.

Charity Care
The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenues. The District subsidizes the cost of treating patients who are on governmental assistance, where reimbursement is below cost.

Other Revenues
Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. Amounts recorded for the PRIME program were $2.4 million and $3.6 million in fiscal years 2021 and 2020, respectively.

Interest Income and Expense
Interest expense on debt issued for construction projects and income earned on the funds held pending use are capitalized until the projects are placed in service and are depreciated over the estimated useful life of the asset.

Impairment of Long-Lived Assets
The District is required to evaluate prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no impairment losses in fiscal years 2021 and 2020.

Income Taxes
District
The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

Foundation
The Foundation is a California non-profit corporation; exempt from federal and state income tax as a 501(c) (3) organization.

Federal Grant Revenue
In fiscal year 2021, the District received CARES Act provider relief funding of $2.5 million in general provider distributions and the WOSC received approval of its application for forgiveness of $1.6 million in funding received in fiscal year 2020 under the Cares Act Payroll Protection Program (PPP). The District recognized both of these amounts ($4.0 million total) as fiscal year 2021 revenue based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2021.

In fiscal year 2020, the District received CARES Act provider relief funding of $29.9 million. This amount included $19.4 million in funding attributable to a targeted distribution for safety net hospitals and $10.5 million in general provider distributions. The District recognized the $29.9 million in CARES Act funding as revenue in fiscal year 2020, based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2020.

Due to the continuing evolution of the reporting requirements, there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funding recognized by the District may change in future periods.

Property Tax Revenue
The District receives property taxes that are assessed by Alameda County for the service of the general obligation bond principal and interest payments. The District records these revenues as non-operating income.

Contributions used for Capital Items
Donations received that are restricted as to use, and have been used, for the purchase of capital items are reported as other changes to net position.

New Accounting Pronouncements

Pending Adoption
In June 2017, the GASB issued Statement No. 87, *Leases*, effective for financial statements for periods beginning after June 15, 2021 (fiscal year 2022 for the District), with earlier adoption encouraged. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For the District, these changes are expected to primarily impact the accounting for real property leases.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period,* effective for financial statements for periods beginning after December 15, 2020 (fiscal year 2022 for the District), with earlier adoption encouraged. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of the construction period. For the District, these changes are expected to accelerate the recognition of interest expense related to construction of capital assets. This interest expense is currently deferred and recognized as depreciation expense over the life of the constructed asset. Management is currently evaluating any additional effect of this standard on the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for financial statements beginning after June 15, 2022 (fiscal year 2023 for the District), with earlier adoption encouraged. This Statement provides guidance on the accounting for contracts that convey the right to use another party's information technology software, as specified in the contract for a period of time. Management is currently evaluating the effect of this standard on the District's financial statements.

Adopted
New - In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, effective for financial statements for periods beginning after December 15, 2019 (fiscal year 2021 for the District), with earlier application encouraged. The objectives of this Statement are to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how the reporting of these activities. The District's adoption of this standard resulted in the presentation of two additional financial statements, included herein; the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position, which provide additional reporting related to assets held in trusts for the District's obligations under its Defined Benefit Retirement (Pension) Plan and Other Post-Employment Benefits (OPEB) Plan.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61, effective for financial statements for periods beginning after December 15, 2019 (fiscal year 2021 for the District), with earlier application encouraged. The objectives of this Statement are to improve the consistency and comparability of reporting an entity's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District's adoption of this standard in fiscal year 2021 did not impact the amounts presented in the financial statements.

2. Patient Revenues

Patient revenues consist of the following:

(in thousands)	2021	2020
Gross patient charges		
Routine inpatient services	$ 402,881	$ 370,723
Ancillary inpatient services	958,088	963,920
Outpatient services	876,793	754,799
	2,237,762	2,089,442
Less: Charity care	(2,562)	(3,086)
Gross patient service revenues	2,235,200	2,086,356
Deductions from gross patient service revenues		
Contractual allowances for statutory and negotiated rates	1,669,430	1,545,688
Provision for doubtful accounts	43,691	41,152
	1,713,121	1,586,840
Net patient service revenues	$ 522,079	$ 499,516

The District has agreements with third-party payors that provide for payments to the District at amounts that differ from established rates. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District also receives Medicare Disproportionate Share (DSH) reimbursements for services provided to a disproportionate percentage of low-income patients. The Medicare program pays hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the District is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory are paid based upon prospectively determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been finalized for all fiscal years through June 30, 2018.

Services provided to Medi-Cal program beneficiaries were reimbursed at negotiated per-diem rates for inpatient services provided through June 30, 2014. Effective July 1, 2014, an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology replaced the per-diem reimbursement model. Outpatient services to Medi-Cal beneficiaries are reimbursed according to a State fee schedule.

The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The methods for payment under these agreements include prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates. The District receives reimbursement from various payors under the State of California Division of Workers' Compensation program, based upon a pre-determined fee schedule.

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances, which represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in estimated reserves for uncollectible accounts are recorded as an adjustment to the provision for bad debts.

There is ongoing uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates, which could result in decreases in Medicare reimbursements. The State budget contains proposed health care budget cuts that may affect reimbursements for Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

State of California Assembly Bill ("AB") 1383 of 2009, as amended by AB 1653 (Statutes of 2010) established a series of Medicaid supplemental payments funded through a " Hospital Quality Assurance Fee (HQAF)" and a "Hospital Fee Program (Program)", which are imposed on certain California hospitals. The original effective date of the HFP was April 1, 2009 through December 31, 2010 and is predicated, in part, on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). The Program was made permanent by the passage of Proposition 52 in November 2016. The current Program (HQAF VI) relates to the period from July 1, 2019 through December 31, 2021. The Program makes supplemental payments to hospitals for various health care services and supports the state's effort to maintain health care coverage for children. The District, designated as a public hospital, is exempt from paying the QAF; however, the District receives supplemental payments under the Program. For fiscal years 2021 and 2020, the District recognized \$6.0 million and \$3.1 million, respectively. Program revenues have been reported as net patient service revenues.

Non-Designated Public Hospitals (NDPHs), including the District, were authorized, in 2011's AB 113, to use intergovernmental transfers (IGTs) to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service payments. The IGTs are used to bring NDPHs, in the aggregate, up to their federal upper payment limit (UPL). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For fiscal years 2021 and 2020, the District recognized amounts under the IGT Program of \$2.1 million and \$-0.8 million, respectively, which have been reported as net patient service revenues. In fiscal year 2020, the

State announced that errors in various assumptions used by the State in their calculations for previous years' AB113 distributions had resulted in payments exceeding the UPL and as of June 30, 2020, the District reserved an amount of $1.7 million for future adjustments. As of June 30, 2021, all prior year adjustments have been calculated and settled and the reserve has been reversed. The District's share of cumulative overpayments was approximately $1.5 million.

IGTs are also used to obtain federal supplemental funds for Medi-Cal managed care rates. Medi-Cal managed care rates are based on actuarial equivalents of fee-for-service rates. When the equivalents are determined, the State sets payment rates for the managed care plans at the low end of a calculated range. Public entities (such as the District) can provide voluntary contributions, for matching with federal Medicaid funds, to bring the payments up to the high end of the range. Health plans are provided with the available funding in the rate range and they negotiate with interested public entities in their area to improve the rates paid to those individual public providers. In fiscal year 2021, the District did not receive any net rate range funding. In fiscal year 2020, the District received $3.2 million in net rate range funding.

State of California Assembly Bill 915, *Public Hospital Outpatient Services Supplemental Reimbursement Program*, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's Certified Public Expenditures ("CPE"), which are matched with federal Medicaid funds. In fiscal years 2021 and 2020, the District recorded net patient service revenues of $0.0 million and $0.1 million, respectively, related to these payments. In fiscal year 2020, the State announced that they were recalculating amounts paid for 2003 to 2017. It is anticipated that these recalculations may result in recoupment of amounts previously recorded; however the State has not yet finalized its analysis and calculations. A reserve of $1.0 million was established in fiscal year 2020, based on the District's preliminary calculations of the potential recoupment amount, and an additional $1.3 million was added to this reserve in fiscal year 2021, based on the District's review of additional information obtained from the State.

The composition of gross patient revenues by major payor type is as follows:

(in thousands)	**2021**	**2020**
Medicare and Medicare HMO	$ 1,160,255	$ 1,072,542
Medi-Cal and Medi-Cal HMO	433,223	378,160
Commercial PPO, HMO and others	606,318	596,003
Private pay	37,966	42,737
Total gross patient revenues	$ 2,237,762	$ 2,089,442

3. Charity Care

The District maintains records to identify and monitor the level of direct charity care it provides. For fiscal year 2021 and 2020, net patient service revenues exclude charges foregone for charity care services and supplies of approximately $2.6 million and $3.1 million, respectively.

4. Related-Party Transactions

The District held $1.1 million and $1.4 million as of June 30, 2021 and 2020, respectively, of the Foundation's assets in the District's short-term investment account. The Foundation donated $3.3

million and $2.1 million to the District for fiscal years 2021 and 2020, respectively. The District also provides additional support for the Foundation by providing free space, utilities and other operating expenses to the Foundation.

One of the District board members is an officer of the District's primary banking institution. As of June 30, 2021 and June 30, 2020, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents - $40.7 million and $72.0 million, Board-designated for capital and workers compensation - $150.6 million and $149.9 million. Banking and investment fees paid were $0.2 million for fiscal year 2021 and $0.1 million for fiscal year 2020.

5. Fair Value

The fair value of certain assets has been estimated using available market information and appropriate valuation methodologies. A fair market value hierarchy for valuation inputs has been established to prioritize them into levels based on the extent to which inputs used in measuring fair value are observable in the market. The level assigned to a particular financial instrument is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are as follows:

Level 1 — Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities. The District has no Level 1 assets or liabilities.

Level 2 — Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 — Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Types of investments which are measured at NAV include hedge funds, private equity investments and commingled funds.

Not Leveled — Cash and cash equivalents include cash on hand, deposits in banks, certificates of deposit and money market funds. Due to their short-term nature, the carrying amounts of these assets are considered to approximate their fair value.

The fair value of the District's and Foundation's investment assets, measured on a recurring basis at June 30, 2021, is reflected in the following table:

(in thousands)	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**	**Cash Equivalents (Not Leveled)**	**Balance at June 30, 2021**
District				
U.S. Treasuries	$ 60,944	$ -	$ -	$ 60,944
U.S. Agencies	24,799	-	-	24,799
Corporate and municipal bonds	61,392	-	-	61,392
Local Agency Investment Fund (LAIF)	-	81,310 [1]	-	81,310
Money market and mutual funds	-	-	36,359	36,359
Total Investments - District	$ 147,135	$ 81,310	$ 36,359	$ 264,804

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	-	1,090	-	1,090
Total Investments - Foundation	$ -	$ 1,090	$ 423	$ 1,513

T

he fair value of the District's and Foundation's investment assets, measured on a recurring basis at June 30, 2020, is reflected in the following table:

(in thousands)	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**	**Cash Equivalents (Not Leveled)**	**Balance at June 30, 2020**
District				
U.S. Treasuries	$ 48,694	$ -	$ -	$ 48,694
U.S. Agencies	31,680	-	-	31,680
Corporate and municipal bonds	65,468	-	-	65,468
Local Agency Investment Fund (LAIF)	-	80,682 [1]	-	80,682
Money market and mutual funds	-	-	39,964	39,964
Total Investments - District	$ 145,842	$ 80,682	$ 39,964	$ 266,488

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 308	$ 308
Short-term investments held by District on behalf of Foundation	-	1,364	-	1,364
Long-term investment and restricted funds: Certificates of deposit	-	-	111	111
Total Investments - Foundation	$ -	$ 1,364	$ 419	$ 1,783

Significant Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

Fixed income funds consist of government securities and corporate bonds. Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flow models and other pricing modes. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach.

Investments valued at NAV are commingled funds which are highly liquid and for which there are no unfunded commitments. Excluding invested amounts related to bond proceeds, amounts may be withdrawn with 1 to 2 days' notice, depending on the amount. For bond proceeds invested in the commingled funds, withdrawals are subject to a delay of up to 30 days, depending on the timing of the request.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument therefore changes in assumptions could significantly affect these estimates.

Since the fair value has been estimated as of June 30, 2021 and as of June 30, 2020, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be different.

6. Long-Term Investment and Restricted Funds

District

As of June 30, 2021 and 2020, investment and restricted funds, at fair value, have been set aside as follows:

(in thousands)	**2021**	**2020**
Long-term Investment and Restricted Funds		
Board-designated for capital and debt	$ 215,928	$ 214,743
Workers' compensation fund	9,428	9,391
Funds held by trustee under bond indenture	39,406	42,312
Restricted funds	42	42
Total funds	264,804	266,488
Short-term investments – required for current liabilities	(30,584)	(31,608)
Total long-term investment and restricted funds	$ 234,220	$ 234,880

Foundation

Investments as of June 30, 2021 and 2020, at fair value, are summarized below:

(in thousands)	**2021**	**2020**
Certificates of deposit	$ 423	$ 419
Short-term investments held by District on behalf of Foundation	1,090	1,364
Total Investments	$ 1,513	$ 1,783

The District's investment policy permits the following investments:

	Maximum Average Maturity	Maximum Percentage	Maximum Investment
Authorized investment type			
U.S. Treasury obligations	10 years	100%	none
U.S. Government agency securities	10 years	100%	none
State of California or local agency obligations	5 years	100%	none
Corporate bonds	5 years	30%	none
Certificates of deposit	5 years	30%	none
Mortgage pass-throughs	5 years	20%	none
Commercial paper	270 days	40%	10%
Bankers acceptances	180 days	40%	30%
Repurchase agreements	1 year	none	none
Mutual funds	N/A	20%	none
LAIF (State Pool Demand Deposits)	N/A	As permitted by law	As permitted by law

As of June 30, 2021 the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 60,944	$ 8,481	$ 47,727	$ 4,736	$ -
U.S. Government agencies	24,799	1,363	12,770	2,734	7,932
Corporate bonds	61,392	7,636	51,591	2,165	-
LAIF (State Pool Demand Deposits)	81,310	81,310	-	-	-
Money market and mutual funds	36,359	36,001	358	-	-
Total investments	$ 264,804	$ 134,791	$ 112,446	$ 9,635	$ 7,932

As of June 30, 2020, the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 48,694	$ 7,747	$ 28,011	$ 12,936	$ -
U.S. Government agencies	31,680	1,098	19,058	3,406	8,118
Corporate bonds	65,468	9,430	54,759	1,076	203
LAIF (State Pool Demand Deposits)	80,682	80,682	-	-	-
Money market and mutual funds	39,964	39,964	-	-	-
Total investments	$ 266,488	$ 138,921	$ 101,828	$ 17,418	$ 8,321

Amounts invested in the State of California Local Agency Investment Fund include funds designated for operations and for Board-designated purposes.

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy, for assets that are Board-designated for capital, limits investments made by each investment manager to have an average maturity of not more than five years.

Credit Risk
The District's investment policies are governed by State statutes that require the District to invest in highly rated and secure cash equivalents, and government and corporate debt securities. The District's policy requires that investments in corporate bonds be rated "A-" or its equivalent or better by a nationally recognized rating service under the "prudent man rule" (Civil Code Sect. 2261 et seq.) as long as the investment is deemed prudent and the type of investment is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). Should the rating fall below the required rating, the District's policies provide for a period under which corrective action is to be taken. As of June 30, 2021, there were no investments below the required rating.

The District's investments at June 30, 2021 are rated as follows:

(in thousands)	**Fair Value**	**Ratings**
Investment type		
U.S. Treasuries	$ 60,944	Not rated
U.S. Government agencies	24,799	Not rated
Corporate bonds	61,392	See below
Local agency investment fund	81,310	Not rated
Money market and mutual funds	36,359	Not rated
Total Investments	$ 264,804	

(in thousands)	**Amount**
Corporate bonds rating	
AAA	$ 5,690
AA+	4,076
AA	11,166
AA-	11,774
A+	12,467
A	10,390
A-	5,829
Total corporate bonds	$ 61,392

7. Capital Assets

The District's capital assets activity for fiscal year 2021 consisted of the following:

(in thousands)	Beginning Balance June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	7,424	16,549	(7,305)	16,668
Total capital assets not being depreciated	35,040	16,549	(7,305)	44,284
Capital assets being depreciated				
Land improvements	15,824	214	-	16,038
Buildings	787,715	3,471	(2)	791,184
Fixed and moveable equipment	385,230	7,294	(875)	391,649
Total capital assets being depreciated	1,188,769	10,979	(877)	1,198,871
Less: Accumulated depreciation				
Land improvements	(14,269)	(698)	-	(14,967)
Buildings	(234,302)	(28,907)	3	(263,206)
Fixed and movable equipment	(277,453)	(21,828)	856	(298,425)
Total accumulated depreciation	(526,024)	(51,433)	859	(576,598)
Total capital assets being depreciated, net	662,745	(40,454)	(18)	622,273
Total capital assets, net	$ 697,785	$ (23,905)	$ (7,323)	$ 666,557

At June 30, 2021, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $0.8 million.

The District's capital assets activity for fiscal year 2020 consisted of the following:

(in thousands)	Beginning Balance June 30, 2019	Increase	Decrease	Ending Balance June 30, 2020
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	10,442	5,407	(8,425)	7,424
Total capital assets not being depreciated	38,058	5,407	(8,425)	35,040
Capital assets being depreciated				
Land improvements	15,730	94	-	15,824
Buildings	784,932	2,783	-	787,715
Fixed and moveable equipment	375,358	11,400	(1,528)	385,230
Total capital assets being depreciated	1,176,020	14,277	(1,528)	1,188,769
Less: Accumulated depreciation				
Land improvements	(13,555)	(714)	-	(14,269)
Buildings	(205,084)	(29,671)	453	(234,302)
Fixed and movable equipment	(256,595)	(21,515)	657	(277,453)
Total accumulated depreciation	(475,234)	(51,900)	1,110	(526,024)
Total capital assets being depreciated, net	700,786	(37,623)	(418)	662,745
Total capital assets, net	$ 738,844	$ (32,216)	$ (8,843)	$ 697,785

At June 30, 2020, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $0.5 million.

The increase in the District's accumulated depreciation includes both operating and non-operating depreciation as detailed below:

(in thousands)	2021	2020
Change in accumulated depreciation		
Operating depreciation expense	$ 49,416	$ 49,931
Non-operating depreciation expense	2,017	1,969
Disposal of fixed assets	(859)	(1,110)
Total increase in accumulated depreciation	$ 50,574	$ 50,790

8. Credit Facilities

During the fiscal years 2021 and 2020, WOSC had a short-term $1.0 million revolving line of credit available. No draws have been made under this line of credit which expires September 30, 2021.

In fiscal year 2015, the District entered into an Irrevocable Standby Letter of Credit (Standby LC) in the amount of $2.1 million in connection with the construction of the new parking garage (completed in August 2016) and the Hyman Pavilion (completed in November 2018). No draws have been made under the Standby LC which expires March 2, 2022.

9. Long-Term Debt

The District issued general obligation bonds in November 2009 for the purpose of providing funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the general obligation bonds will be funded through property tax assessments to residents of the District. These bonds were refinanced in July 2019 by the 2019 Series A General Obligation Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in December 2009 to provide funds for the construction of a new building that houses the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in July 2019 by the 2019 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in November 2010 to provide funds for construction, renovations and expansion of space for medical use. The funds were also used for the purchase of additional medical equipment and expansion of other service areas around the Hospital campus. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in December 2020 by the 2020 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

In November 2013, the District issued two additional series of general obligation bonds (2013 Series A and 2013 Series B), as approved by voters in elections in 2004 and 2012. The combined amount of the two issuances was $145.5 million. The 2013 bonds were issued to provide funds for the construction of a new parking structure and the Hyman Pavilion which will include facilities for emergency care, intensive care and cardiac care services. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In October 2015, the District issued revenue refunding bonds (2015 Series A) to refinance the outstanding amounts due on revenue bonds originally issued in 1999. The refunded bonds were originally issued for the purpose of providing funds to pay costs associated with the acquisition, construction and renovation the Hospital's facilities. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also in October 2015, the District issued general obligation bonds (2015 Series B) for $145.5 million, the remainder of the amount approved by voters in the 2012 election. The 2015 bonds will provide additional funds for the construction of the Hyman Pavilion, as described above. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In June 2016, the District issued general obligation refunding bonds (2016 Series) to refinance the outstanding amounts due on previously issued 2006 general obligation bonds. The refunded bonds were originally issued to provide funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2016 Series general obligation bonds will be funded through property tax assessments to residents of the District.

In April 2017, the District issued new money revenue bonds (2017 Series A) to provide funds for the continued construction and equipping of the Hyman Pavilion and other capital expenditures. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

In June 2017, the District issued revenue refunding bonds (2017 Series B) to refinance the outstanding amounts due on previously issued 2007 revenue bonds. The refunded bonds were originally issued to provide funds for the construction of a new building for the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

On July 2, 2019, the District issued refunding and revenue bonds (2019 Series A) to provide new money for future capital expenditures and to refinance the outstanding amounts due on the previously issued 2009 Series A revenue bonds, in order to take advantage of favorable market interest rates. The new money portion of the issuance was $11.0 million. The refunded 2009 Series A revenue bonds' principal amount of $46.1 million carried an average coupon rate of 6.2 percent and was refunded as part of the $49.4 million 2019 Series A bonds with an average coupon rate of 4.00 percent and an effective interest rate of 3.2 percent. The cash flows required to service the refunded 2009 Series A revenue bonds to maturity would have been $81.6 million, and the cash flows required to service the refunding portion of the 2019 Series A bonds to maturity will be $57.6 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $12.2 million. The refunded 2009 Series A revenue bonds were originally issued to provide funds for the construction of the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also on July 2, 2019, the District issued general obligation refunding bonds (2019 Series) to refinance the outstanding amounts due on previously issued 2009 Series A general obligation bonds, in order to take advantage of favorable market interest rates. The refunded 2009 Series A general obligation bonds' principal amount of $11.8 million carried an average coupon rate of 5.72 percent and was refunded by new debt of $11.1 million with an average coupon rate of 3.15 percent and an effective interest rate of 3.26 percent. The cash flows required to service the outstanding 2009 general obligation bonds to maturity would have been $23.3 million, and the cash flows required to service the 2019 Series refunding general obligation bonds to maturity will be $17.2 million. The economic gain associated with the refunding was $3.4 million. The refunded bonds were originally issued to provide funds for the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2019 Series general obligation bonds will be funded through property tax assessments to residents of the District.

On December 3, 2020, the District issued refunding and revenue bonds (2020 Series A) to provide and to refinance the outstanding amounts due on the previously issued 2010 Series A revenue bonds, in order to take advantage of favorable market interest rates. The refunded 2010 Series A revenue bonds' principal amount of $48.6 million carried an average coupon rate of 5.43 percent and was refunded by the $40.9 million 2020 Series A bonds with an average coupon rate of 3.79 percent and an all-in true interest cost of 2.46 percent. The cash flows required to service the refunded 2010 Series A revenue bonds to maturity would have been $77.3 million, the cash flows required to service the refunding portion of the 2020 Series A bonds to maturity will be $56.2 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $11.3 million. The refunded 2010 Series A revenue bonds were originally issued to provide funds for construction, renovations and expansion of patient care service areas, and additional medical equipment. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

The District is also required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2021 and 2020, maintaining debt service coverage ratios of 2.95 to 1.0 and 4.71 to 1.0, respectively. The Hospital is the sole member of the obligated group for these bonds.

If, for any fiscal year, the long-term debt service coverage ratio falls between 1.0 and 1.1 to 1.0, the District is required to employ an independent consultant to make recommendations which will result in the long-term debt service coverage increasing to 1.1 to 1.0. As long as the District complies with the recommendations and the long-term debt service coverage is no less than 1.0 to 1.0, no further actions are required of the District.

In the event that the long-term debt service coverage ratio falls below 1.0 to 1.0, the Trustee, or a majority of the bondholders, shall be entitled to declare the bonds immediately due and payable.

In fiscal years 2015 through 2019, WOSC entered into multi-year lease agreements for surgical equipment. Amounts related to these obligations are included in current maturities of long-term debt and long-term debt, as appropriate.

In December 2016, WOSC entered into an unsecured promissory note to finance the construction of a surgery center in Napa, California. The original amount of the promissory note was $1.0 million at 4.5 percent with a maturity date of January 3, 2022.

In November 2020, PSC entered into a business loan agreement (Loan) to finance construction expenditures related to a surgery center in Redwood City, California. The Loan was guaranteed by the Peninsula Surgical Partnership (PSP), LLC and the District. The original amount of the promissory note was $9.4 million at 4.25 percent with a maturity date of December 1, 2031.

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2021 is as follows:

(in thousands)	Beginning Balance, June 30, 2020	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2021	Due Within One Year
Bonds payable						
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	$ -	$ 40,865			$ 40,865	$ 2,710
Plus: Issuance premiums	-	4,753	(717)		4,036	
Total 2019A Revenue Refunding Bonds Payable	-	45,618	(717)	-	44,901	2,710
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	49,445	-	-	(1,400)	48,045	1,455
Plus: Issuance premiums	3,255		(537)	-	2,718	-
Total 2019A Revenue Refunding Bonds Payable	52,700	-	(537)	(1,400)	50,763	1,455
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110	-	-	-	11,110	65
Plus: Issuance premiums	113	-	(32)	-	81	-
Total 2019A General Obligation Refunding Bonds	11,223	-	(32)	-	11,191	65
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	64,430	-	-	(1,225)	63,205	1,290
Plus: Issuance premiums	2,589	-	(371)	-	2,218	-
Total 2017B Revenue Refunding Bonds Payable	67,019	-	(371)	(1,225)	65,423	1,290
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	36,365	-	-	(680)	35,685	715
Plus: Issuance premiums	938	-	(129)	-	809	-
Tota Total 2017A Revenue Bonds Payable	37,303	-	(129)	(680)	36,494	715
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	27,400	-	-	(1,180)	26,220	1,220
Plus: Issuance premiums	2,101	-	(365)	-	1,736	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	29,501	-	(365)	(1,180)	27,956	1,220
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	23,565	-	-	(1,900)	21,665	1,975
Plus: Issuance premiums	599	-	(209)	-	390	-
Total 2015A Revenue Refunding Bonds Payable	24,164	-	(209)	(1,900)	22,055	1,975
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,404	-	(50)	-	1,354	-
Total 2015B General Obligation Bonds Payable	146,904	-	(50)	-	146,854	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	104,280	-	-	(1,080)	103,200	1,080
Plus: Issuance premiums	1,965	-	(156)	-	1,809	-
Total 2013B General Obligation Bonds Payable	106,245	-	(156)	(1,080)	105,009	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	40,220	-	-	(420)	39,800	420
Plus: Issuance premiums	578	-	(39)	-	539	-
Total 2013A General Obligation Bonds Payable	40,798	-	(39)	(420)	40,339	420
2010 Revenue Bonds, principal and interest (at 5.00% to 5.50%) payable semiannually	50,245	-	-	(50,245)	-	-
Less: Issuance discounts	(730)	-	730	-	-	-
Total 2010 Revenue Bonds Payable	49,515	-	730	(50,245)	-	-
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	-	327	-	(25)	302	26
Total WOSC 2020 Loans Payable	-	327	-	(25)	302	26
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	-	9,400	-		9,400	382
Total PSC 2021 Loan Payable	-	9,400	-	-	9,400	382
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	279	-	-	(212)	67	67
Total WOSC 2017 Loan Payable	279	-	-	(212)	67	67
Capital lease obligations						
WOSC Capital Leases (2015 - 2019), principal and interest (at 3.49% to 5.00%) payable monthly	302	188	-	(161)	329	145
Total WOSC capital lease obligations	302	188	-	(161)	329	145
Total long-term debt payable	$ 565,953	$ 55,533	$ (1,875)	$ (58,528)	$ 561,083	$ 11,550

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2020 is as follows:

(in thousands)	Beginning Balance, June 30, 2019	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2020	Due Within One Year
Bonds payable						
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	-	49,445	-	-	49,445	1,400
Plus: Issuance premiums	-	4,371	(1,116)	-	3,255	-
Total 2019A Revenue Refunding Bonds Payable	-	53,816	(1,116)	-	52,700	1,400
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	-	11,110	-	-	11,110	-
Plus: Issuance premiums	-	156	(43)	-	113	-
Total 2019A General Obligation Refunding Bonds	-	11,266	(43)	-	11,223	-
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	65,600	-	-	(1,170)	64,430	1,225
Plus: Issuance premiums	2,991	-	(402)	-	2,589	-
Total 2017B Revenue Refunding Bonds Payable	68,591	-	(402)	(1,170)	67,019	1,225
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	37,020	-	-	(655)	36,365	680
Plus: Issuance premiums	1,087	-	(149)	-	938	-
Tota Total 2017A Revenue Bonds Payable	38,107	-	(149)	(655)	37,303	680
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	28,535	-	-	(1,135)	27,400	1,180
Plus: Issuance premiums	2,504	-	(403)	-	2,101	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	31,039	-	(403)	(1,135)	29,501	1,180
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	25,380	-	-	(1,815)	23,565	1,900
Plus: Issuance premiums	839	-	(240)	-	599	-
Total 2015A Revenue Refunding Bonds Payable	26,219	-	(240)	(1,815)	24,164	1,900
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,454	-	(50)	-	1,404	-
Total 2015B General Obligation Bonds Payable	146,954	-	(50)	-	146,904	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	105,000	-	-	(720)	104,280	1,080
Plus: Issuance premiums	2,145	-	(180)	-	1,965	-
Total 2013B General Obligation Bonds Payable	107,145	-	(180)	(720)	106,245	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	40,500	-	-	(280)	40,220	420
Plus: Issuance premiums	620	-	(42)	-	578	-
Total 2013A General Obligation Bonds Payable	41,120	-	(42)	(280)	40,798	420
2010 Revenue Bonds, principal and interest (at 5.00% to 5.50%) payable semiannually	51,785	-	-	(1,540)	50,245	1,615
Less: Issuance discounts	(789)	-	59	-	(730)	-
Total 2010 Revenue Bonds Payable	50,996	-	59	(1,540)	49,515	1,615
2009 Revenue Bonds, principal and interest (at 5.00% to 6.25%) payable semiannually	47,300	-	-	(47,300)	-	-
Less: Issuance discounts	(533)	-	533	-	-	-
Total 2009 Revenue Bonds Payable	46,767	-	533	(47,300)	-	-
2009 General Obligation Bonds, principal and interest (at 4.50% to 5.75%) payable semiannually	11,755	-	-	(11,755)	-	-
Less: Issuance discounts	(10)	-	10	-	-	-
Total 2009 General Obligation Bonds Payable	11,745	-	10	(11,755)	-	-
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	482	-	-	(203)	279	212
Total WOSC 2017 Loan Payable	482	-	-	(203)	279	212
Capital lease obligations						
WOSC Capital Leases (2015 - 2019), principal and interest (at 3.49% to 5.00%) payable monthly	428	-	-	(126)	302	144
Total WOSC capital lease obligations	428	-	-	(126)	302	144
Total long-term debt payable	$ 569,593	$ 65,082	$ (2,023)	$ (66,699)	$ 565,953	$ 9,856

A summary of the District's revenue bonds and general obligation bonds issuance information is as follows:

(in thousands)	Original Issue Amount	Maturity Date	Effective Interest Rate 2021	Effective Interest Rate 2020
Bond issue				
2020A Revenue Refunding Bonds	$ 40,865	7/1/2038	0.96%	N/A
2019A Revenue Refunding Bonds	49,445	7/1/2048	2.92%	2.98%
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	2.97%	2.95%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.65%	3.61%
2017A Revenue Bonds	37,655	7/1/2047	3.95%	3.90%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.28%	2.19%
2015A Revenue Bonds	30,290	7/1/2029	3.38%	3.27%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	4.93%	4.90%
2013A General Obligation Bonds	40,500	8/1/2043	4.93%	4.90%
2010 Revenue Bonds	60,725	7/1/2038	5.57%	5.53%

The long-term debt payment requirements as of June 30, 2021, excluding unamortized discounts and premiums on bonds payable, are as follows:

(in thousands)	Private Long-Term Debt		Public Long-Term Debt		Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2022	$ 8,765	$ 9,275	$ 2,785	$ 14,509	$ 11,550	$ 23,784
2023	8,103	8,862	2,850	14,386	10,953	23,248
2024	8,448	8,459	2,900	14,265	11,348	22,724
2025	8,883	8,031	1,470	14,170	10,353	22,201
2026	9,312	7,587	1,530	14,102	10,842	21,689
2027 - 2031	53,582	30,923	15,630	69,141	69,212	100,064
2032 - 2036	62,145	18,196	44,800	63,380	106,945	81,576
2037 - 2041	42,595	6,539	92,120	48,289	134,715	54,828
2042 - 2046	11,740	2,480	161,745	18,789	173,485	21,269
2047 - 2050	5,990	259	-	-	5,990	259
Total long-term debt, excluding unamortized discounts and premiums	$ 219,563	$ 100,611	$ 325,830	$ 271,031	$ 545,393	$ 371,642

Components of interest expense include the following:

(in thousands)	2021	2020
Total interest cost	$ 21,829	$ 23,143
Capitalized interest expense	(275)	(845)
Net interest expense	21,554	22,298
Capitalized investment income	$ 62	$ 631

10. Employee Benefit Plans

Defined Benefit Retirement Plan

The District maintains a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan. Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed 20 years of service, or an employee who attains age 60 with 30 years of service is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

Based on guidance under GASB 68, and the District's intention to fully fund the Plan by 2023, the benefit discount rate is equal to the expected long-term (30 year) return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds. For further information regarding the development of the expected long-term return on assets, see the Required Supplementary Information included as part of these financial statements.

The District has flexibility in determining the amount to contribute to the Plan each year. In determining the amount of the annual contribution, the District considers the calculated actuarially determined contribution. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 68. In addition to the District's contributions, under the terms of the California Public Employees' Pension Reform Act (PEPRA), which became effective in January 1, 2013, new employees are required to contribute to the normal cost of their pension benefits. The projected amounts of these employee contributions have been considered in determining the actuarially determined contribution amounts.

Participant data for the Plan, as of the measurement date (December 31 of the prior year) for the indicated fiscal years, is shown in the table below:

	2021	**2020**
Active and suspended	1,525	1,509
Vested terminated	706	722
Retirees and beneficiaries	823	768
Total participants	3,054	2,999

Components of pension cost for years ended June 30, were as follows:

(in thousands)	**2021**	**2020**
Pension cost		
Service cost	$ 9,548	$ 9,075
Employee contributions	(1,919)	(1,655)
Interest	27,890	27,395
Expected return on plan assets	(26,591)	(23,603)
Administrative expenses	226	226
Recognition of deferred amounts	(30)	9,224
Total pension cost	$ 9,124	$ 20,662

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 1,415	$ (2,754)
Change of assumptions	10,166	(2,400)
Net differences between projected and actual earnings	17,370	(42,590)
Contributions made subsequent to measurement date	5,775	-
Total	$ 34,726	$ (47,744)

Components of deferred outflows and inflows of resources for the year ended June 30, 2020 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 4,662	$ (4,977)
Net differences between projected and actual earnings	13,294	-
Change of assumptions	28,451	(37,240)
Contributions made subsequent to measurement date	5,775	-
Total	$ 52,182	$ (42,217)

Amounts reported as deferred outflows and inflows of resources – pension will be recognized in pension expense as indicated in the following table:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2022	$ 12,624	$ (18,486)	$ (5,862)
2023	12,011	(12,314)	(303)
2024	3,326	(12,084)	(8,758)
2025	980	(4,830)	(3,850)
2026	10	(30)	(20)
Thereafter	-	-	-
Total deferred (inflows) and outflows of resources - pension	$ 28,951	$ (47,744)	$ (18,793)

The following table summarizes changes in net pension liability from July 1, 2019 to June 30, 2021:

(in thousands)	2021	2020
Total pension liability		
Service cost	$ 9,548	$ 9,075
Interest	27,890	27,395
Change in assumptions	(2,992)	16,421
Difference between expected and actual experience	1,001	(703)
Benefit payments	(19,623)	(18,146)
Net change in total pension liability	15,824	34,042
Total pension liability (beginning of year)	409,127	375,085
Total pension liability (end of year)	424,951	409,127
Plan fiduciary net position		
Employer contributions	23,100	23,100
Employee contributions	1,919	1,655
Net investment income	47,613	59,371
Benefit payments	(19,623)	(18,146)
Administrative expense	(226)	(226)
Other	-	-
Net change in fiduciary net position	52,783	65,754
Fiduciary net position (beginning of year)	377,329	311,575
Fiduciary net position (end of year)	430,112	377,329
Net pension liability (end of year)	$ (5,161)	$ 31,798
Fiduciary net position as percent of liability	101.2%	92.2%
Covered payroll (pension)	182,973	177,841
Net pension liability as percent of covered payroll	-2.8%	17.9%

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2021 and June 30, 2020 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
	December 31, 2019 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
	December 31, 2019 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
Sensitivity of net pension liability at December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$47,635,000
Current discount rate (7.0%)	(5,161,000)
1 percent increase (8.0%)	(49,086,000)
Sensitivity of net pension liability at December 31, 2019 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$81,930,000
Current discount rate (7.0%)	31,798,000
1 percent increase (8.0%)	(10,226,000)

The fair value of the District's pension investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 2,059	$ 2,059
Fixed income funds	130,901	-	130,901
Domestic equity funds	139,196	-	139,196
International equity funds	98,163	-	98,163
Commodity funds	25,555	-	25,555
Real estate funds	25,835	-	25,835
Infrastructure funds	8,403	-	8,403
Total pension assets	$ 428,053	$ 2,059	$ 430,112

The fair value of the District's pension investments measured as of December 31, 2019, and used for the purpose of the June 30, 2020 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 1,925	$ 1,925
Fixed income funds	159,399	-	159,399
Domestic equity funds	116,194	-	116,194
International equity funds	92,020	-	92,020
Commodity funds	3,592	-	3,592
Real estate funds	4,199	-	4,199
Total pension assets	$ 375,404	$ 1,925	$ 377,329

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 5.

The District also has a Deferred Compensation Plan available to employees. Generally, any employee is eligible to voluntarily enter into an agreement with the District to defer current wages at amounts limited by federal law. Effective January 1, 2010, under the terms of the Washington Township Health Care District Employer Matching Contributions Plan (the Matching Plan), the District matches participant contributions, for employees with a minimum of 1,000 hours in a benefitted status, to a maximum of 1.5 percent of gross earnings. Under the deferred compensation plan and the Matching Plan agreements, participants select and manage their own investments in mutual fund options approved by the District. All investment earnings, including market value appreciation and depreciation, are set aside for the benefit of the participants.

Matching contributions made by the District in fiscal years 2021 and 2020 were as follows:

(in thousands) Contribution Year	Amount	Employee Deductions Being Matched
2021	$ 2,229	Calendar year 2020
2020	$ 2,118	Calendar year 2019

Defined Benefit Postemployment Medical Plan

Other postemployment benefits are provided by the District through a single employer defined benefit postemployment medical plan, the Washington Township Health Care District Postretirement Medical Plan (the OPEB Plan). The OPEB Plan provides benefits for salaried and non-salaried employees, as approved and/or amended by the Board of Directors of the District, and is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

Eligible retirees who are less than age 65, with at least fifteen years of service, are eligible for coverage under the Blue Shield Retiree Medical Plan, with the District providing premium subsidies of from 35 percent (with 15 years of service) to 100 percent (with 30 years of service). Eligible retirees with at least twenty years of service may elect coverage under the Blue Shield Retiree Medical Plan or may elect to receive a monthly reimbursement for medical expenses up to a stipulated amount under the Retiree Medical Reimbursement Plan. This reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan. Participation in either the Blue Shield Retiree Medical Plan or the Retiree Medical Reimbursement Plan is only available until the retirees reach age 65.

Once eligible retirees reach age 65, the OPEB Plan allows for reimbursement to the retiree of the standard Medicare Part B insurance premium amounts, with automatic reimbursement increases when Medicare increases the standard premium amounts. Employees retiring at or after age 55 with 25 years of benefited service are also eligible for a prescription drug benefit which provides reimbursement up to a stipulated amount for 10 years beginning at the later of age 65 or retirement. The stipulated reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan.

A separate financial report is not prepared for the OPEB Plan.

In fiscal year 2018, the District adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (OPEB)* (GASB 75).

In June 2018, the District established a trust that is consistent with the requirements of GASB 75.

For the valuation dates of December 31, 2020 and December 31, 2019, with the trust established and given the District's intention to fully fund the OPEB Plan, the total OPEB liabilities as of June 30, 2021 and June 30, 2020 were discounted based on the expected long-term return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

The District has flexibility in determining the amount to contribute to the OPEB Plan each year. In determining the amount of the annual contribution, the District intends to contribute, at a minimum, the actuarially determined contribution for each year. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 75.

As of the December 31, 2020 and December 31, 2019 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2021	2020
Active	1,431	1,419
Retirees	552	517
Total participants	1,983	1,936

Components of postemployment medical benefits cost for years ended June 30, were as follows:

(in thousands)	2021	2020
Postemployment medical benefits cost		
Service cost	$ 1,885	$ 1,473
Interest	3,948	3,461
Expected return on plan assets	(1,013)	(705)
Administrative expenses	52	49
Recognition of deferred amounts	(3,949)	(3,651)
Total postemployment medical benefits cost	$ 923	$ 627

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 188	$ (679)
Net differences between projected and actual earnings	195	(1,193)
Change of assumptions	6,342	(15,658)
Contributions made subsequent to measurement date	2,611	-
Total	$ 9,336	$ (17,530)

Components of deferred outflows and inflows of resources for the year ended June 30, 2020 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 249	$ (231)
Net differences between projected and actual earnings	293	(644)
Change of assumptions	7,811	(20,405)
Contributions made subsequent to measurement date	1,769	-
Total	$ 10,122	$ (21,280)

Amounts reported as deferred outflows and inflows of resources – postemployment medical benefits (OPEB) will be recognized in OPEB expense as indicated in the following tables:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2022	$ 1,627	$ (5,577)	$ (3,950)
2023	1,628	(5,317)	(3,689)
2024	1,079	(5,248)	(4,169)
2025	908	(999)	(91)
2026	899	(157)	742
Thereafter	584	(232)	352
Total deferred inflows of resources - postemployment medical benefits (OPEB)	$ 6,725	$ (17,530)	$ (10,805)

The following table summarizes changes in the net postemployment medical benefit (OPEB) liability from July 1, 2019 to June 30, 2021 and related ratios:

(in thousands)	2021	2020
Total postemployment medical benefits (OPEB) liability		
Service cost	$ 1,885	$ 1,473
Interest	3,948	3,461
Difference between expected and actual experience	(555)	(265)
Change of assumptions	(385)	6,880
Benefit payments	(1,904)	(1,508)
Net change in postemployment medical benefits (OPEB) liability	2,989	10,041
Total postemployment medical benefits (OPEB) liability (beginning of year)	55,453	45,412
Total postemployment medical benefits (OPEB) liability (end of year)	58,442	55,453
Plan fiduciary net position		
Employer contributions	5,204	4,808
Net investment income	1,900	1,510
Benefit payments	(1,904)	(1,508)
Administrative expense	(52)	(49)
Other	-	1
Net change in fiduciary net position	5,148	4,762
Fiduciary net position (beginning of year)	12,875	8,113
Fiduciary net position (end of year)	18,023	12,875
Net postemployment medical benefits (OPEB) liability (end of year)	$ 40,419	$ 42,578
Fiduciary net position as percent of liability	30.8%	23.2%
Covered employee payroll	182,973	177,841
Net postemployment medical benefits (OPEB) liability as percent of covered employee payroll[1]	22.1%	23.9%

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2021 and June 30, 2020 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
	December 31, 2019 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
	December 31, 2019 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends

Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$48,527,000
Current discount rate (7.00%)	$40,419,000
1 percent increase (8.00%)	$33,656,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$32,883,000
Current healthcare cost trend rate	$40,419,000
1 percent increase	$49,730,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2019 to changes in the discount rate, with no other changes -	
1 percent decrease (6.50%)	$50,347,000
Current discount rate (7.50%)	$42,578,000
1 percent increase (8.50%)	$36,111,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2019 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$35,379,000
Current healthcare cost trend rate	$42,578,000
1 percent increase	$51,485,000

The fair value of the District's OPEB investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds		$ 26	$ 26
Fixed income funds	5,532		5,532
Domestic equity funds	5,775		5,775
International equity funds	4,154		4,154
Commodity funds	1,087		1,087
Real estate funds	1,088		1,088
Infrastructure funds	361		361
Total OPEB assets	$ 17,997	$ 26	$ 18,023

The fair value of the District's OPEB investments measured as of December 31, 2019, and used for the purpose of the June 30, 2020 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 24	$ 24
Fixed income funds	5,572	-	5,572
Domestic equity funds	7,279	-	7,279
Total OPEB assets	$ 12,851	$ 24	$ 12,875

Pension Plan and OPEB Plan Portfolios

Long term (30-year) expected rate of returns are forecasted on a forward-looking basis by each asset class. Then the total portfolio's return is forecasted by combining returns of the asset classes based on the respective Plan's asset allocation targets as well as the asset classes' diversification benefits. The forecasting method takes into consideration current market conditions, as well as potential future changes, such as yield shifts or valuation changes. For example, equity asset class methodology includes two models that focus on variables including expected earnings growth, dividend income and expected inflation to triangulate on a reasonable expected return. Fixed income models rely heavily on the existing yield environment but current projections assume a rising rate environment, given that prevailing yields are near historic lows. The forecasting methodology combines insights of expected returns for the next immediate period and a long term equilibrium period, to maintain capital markets' long term integrity.

The expected rates of return are presented as geometric means. The details are summarized in the following table:

	Long Term	
Total portfolio	7.00 %	
Total portfolio asset allocation		**Asset Class Expected Returns**
U.S. Equity	30 %	7.80 %
Non-U.S. Equity	25 %	8.30 %
Core fixed income	15 %	4.00 %
Opportunistic credit	15 %	6.00 %
Real assets	15 %	7.50 %
Total	100 %	

11. Insurance Plans

The District's hospital professional and general liability insurance, and the directors and officers liability deductible and insured programs, are purchased from BETA Healthcare Group (BETA). BETA was formed in 1979 for the purpose of operating an insured program with excess insurance coverage for certain hospital districts of the Association of California Hospital Districts (ACHD). Effective October 1, 1989, BETA became a separate joint powers authority, establishing itself as a public agency and distinct from ACHD. BETA is managed by a board of 15 elected representatives (the BETA council). The BETA council and its six committees meet quarterly to vote on all matters affecting the program. A representative from the District occupies one seat on the BETA Council.

The District is self-funded for its workers' compensation claims and has been issued a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District purchases excess workers' compensation insurance coverage.

Significant primary and excess insurance coverage types, limits and retention/deductible amounts are included below:

Coverage	Policy Limit	Self-insured Retention/ Deductible Per Occurrence
General		
All risk property	$1,000,000,000	$ 40,000
Boiler and machinery insurance	100,000,000	10,000
Hospital professional and general liability	40,000,000	25,000
Directors and officers liability	10,000,000	25,000
Excess workers' compensation	Statutory	1,250,000
Commercial crime	10,000,000	2,500
Automobile insurance	10,000,000	500
Cyber liability	2,000,000	100,000
Cyber excess, including notifications	8,000,000	-

Settled claims have not exceeded the District's policy limits in any year.

The District has actuarial reviews performed annually on its self-insured claims programs, including professional and general liability, directors' and officers' coverage, workers' compensation, and employee health, vision and dental benefits. Estimated liabilities include amounts for incurred but not reported (IBNR) claims.

12. Compensated Absences

District employees earn paid leave at varying rates depending on length of service and job classification. Employees can accumulate up to 640 hours of paid leave. All accumulated unused leave in excess of the maximum accrual amount is paid at the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2021 and 2020, the approximate liability for unpaid compensated absences was $19.5 million and $16.4 million, respectively.

13. Blended Component Unit Information

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2021 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 155,472	$ 20,894	$ -	$ 176,366
Long-term investment and restricted funds	234,220		-	234,220
Capital assets, net	640,048	26,509	-	666,557
Other assets	263,401	6,688	(248,141)	21,948
Total assets	1,293,141	54,091	(248,141)	1,099,091
Deferred outflows of resources	44,062	2,689	-	46,751
Total assets and deferred outflows of resources	$ 1,337,203	$ 56,780	$ (248,141)	$ 1,145,842
Liabilities				
Current liabilities	$ 155,408	$ 15,529	$ (6)	$ 170,931
Other non-current liabilities	588,647	255,427	(248,135)	595,939
Total liabilities	744,055	270,956	(248,141)	766,870
Deferred inflows of resources	65,274	-	-	65,274
Net investment in capital assets	112,116	-	-	112,116
Restricted - expendable	30,005	-	-	30,005
Restricted for minority interest	-	4,528	-	4,528
Unrestricted	385,753	(218,704)	-	167,049
Total net position	527,874	(214,176)	-	313,698
Total liabilities, net position and deferred inflows of resources	$ 1,337,203	$ 56,780	$ (248,141)	$ 1,145,842
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 473,619	$ 74,485	$ (10,791)	$ 537,313
Operating expenses	(431,383)	(95,364)	11,168	(515,579)
Depreciation	(47,900)	(1,516)	-	(49,416)
Operating income (loss)	(5,664)	(22,395)	377	(27,682)
Non-operating revenues and expenses, net	(349)	2,719	(377)	1,993
Increase (decrease) in net position before minority interest and restricted funds	(6,013)	(19,676)	-	(25,689)
Other, including minority interest	2,052	(58)	-	1,994
Increase (decrease) in net position	(3,961)	(19,734)	-	(23,695)
Beginning of year	531,835	(194,442)	-	337,393
End of year	$ 527,874	$ (214,176)	$ -	$ 313,698
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 3,911	$ (16,275)	$ 363	$ (12,001)
Noncapital financing activities	(22,057)	27,240	14	5,197
Capital and related financing activities	(24,708)	(4,449)	(377)	(29,534)
Investing activities	5,862	(862)	-	5,000
Net increase (decrease) in cash and cash equivalents	$ (36,992)	$ 5,654	$ -	$ (31,338)
Cash and cash equivalents - beginning of year	68,611	3,424	-	72,035
Cash and cash equivalents - end of year	$ 31,619	$ 9,078	$ -	$ 40,697

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2020 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 176,349	$ 16,079	$ -	$ 192,428
Long-term investment and restricted funds	234,880	-	-	234,880
Capital assets, net	684,274	13,511	-	697,785
Other assets	233,692	8,299	(224,226)	17,765
Total assets	1,329,195	37,889	(224,226)	1,142,858
Deferred outflows of resources	62,304	3,361	-	65,665
Total assets and deferred outflows of resources	$ 1,391,499	$ 41,250	$ (224,226)	$ 1,208,523
Liabilities				
Current liabilities	$ 157,053	$ 13,512	$ (20)	$ 170,545
Other non-current liabilities	639,114	222,180	(224,206)	637,088
Total liabilities	796,167	235,692	(224,226)	807,633
Deferred inflows of resources	63,497	-	-	63,497
Net investment in capital assets	142,756	-	-	142,756
Restricted - expendable	29,301	-	-	29,301
Restricted for minority interest	-	3,666	-	3,666
Unrestricted	359,778	(198,108)	-	161,670
Total net position	531,835	(194,442)	-	337,393
Total liabilities, net position and deferred inflows of resources	$ 1,391,499	$ 41,250	$ (224,226)	$ 1,208,523
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 454,925	$ 68,047	$ (10,053)	$ 512,919
Operating expenses	(417,077)	(91,697)	10,409	(498,365)
Depreciation	(48,544)	(1,387)	-	(49,931)
Operating income (loss)	(10,696)	(25,037)	356	(35,377)
Non-operating revenues and expenses, net	33,925	889	(356)	34,458
Increase (decrease) in net position before minority interest and restricted funds	23,229	(24,148)	-	(919)
Other, including minority interest	1,796	(600)	-	1,196
Increase (decrease) in net position	25,025	(24,748)	-	277
Beginning of year	506,810	(169,694)	-	337,116
End of year	$ 531,835	$ (194,442)	$ -	$ 337,393
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 100,895	$ (19,368)	$ 357	$ 81,884
Noncapital financing activities	5,450	23,770	(1)	29,219
Capital and related financing activities	(17,111)	(4,213)	(356)	(21,680)
Investing activities	(52,723)	-	-	(52,723)
Net increase (decrease) in cash and cash equivalents	$ 36,511	$ 189	$ -	$ 36,700
Cash and cash equivalents - beginning of year	32,100	3,235	-	35,335
Cash and cash equivalents - end of year	$ 68,611	$ 3,424	$ -	$ 72,035

14. Commitments and Contingencies

Lease Commitments
DEVCO has operating leases for medical clinic facilities. Rental expense under these leases for fiscal years 2021 and 2020 were $3.5 million and $3.1 million, respectively.

Future minimum rental commitments for fiscal years ended subsequent to June 30, 2021 are as follows:

(in thousands)

2022	$	2,846
2023		2,042
2024		1,205
2025		641
Thereafter		-
Total lease commitments	$	6,734

Litigation
The District is involved in various claims and litigation, as both plaintiff and defendant, arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect on the District's financial position.

Regulatory Environment
The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. 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. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or not asserted at this time.

15. The CARES Act

In response to the disruptions that the COVID-19 pandemic caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the CARES Act which made funds available to the District through various provisions of the legislation. Through June 30, 2020, the District received and recognized CARES Act provider relief funding of $29.9 million, as federal grant revenue on the statement of revenues, expenses and changes in net position. In fiscal year 2021, the District received an additional $2.4 million in provider relief funding which was also recognized in the same way.

Under continually evolving regulations related to the after-the-fact justification of funding amounts received, the District is required to provide reporting as to how provider relief funding was used, either to offset pandemic-related expenses or to replace pandemic-related net revenue losses. The reporting deadline for provider relief funding received in the District's fiscal year 2020 was

September 30, 2021 and the District submitted its reporting on that date. The District's pandemic-related additional expenses and lost revenues far exceeded the CARES funding received and the District is confident that all amounts recognized into revenue for both fiscal year 2020 and fiscal year 2021 are correctly reported.

Also in fiscal year 2021, the District began the required repayment of $59 million in payments received in fiscal year 2020 under the Accelerated and Advanced Payments Program. As of June 30, 2021, the District has repaid approximately $6 million and the remaining amount due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2021.

In addition, in fiscal year 2020, WOSC received a $1.6 million Paycheck Protection Program loan for small business. WOSC submitted and received forgiveness of this loan during fiscal year 2021 and the amount is included under federal grant revenue in the fiscal year 2021 statement of revenues, expenses and changes in net position.

16. Subsequent Events

The District has performed an evaluation of subsequent events through November 11, 2021 which is the date that these financial statements were available to be issued.

Required Supplementary Information

Defined Benefit Retirement Plan

The District's actuarially determined contribution and actual contributions, for this plan year and the nine plan years prior, are presented in the following table:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll (Pension)	Contributions as % of Covered Payroll
Fiscal Year Ended					
2010	$ 12,594	$ -	$ (12,594)	$ 121,053	0.00%
2011	15,683	-	(15,683)	131,700	0.00%
2012	18,344	-	(18,344)	142,590	0.00%
2013	19,800	-	(19,800)	145,324	0.00%
2014	18,500	134,026 [1]	115,526	144,445	92.79%
2015	18,000	22,700	4,700	136,999	16.57%
2016	17,700	22,100	4,400	142,319	15.53%
2017	22,300	22,000	(300)	146,438	15.02%
2018	23,100	22,300	(800)	168,165	13.26%
2019	23,100	28,875	5,775	173,692	16.62%
2020	23,100	23,100	-	177,841	12.99%
2021	23,100	23,100	-	182,973	12.62%
	$ 235,321	$ 298,201	$ 62,880		

[1] For the years 2010 to 2013, the District Board set aside the following amounts in accounts designated for future pension funding, all of which were included in the 2014 Actual Contribution amount of $134,026,000:

(in thousands)	
2010	$ 22,000
2011	22,000
2012	19,000
2013	21,800
Total pension funding for years 2010 to 2013 included in 2014 actual contribution	$ 84,800

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in net pension liability from July 1, 2012 to June 30, 2021:

(in thousands)	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	$ 9,548	$ 9,075	$ 8,190	$ 6,500	$ 6,494	$ 5,669	$ 5,434	$ 5,456	$ 6,580
Interest	27,890	27,395	26,693	24,436	24,263	23,657	21,585	20,223	19,283
Difference between expected and actual experience	(2,992)	16,421	(8,586)	15,019	8,244	(13,656)	578	4,395	(5,173)
Change in assumptions	1,001	(703)	-	-	-	-	14,522	362	2,148
Benefit payments	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Net change in total pension liability	15,824	34,042	9,967	30,912	8,591	1,910	28,357	18,953	13,540
Total pension liability (beginning of year)	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395	262,855
Total pension liability (end of year) (a)	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Plan fiduciary net position									
Employer contributions	23,100	23,100	23,100	22,300	22,000	27,100	36,200	115,526	-
Employee contributions	1,919	1,655	1,235	980	732	374	139	-	-
Net investment income	47,613	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342	12,619
Benefit payments	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Administrative expense	(226)	(226)	(224)	(252)	(216)	(64)	(65)	(62)	(69)
Other	-	-	-	(1)	(126)	-	-	-	-
Net change in fiduciary net position	52,783	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323	3,252
Plan fiduciary net position (beginning of year)	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625	97,373
Plan fiduciary net position (end of year) (b)	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625
Net pension liability (end of year) (a) - (b)	$ (5,161)	$ 31,798	$ 63,510	$ 42,389	$ 61,754	$ 52,960	$ 66,440	$ 71,400	$ 175,770
Plan fiduciary net position as percent of total pension liability	101.2 % [1]	92.2 %	83.1 %	88.4 %	81.5 %	83.7 %	79.5 % [1]	75.8 % [1]	36.4 %
Covered payroll (pension)	182,973	177,841	173,692	168,165	146,438	142,319	136,999	144,445	145,324
Net pension liability as percent of covered payroll	(2.8)% [2]	17.9 %	36.6 %	25.2 %	42.2 %	37.2 %	48.5 % [2]	49.4 % [2]	121.0 %
Deferred outflows of resources									
Employer contributions after measurement date	$ 5,775	$ 5,775	$ 5,775	$ -	$ -	$ -	$ 5,000	$ 18,500	$ -
[1] Fiduciary net position as percent of liability including deferred outflows of resources	102.6 %	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %	36.4 %
[2] Net pension liability as percent of covered payroll including deferred outflows of resources	(6.0)%	14.6 %	33.2 %	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %	121.0 %

The following table summarizes the significant actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2020	7.00%
	December 31, 2012 - 2018	7.50%
Demographic assumptions		
Mortality table for healthy participants	December 31, 2020	Pri-2012 mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 base table with two-dimensional projection scale BB projected generationally
	December 31, 2012 - 2013	Internal Revenue Code Section 430(h)(3)(A) using static tables and separate mortality rates for annuitants and non-annuitants
Mortality table for disabled participants	December 31, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 disabled mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 Disabled retiree table
	December 31, 2012 - 2013	RP-2000 Disabled mortality tables for females and males

Defined Benefit Post-Employment Medical Plan (OPEB)

The following table summarizes contributions to the OPEB Plan from July 1, 2016 (year of GASB 75 adoption) to June 30, 2021:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll [1]	Contributions as % of Covered Employee Payroll [1]
Fiscal Year Ended					
2017	$ 5,099	$ 1,455	$ (3,644)	$ 146,438	0.99%
2018	5,451	5,995	544	168,165	3.56%
2019	6,200	6,400	200	165,710 *	3.86% *
2020	7,400	4,891	(2,509)	177,841	2.75%
2021	7,400	6,046	(1,354)	182,973	3.30%
	$ 31,550	$ 24,787	$ (6,763)		

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

* These figures, previously presented in the 2019 financial statements, have been revised to present corrected information.

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2016 (year of GASB 75 adoption) to June 30, 2021, and related ratios:

(in thousands)	2021	2020	2019	2018
Total postemployment medical benefits (OPEB) liability				
Service cost	$ 1,885	$ 1,473	$ 3,049	$ 2,948
Interest	3,948	3,461	2,495	2,457
Difference between expected and actual experience	(555)	(265)	368	-
Change of assumptions	(385)	6,880	(29,183)	3,541
Benefit payments	(1,904)	(1,508)	(1,569)	(1,494)
Net change in postemployment medical benefits (OPEB) liability	2,989	10,041	(24,840)	7,452
Total postemployment medical benefits (OPEB) liability (beginning of year)	55,453	45,412	70,252	62,800
Total postemployment medical benefits (OPEB) liability (end of year)	58,442	55,453	45,412	70,252
Plan fiduciary net position				
Employer contributions	5,204	4,808	9,969	1,494
Net investment income	1,900	1,510	(270)	-
Benefit payments	(1,904)	(1,508)	(1,569)	(1,494)
Administrative expense	(52)	(49)	(15)	-
Other	-	1	(2)	-
Net change in fiduciary net position	5,148	4,762	8,113	-
Fiduciary net position (beginning of year)	12,875	8,113	-	-
Fiduciary net position (end of year)	18,023	12,875	8,113	-
Net postemployment medical benefits (OPEB) liability (end of year)	$ 40,419	$ 42,578	$ 37,299	$ 70,252
Fiduciary net position as percent of liability	30.8% [1]	23.2% [1]	17.9% [1]	0.0% [1]
Covered employee payroll	182,973	177,841 *	165,710 *	168,165
Net postemployment medical benefits (OPEB) liability as percent of covered employee payroll[3]	22.1% [2]	23.9% [2*]	22.5% [2*]	41.8% [2]
Deferred outflows of resources				
Employer contributions after measurement date	$ 2,611	$ 1,769	$ 1,686	$ 4,500
[1] Fiduciary net position as percent of liability including deferred outflows of resources	35.3 %	26.4 %	21.6 %	6.4 %
[2] Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	20.7 %	22.9 %	21.5 %	39.1 %

[3] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll

* These figures, previously presented in the 2019 financial statements, have been revised to present corrected information.

The following table summarizes the significant actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2020	7.00%
	December 31, 2018	7.50%
	December 31, 2017	3.44%
	December 31, 2016	3.78%
	December 31, 2015	3.57%
Other assumptions		
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends	