

**Washington Township Health
Care District**
Financial Statements
June 30, 2022 and 2021

Washington Township Health Care District

Index

June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Directors of Washington Township Health Care District

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Washington Township Health Care District (the "District") as of and for the years ended June 30, 2022 and 2021, including the related notes, which collectively comprise the District's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the Financial Statements - Organization and Summary of Significant Accounting Policies, the District changed the manner in which it accounts for leases in 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 34 and the required supplementary information on pages 85 through 90 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other



knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
February 8, 2023

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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), the Washington Hospital Healthcare Foundation (the Foundation), and the Warm Springs Health Center (Warm Springs) 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. Warm Springs was established to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of 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, Foundation's and Warm Springs' 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, the Foundation's and Warm Springs' financial health. The statements of net position include all of the District's, Foundation's and Warm Springs' 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, the Foundation's and Warm Springs' 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.

In fiscal year 2022, the District adopted GASB Statement No. 87, *Leases*, effective for financial statements for periods beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For the District, these changes primarily impact the accounting for real property and equipment leases.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

In fiscal year 2022, the District also adopted 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. 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 a construction period. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

The amounts for net differences between projected and actual earnings for pension (and resulting deferred inflows of resources and deferred outflows of resources as of June 30, 2021 and 2020) have been conformed to be consistent with the 2022 presentation.

Washington Township Health Care District

District Financial Highlights for Fiscal Year 2022

- The District generated an operating gain of \$4.9 million for fiscal year 2022, compared with an operating loss of \$31.0 million for fiscal year 2021, an improvement of \$35.9 million. When non-operating income and special items are included, the District's activities resulted in a \$4.7 million decrease in net position for fiscal year 2022, as compared to \$27.4 million decrease in net position for fiscal year 2021. Federal Coronavirus Aid, Relief, and Economic Security Act (the 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. In fiscal year 2022, the District received \$1.4 million in CARES Act Funding.
- Major items that impacted the District's operating results for fiscal year 2022, as compared to those for fiscal year 2021, included:
 - In fiscal year 2022, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic, however volumes recovered to near pre-pandemic levels.
 - District experienced volume improvements in fiscal year 2022. Gross inpatient revenues increased by 1.1 percent (\$14.3 million) and gross outpatient revenues increased by 21.9 percent (\$191.7 million) compared to fiscal year 2021.
 - Admissions increased by 4.1 percent from the fiscal year 2021 level, and the average length of stay decreased by 2.9 percent, resulting in a 3.0% (1,648) increase in adult and pediatric patient days. The decrease in length of stay was largely attributable to the reduction COVID cases, which tended to have higher acuities and longer lengths of stay.
 - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 5.8 percent (108 cases), but outpatient surgeries increased by almost 21.8 percent (530 cases). Outpatient cardiac catheterizations increased by 4 percent (53 cases).
 - Visits at Washington Township Medical Foundation (WTMF) increased by 4,036 (2.0 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. WTMF also operates a COVID-19 Vaccine and Testing Clinic. Since beginning

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

operations in fiscal year 2021, the clinic has provided approximately 100,000 COVID-19 vaccines and tests to the community.

- Total operating expenses increased by 3.5 percent (\$19.7 million), in total, with increases in salary and supply expenses accounting for a combined increase of \$30.2 million, which were partially offset by a decrease in benefits expenses of \$13.8 million.
 - The increase in salary expense was due to contracted increases in wages along with additional costs relating to the nationwide shortage of health care staff. Additionally, the impact of the COVID-19 Supplemental Paid Sick Leave Program (COVID Pay) enacted by the state of California in fiscal year 2021 and extended through fiscal year 2022 was a factor in the increase.
 - The reduction in benefit expenses was driven by a \$13.5 million decrease in expense related to the District's defined benefit retirement plan for fiscal year 2022. The largest contributor to this decrease was the recognition of significant investment gains on the related asset portfolio.
 - The increase in supply expenses were related to volume increases and the effects of the nationwide pharmaceutical supply shortages throughout the year.
 - Purchased services and professional fees increased due to an increase in consulting fees.
 - Changes in other expense categories were not significant.
- New Activities

In fiscal year 2022, Construction of the Peninsula Surgery Center in Redwood City, California was substantially completed in July 2021. As of June 30, 2022, 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.

On February 1, 2023, the District and the University of California, San Francisco (UCSF) formed the WHHS & UCSF Health Cancer Services Joint Venture, LLC. The purpose of the joint venture is to promote health and provide or expand access to cancer healthcare services to a broad cross section of the community through the development of a regional cancer center in Fremont, California. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Analysis of the District's Net Position – Fiscal Year 2022

- Total assets decreased \$24.9 million, from \$1.13 billion at June 30, 2021 to \$1.10 billion at June 30, 2022. Total available cash and investments decreased \$27.7 million, from \$305.5 million to \$277.8 million. Capital assets, net, decreased \$42.1 million, from \$677.3 million to \$635.2 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 prepaid pension asset, which was \$5.2 million as of June 30, 2021, grew to \$37.0 million as of June 30, 2022.
- 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 have formed 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 is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The \$14.5 million investment in the joint venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2022. The joint venture is included as a discretely presented component unit in the District's financial statements.
- Total liabilities decreased \$38.9 million, from \$778.5 million at June 30, 2021 to \$739.6 million at June 30, 2022. The majority of this decrease was due to a \$42.8 million reduction in current liabilities driven by a reduction in Due to third parties/Government Agencies. This reduction is due to the repayment of \$41.5 million of the \$59.0 million Medicare Advance Payments Loan received in fiscal year 2020 under the CARES Act. In addition, total long-term debt of \$561.1 million at June 30, 2021 was increased by \$6.6 million to \$567.7 million at June 30, 2022. This increase was due to the issuance of \$20 million in 2022 Series A General Obligation Bonds that were approved in November of 2021 with the Passage of Measure Z by the residents of the District.
- Total net position of \$305.3 million at June 30, 2022 was \$4.7 million less than the net position of \$310.0 million at June 30, 2021.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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, 2022, 2021 and 2020:

<i>(in thousands)</i>	2022	2021	2020
Assets			
Current assets	\$ 154,903	\$ 176,332	\$ 192,428
Long-term investment and restricted funds	236,919	234,220	234,880
Capital assets, net	635,182	677,327	697,785
Prepaid pension asset	36,970	5,161	-
Other assets	40,888	36,745	17,765
Total assets	<u>1,104,862</u>	<u>1,129,785</u>	<u>1,142,858</u>
Deferred outflows of resources	<u>22,441</u>	<u>29,186</u>	<u>36,921</u>
Total assets and deferred outflows of resources	<u>\$ 1,127,303</u>	<u>\$ 1,158,971</u>	<u>\$ 1,179,779</u>
Liabilities and Net Position			
Current liabilities	\$ 130,444	\$ 173,286	\$ 170,545
Net pension liability	-	-	31,798
Net postemployment medical benefits (OPEB)	37,676	40,419	42,578
Long-term lease liability	7,322	9,320	-
Long-term debt	556,767	549,533	556,097
Other long-term liabilities	7,414	5,987	6,615
Total liabilities	<u>739,623</u>	<u>778,545</u>	<u>807,633</u>
Deferred inflows of resources	<u>82,412</u>	<u>70,465</u>	<u>34,753</u>
Net position			
Net investment in capital assets	92,850	122,886	142,756
Restricted - expendable	28,817	30,005	29,301
Restricted for minority interest	3,345	4,528	3,666
Unrestricted	180,256	152,542	161,670
Total net position	<u>305,268</u>	<u>309,961</u>	<u>337,393</u>
Total liabilities, net position and deferred inflows of resources	<u>\$ 1,127,303</u>	<u>\$ 1,158,971</u>	<u>\$ 1,179,779</u>

Table 2 provides a summary of total available cash and investments as of June 30, 2022, 2021 and 2020.

<i>(in thousands)</i>	2022	2021	2020
Cash and cash equivalents and short-term investments	\$ 40,962	\$ 71,281	\$ 103,643
Board-designated for capital and debt	198,856	215,307	212,395
Workers' compensation fund	8,912	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	29,108	9,443	13,052
Restricted funds	42	42	42
Total available cash and investments	<u>\$ 277,880</u>	<u>\$ 305,501</u>	<u>\$ 338,523</u>

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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Capital Assets, Net (2022)

Capital assets, net, decreased \$42.1 million, from \$677.3 million at June 30, 2021 to \$635.2 million at June 30, 2022. This decrease resulted from \$9.1 million in net capital additions offset by a \$51.2 million increase in net accumulation depreciation. The net capital additions included \$18.5 million in equipment, building, and land improvements combined with a decrease of \$9.4 million in construction in progress.

Debt Administration (2022 and 2021)

As part of the obligations under the bond indentures for the 2009A, 2010A, 2015A, 2017A, 2017B, 2019A, and 2020A 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, 2022, the Hospital's long-term debt service coverage ratio was 4.44 to 1.0. For the year ended June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. In its report issued January 10, 2022, Moody's affirmed their rating of these bonds at Baa2, with a negative outlook.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Revenue and Expense Analysis for the District – Fiscal Year 2022

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2022, 2021 and 2020:

<i>(in thousands)</i>	2022	2021	2020
Operating revenues			
Net patient service revenues	\$ 575,825	\$ 522,079	\$ 499,516
Other	13,438	11,534	13,403
Total operating revenues	<u>589,263</u>	<u>533,613</u>	<u>512,919</u>
Operating expenses			
Salaries and wages	263,643	240,958	229,485
Employee benefits	61,275	75,075	81,813
Supplies	77,982	70,407	63,811
Professional fees	71,683	68,998	66,844
Purchased services	43,617	42,245	39,499
Depreciation	49,972	52,116	49,931
Insurance	3,038	2,265	2,001
Other operating expenses	13,113	12,573	14,912
Total operating expenses	<u>584,323</u>	<u>564,637</u>	<u>548,296</u>
Operating income (loss)	4,940	(31,024)	(35,377)
Non-operating revenues and expenses			
Federal grant revenue	1,410	4,069	29,948
Other non-operating revenues and expenses, net	(10,533)	(2,471)	4,510
Total non-operating revenues and expenses	<u>(9,123)</u>	<u>1,598</u>	<u>34,458</u>
Increase (decrease) in net position before minority interest and restricted funds	(4,183)	(29,426)	(919)
Additional minority interest capital received	500	551	-
Minority interest distributions	(1,684)	(611)	(795)
Special use grant	-	-	1
Contributions used for capital expenditures	674	2,054	1,990
Increase (decrease) in net position	<u>(4,693)</u>	<u>(27,432)</u>	<u>277</u>
Net position			
Beginning of year	<u>309,961</u>	<u>337,393</u>	<u>337,116</u>
End of year	<u>\$ 305,268</u>	<u>\$ 309,961</u>	<u>\$ 337,393</u>

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 70.99 percent of the District's gross revenues. Commercial preferred provider organization (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27.35 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Net patient service revenues increased \$53.7 million (10.3 percent), from \$522.1 million in fiscal year 2021 to \$575.8 million in fiscal year 2022. Net patient revenues in fiscal year 2022 reflected efforts to resume normal operations. Patient service volumes recovered to be at or near pre COVID 19 pandemic levels.

Inpatient Business Activity

The District's gross inpatient revenue increased by \$14.3 million (1.1 percent), from \$1.361 billion in fiscal year 2021 to \$1.375 billion in fiscal year 2022.

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

	2022 Days	2021 Days	% Change
Specialty			
Medical/surgical	44,650	42,495	5.1 %
Critical care	6,346	7,295	(13.0)%
Special care nursery	1,061	883	20.2 %
Pediatrics	215	130	65.4 %
Obstetrics	3,970	3,791	4.7 %
Subtotal adult and pediatric patient days	56,242	54,594	3.0 %
Newborn	2,880	2,697	6.8 %
Total patient days	59,122	57,291	3.2 %

Admissions increased by 386 (4.1 percent) from 9,353 in fiscal year 2021 to 9,739 in fiscal year 2022, however the average length of stay decreased 2.9 percent, from 5.82 to 5.65 days, resulting in an increase in adult and pediatric patient days of 1,648 (3 percent), as indicated in Table 4 above. The decrease in the length of stay was attributable to a fewer number of COVID-19 cases seen during the year, which generally have a higher acuity and longer length of stay.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.594 in fiscal year 2022, as compared to 1.632 in fiscal year 2021. The Medicare case mix index for the same period decreased from 1.828 to 1.770

Inpatient surgeries decreased by 108 (5.9 percent), from 1,839 in fiscal year 2021 to 1,731 in fiscal year 2022. 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 2022, 9 percent of joint procedures were classified as inpatient; in fiscal year 2021, 20 percent of these procedures were performed in the inpatient setting.

Deliveries increased by 62 (4.5 percent), from 1,380 in fiscal year 2021 to 1,442 in fiscal year 2022.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Outpatient Business Activity

The District's gross outpatient revenue increased by \$191.7 million (21.9 percent), from \$876.8 million in fiscal year 2021 to \$1.068 billion in fiscal year 2022. A major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits decreased by 754 (1.4 percent) from 54,370 in fiscal year 2021 to 53,616 in fiscal year 2022; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU). The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020.

Non-Emergency Outpatient visits increased by 5,084 (5.9 percent) from 86,486 in fiscal year 2021 to 91,570 in fiscal year 2022.

Outpatient surgeries performed at the hospital in fiscal year 2022 increased by 530 (21.8 percent), from 2,433 in fiscal year 2021 to 2,963 in fiscal year 2022. Outpatient catheterization lab cases increased by 53 (4.7 percent) year-over-year, from 1,121 in fiscal year 2021 to 1,174 in fiscal year 2022.

Visits at Washington Township Medical Foundation increased by 4,464 (2.3 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccination and testing clinic and has administered almost 100,000 vaccines and tests through June 30, 2022.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.72 percent and 74.69 percent for fiscal year 2022 and 2021, 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 \$4.6 million and \$2.6 million in foregone charges related to charity care for patient services during fiscal years 2022 and 2021, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased from \$38.0 million in fiscal year 2021 to \$40.6 million in fiscal year 2022.

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 estimated at \$66 million in 2022 compared to \$68 million in 2021. Uncompensated services with an estimated total cost of more than \$139 million in fiscal year 2022 and \$148 million in fiscal year 2021, were provided to Medicare and Medicare managed care patients.

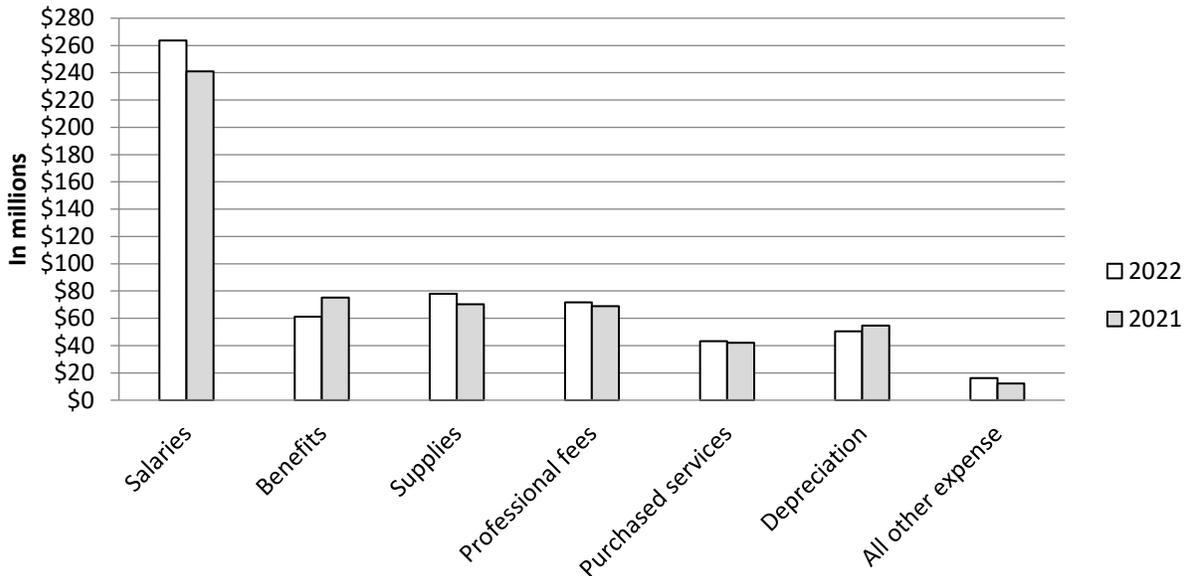
Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.68 percent in fiscal year 2022, compared to 1.95 percent in fiscal year 2021.

Washington Township Health Care District Management’s Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Operating Expenses

Total operating expenses were \$584.0 million and \$565.0 million for fiscal years 2022 and 2021, respectively, as summarized in the graph below:



Total operating expenses increased by \$19.7 million (3.5 percent) from 2021 to 2022, with the largest dollar increase attributable to salaries and wages expense, and the next largest dollar increase attributable to supplies expense. These increases were offset by a decrease in benefits expenses.

Salaries and Benefits

- Salaries and wages increased by \$22.7 million (9.4 percent). As of June 30, 2022, approximately 66 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 and increases provided to non-represented employees. The District considers the increases under the MOUs to be in line with the current local wage environment. The nationwide shortage of health care workers increased overtime in fiscal year 2022. COVID-19 Supplemental Paid Sick Leave (COVID Pay) was established by California in 2021 and subsequently extended into 2022, and provides covered employees up to 80 hours of COVID-19 related paid leave. This was also a significant factor in the increase in salaries and wages.
- District-wide full-time equivalent employees (FTEs) at June 30, 2022 were 1,851, which reflects an increase of 69 FTEs (3.9 percent) from the 1,782 FTEs at June 30, 2021. The Hospital FTEs at June 30, 2022 were 1,548, an increase of 49 FTEs (3.3 percent) from the 1,499 FTEs at June 30, 2021.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

- Benefits expense decreased by \$13.8 million (18.4 percent). The largest component of this decrease was pension expense which decreased by \$13.5 million (148.3 percent). Pension expense declined due to investment performance outperforming expectations.

Other Operating Expenses

- Supplies expense increased \$7.6 million (10.8 percent) in fiscal year 2022. Factors contributing to this increase included an increase in joint cases of 18% along with increases in pharmaceutical costs.
- Depreciation expense decreased by \$2.1 million (4.1 percent).
- Professional Fees and Purchased Services increased \$4.1 million (3.6 percent) due to a higher use of consulting and professional services for a variety of program development and operational improvement initiatives.
- The change in other expenses was not significant.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased \$10.7 million in fiscal year 2022. The most significant changes in non-operating activity include:

- With the downturn in the economy in the 4th quarter, unrealized losses on investments increased \$6.4 million.
- Federal grant revenue of \$1.4 million in fiscal year 2022 was \$2.7 million lower (65.3%) than the \$4.1 million received in fiscal year 2021 as several Federal COVID-19 Relief programs wound down.
- The eroding economy also had an unfavorable impact on rental income. Fiscal year 2022 rental income of \$235,000 was \$1.3 million (84.5%) lower than the \$1.5 million realized in fiscal year 2021.

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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.

Economic Factors Expected to Affect the District's 2023 Operations

The Board of Directors of the District approved the fiscal year 2022 operating budget at their June 2022 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 significant uncertainty regarding deteriorating worldwide macro-economic conditions. The budget focuses on the District's continued road to recovery from the impacts of the COVID-19 pandemic, adaptation to a new normal and the implementation of growth strategies meant to secure strong performance for the District for years to come. 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 2023, 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 2023 budget anticipates a slight increase in operating revenues combined with a slight decrease in expenditures from the fiscal year 2022 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 2023, 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 2023.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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.

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2022

- Total assets of \$4.6 million at June 30, 2022 increased by \$1.7 million from the balance at June 30, 2021 of \$2.9 million. Total cash and investments increased \$200,000, from \$2.0 million at June 30, 2021 to \$2.2 million at June 30, 2022, while net contributions receivable increased \$1.5 million, from \$0.9 million to \$2.4 million.
- The Foundation's net position of \$4.6 million at June 30, 2022 was \$1.7 million higher than at June 30, 2021.

Foundation Net Position – Fiscal Year 2022

Table 5 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2022, 2021 and 2020:

<i>(in thousands)</i>	2022	2021	2020
Assets			
Cash and cash equivalents	\$ 813	\$ 490	\$ 1,494
Short-term investments	423	423	308
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
Contributions receivable, net	2,370	925	1,445
Prepaid expenses and other	42	20	60
Long-term investments, unrestricted	-	-	111
Total assets	<u>\$ 4,612</u>	<u>\$ 2,948</u>	<u>\$ 4,782</u>
Liabilities			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Restricted - expendable	4,548	2,892	4,569
Unrestricted	64	56	213
Total net position	<u>4,612</u>	<u>2,948</u>	<u>4,782</u>
Total liabilities and net position	<u>\$ 4,612</u>	<u>\$ 2,948</u>	<u>\$ 4,782</u>

**Washington Township Health Care District
Management's Discussion and Analysis
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Table 6 provides a summary of cash and investments for the Foundation as of June 30, 2022, 2021 and 2020:

<i>(in thousands)</i>	2022	2021	2020
Cash and cash equivalents	\$ 813	\$ 490	\$ 1,494
Certificates of deposit	423	423	419
	<u>1,236</u>	<u>913</u>	<u>1,913</u>
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
	<u>\$ 2,200</u>	<u>\$ 2,003</u>	<u>\$ 3,277</u>

Revenue and Expense Analysis for the Foundation – Fiscal Year 2022

Table 7 shows the Foundation's changes in net position June 30, 2022, 2021 and 2020:

<i>(in thousands)</i>	2022	2021	2020
	Total	Total	Total
Operating revenues			
Contributions	\$ 2,746	\$ 1,342	\$ 1,323
Contributed services	696	715	425
Total operating revenues	<u>3,442</u>	<u>2,057</u>	<u>1,748</u>
Operating expenses			
Donations to District	1,056	3,345	2,056
Donations to others	6	5	-
Other operating expenses	724	552	735
Total operating expenses	<u>1,786</u>	<u>3,902</u>	<u>2,791</u>
Operating income (loss)	1,656	(1,845)	(1,043)
Non-operating revenues and expenses			
Investment income	8	11	49
Total non-operating revenues and expenses	8	11	49
Increase (decrease) in net position	1,664	(1,834)	(994)
Net position			
Beginning of year	2,948	4,782	5,776
End of year	<u>\$ 4,612</u>	<u>\$ 2,948</u>	<u>\$ 4,782</u>

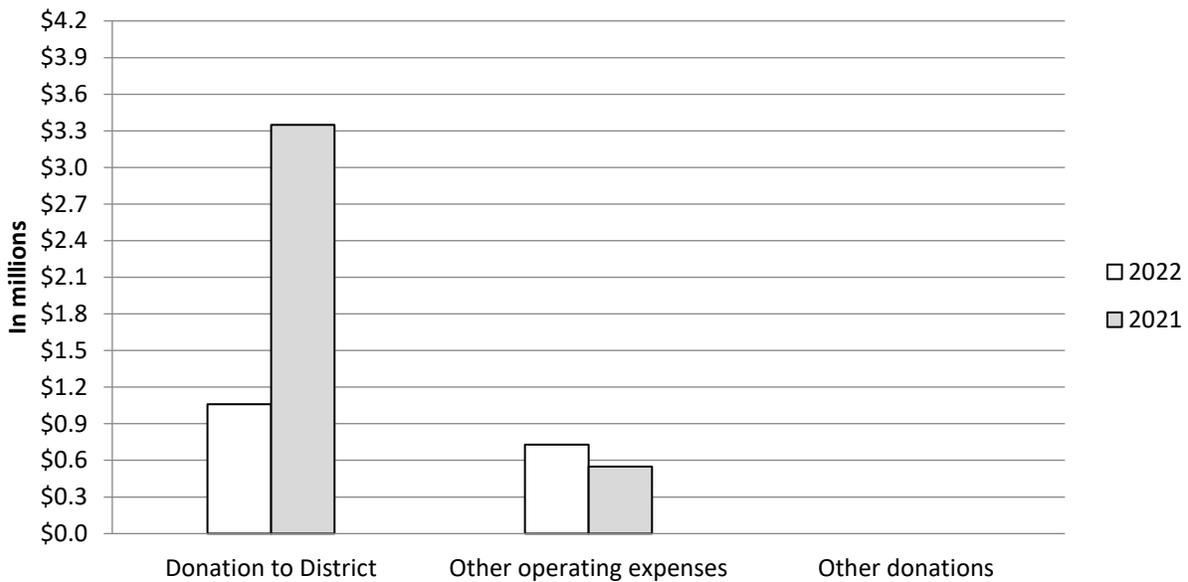
Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased \$1.4 million, from \$2.1 million in fiscal year 2021 to \$3.4 million in fiscal year 2022. Contributions of \$2.7 million in fiscal year 2022 were higher than fiscal year 2021 by 1.4 million.

Expenses

Total expenses for the Foundation decreased by \$2.1 million, from \$3.9 million in fiscal year 2021 to \$1.8 million in fiscal year 2022 (including the transfer of \$1.1 million in funds designated for activities related to COVID-19), as summarized in the graph below:



Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Warm Springs Health Center

Warm Springs Health Center Financial Highlights for Fiscal Year 2022

- During fiscal year 2022, the District and UCSF formed a joint venture to develop the Warm Springs Health Center, 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. Total assets were \$28.6 million at June 30, 2022, including \$5.8 million in cash and \$22.8 million in capital assets, net.
- The Warm Springs Health Center's net position was \$28.4 million at June 30, 2022.

Warm Springs Net Position – Fiscal Year 2022

Table 8 provides a summary of Warm Springs Health Center's assets, liabilities, and net position as of June 30, 2022:

<i>(in thousands)</i>	2022
Assets	
Current Assets	
Cash and cash equivalents	\$ 5,811
Total Current Assets	<u>5,811</u>
Capital assets, net	22,774
Total Assets	<u>\$ 28,585</u>
Liabilities and Net Position	
Accounts payable and accrued expenses	\$ 144
Total liabilities	<u>144</u>
Net position	
Net investment in capital assets	11,615
Restricted for minority interest - non-expendible	13,936
Unrestricted	<u>2,890</u>
Total net position	<u>28,441</u>
Total liabilities and net position	<u>\$ 28,585</u>

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

District Financial Highlights for Fiscal Year 2021

- The District generated an operating loss of \$31.0 million for fiscal year 2021, compared with an operating loss of \$35.4 million for fiscal year 2020, an improvement of \$4.4 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 an increase of \$300,000 in net position for fiscal year 2020. Fiscal year 2020 results included recognition of \$29.9 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 acuties 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 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 (\$16.3 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

- 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 by 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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

- Total assets decreased \$13.1 million, from \$1.14 billion at June 30, 2020 to \$1.13 billion 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 \$20.5 million, from \$697.8 million to \$677.3 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 were 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 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 \$29.1 million, from \$807.6 million at June 30, 2020 to \$778.5 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Table 9 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 and 2020:

<i>(in thousands)</i>	2021	2020
Assets		
Current assets	\$ 176,332	\$ 192,428
Long-term investment and restricted funds	234,220	234,880
Capital assets, net	677,327	697,785
Prepaid pension asset	5,161	-
Other assets	36,745	17,765
Total assets	<u>1,129,785</u>	<u>1,142,858</u>
Deferred outflows of resources	<u>29,186</u>	<u>36,921</u>
Total assets and deferred outflows of resources	<u>\$ 1,158,971</u>	<u>\$ 1,179,779</u>
Liabilities and Net Position		
Current liabilities	\$ 173,286	\$ 170,545
Net pension liability	-	31,798
Net postemployment medical benefits (OPEB)	40,419	42,578
Long-term lease liability	9,320	-
Long-term debt	549,533	556,097
Other long-term liabilities	5,987	6,615
Total liabilities	<u>778,545</u>	<u>807,633</u>
Deferred inflows of resources	<u>70,465</u>	<u>34,753</u>
Net position		
Net investment in capital assets	122,886	142,756
Restricted - expendable	30,005	29,301
Restricted for minority interest	4,528	3,666
Unrestricted	152,542	161,670
Total net position	<u>309,961</u>	<u>337,393</u>
Total liabilities, net position and deferred inflows of resources	<u>\$ 1,158,971</u>	<u>\$ 1,179,779</u>

Table 10 provides a summary of total available cash and investments as of June 30, 2021 and 2020.

<i>(in thousands)</i>	2021	2020
Cash and cash equivalents and short-term investments	\$ 71,281	\$ 103,643
Board-designated for capital and debt	215,307	212,395
Workers' compensation fund	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	9,443	13,052
Restricted funds	42	42
Total available cash and investments	<u>\$ 305,501</u>	<u>\$ 338,523</u>

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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Capital Assets, Net

Capital assets, net, decreased \$20.5 million, from \$697.8 million at June 30, 2020 to \$677.3 million at June 30, 2021. This decrease resulted from \$35.4 million in net capital additions offset by a \$55.9 million increase in net accumulation depreciation. The net capital additions included \$26.2 million in equipment, building, and land improvements combined with a decrease of \$9.2 million in construction in progress.

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, 2019A and 2020A 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Revenue and Expense Analysis for the District – Fiscal Year 2021

Table 11 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Operating revenues		
Net patient service revenues	\$ 522,079	\$ 499,516
Other	11,534	13,403
Total operating revenues	<u>533,613</u>	<u>512,919</u>
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	52,116	49,931
Insurance	2,265	2,001
Other operating expenses	12,573	14,912
Total operating expenses	<u>564,637</u>	<u>548,296</u>
Operating income (loss)	(31,024)	(35,377)
Non-operating revenues and expenses		
Federal grant revenue	4,069	29,948
Other non-operating revenues and expenses, net	(2,471)	4,510
Total non-operating revenues and expenses	<u>1,598</u>	<u>34,458</u>
Increase (decrease) in net position before minority interest and restricted funds	(29,426)	(919)
Additional minority interest capital received	551	-
Minority interest distributions	(611)	(795)
Special use grant	-	1
Contributions used for capital expenditures	2,054	1,990
Increase (decrease) in net position	<u>(27,432)</u>	<u>277</u>
Net position		
Beginning of year	<u>337,393</u>	<u>337,116</u>
End of year	<u>\$ 309,961</u>	<u>\$ 337,393</u>

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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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 12 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 12 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 2021, 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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 decreased from \$42.7 million in fiscal year 2020 to \$38.0 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.

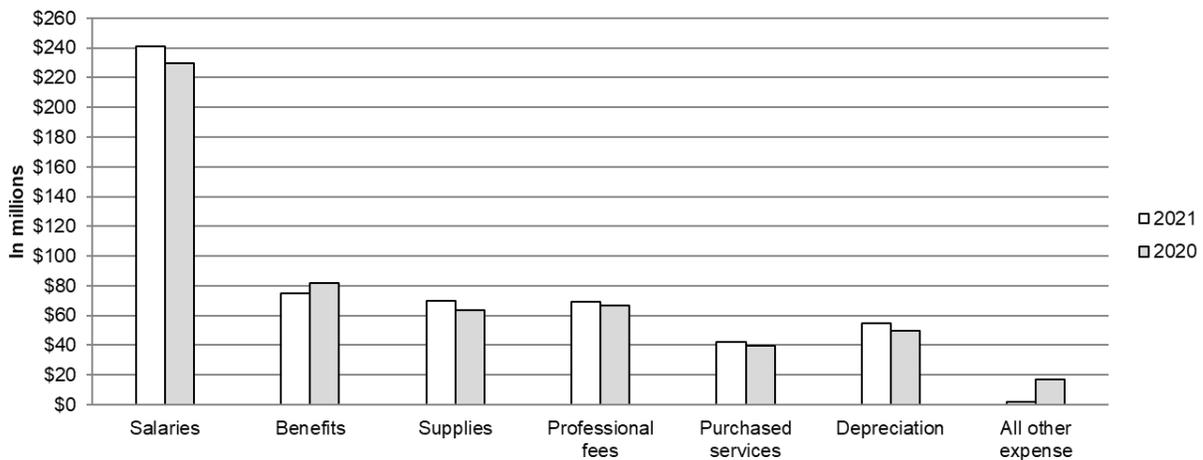
Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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 increased by \$2.2 million (4.4 percent) and other expenses decreased by \$2.3 million (15.7 percent). Insurance expense increased by \$300,000 (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 \$32.8 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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.

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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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 meaningful 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.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2021

- Total assets of \$2.9 million at June 30, 2021 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 13 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 490	\$ 1,494
Short-term investments	423	308
Short-term investments held by District on behalf of Foundation	1,090	1,364
Contributions receivable, net	925	1,445
Prepaid expenses and other	20	60
Long-term investments, unrestricted	-	111
Total assets	<u>\$ 2,948</u>	<u>\$ 4,782</u>
Liabilities		
Accounts payable and accrued expenses	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Net position		
Restricted - expendable	2,892	4,569
Unrestricted	56	213
Total net position	<u>2,948</u>	<u>4,782</u>
Total liabilities and net position	<u>\$ 2,948</u>	<u>\$ 4,782</u>

Table 14 provides a summary of cash and investments for the Foundation as of June 30, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Cash and cash equivalents	\$ 490	\$ 1,494
Certificates of deposit	423	419
	913	1,913
Short-term investments held by District on behalf of Foundation	1,090	1,364
	<u>\$ 2,003</u>	<u>\$ 3,277</u>

**Washington Township Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021 (unaudited)**

Revenue and Expense Analysis for the Foundation – Fiscal Year 2021

Table 15 shows the Foundation's changes in net position for 2021 and 2020:

(in thousands)

	<u>2021</u>	<u>2020</u>
	Total	Total
Operating revenues		
Contributions	\$ 1,342	\$ 1,323
Contributed services	715	425
Total operating revenues	<u>2,057</u>	<u>1,748</u>
Operating expenses		
Donations to District	3,345	2,056
Donations to others	5	-
Other operating expenses	552	735
Total operating expenses	<u>3,902</u>	<u>2,791</u>
Operating income (loss)	(1,845)	(1,043)
Non-operating revenues and expenses		
Investment income	11	49
Total non-operating revenues and expenses	11	49
Increase (decrease) in net position	(1,834)	(994)
Net position		
Beginning of year	<u>4,782</u>	<u>5,776</u>
End of year	<u>\$ 2,948</u>	<u>\$ 4,782</u>

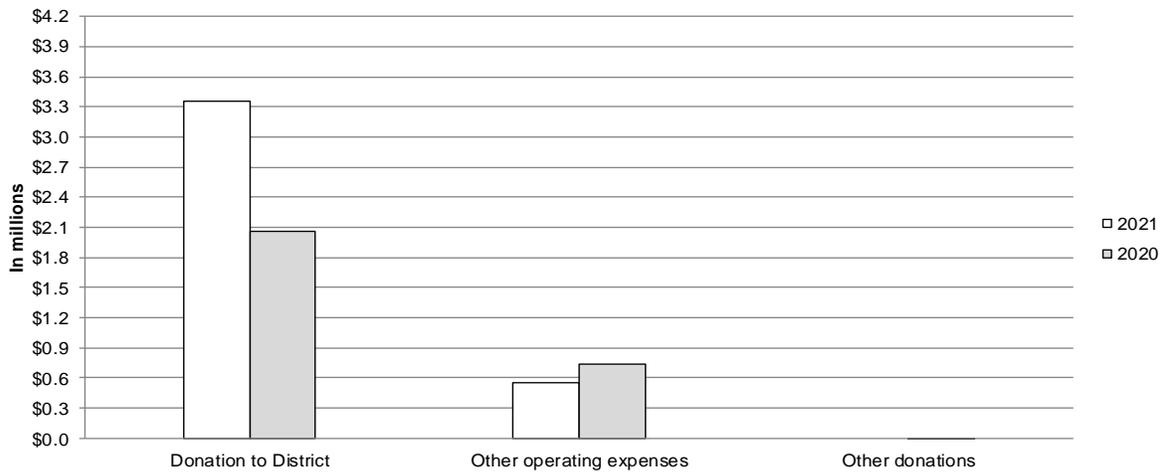
Washington Township Health Care District Management’s Discussion and Analysis Years Ended June 30, 2022 and 2021 (unaudited)

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 2021. 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:



Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

<i>(in thousands)</i>	District		Foundation		Warm Springs
	2022	2021	2022	2021	2022
Assets					
Current assets					
Cash and cash equivalents	\$ 11,066	\$ 40,697	\$ 813	\$ 490	\$ 5,811
Short-term investments	29,896	30,584	423	423	-
Short-term investments held by District on behalf of Foundation	-	-	964	1,090	-
Patient accounts receivable, less allowance for estimated uncollectibles of \$36,129 and \$40,885 in 2022 and 2021, respectively	90,483	84,653	-	-	-
Contributions receivable, net	-	-	729	114	-
Supplies	4,438	4,264	-	-	-
Other receivables	11,117	9,347	-	-	-
Prepaid expenses and other	7,903	6,787	42	20	-
Total current assets	154,903	176,332	2,971	2,137	5,811
Long-term investment and restricted funds					
Board-designated for capital, debt and workers' compensation	207,769	224,735	-	-	-
Held by trustee	29,108	9,443	-	-	-
Restricted funds	42	42	-	-	-
Capital assets, net	635,182	677,327	-	-	22,774
Other assets					
Prepaid pension costs	36,970	5,161	-	-	-
Contributions receivable, net	-	-	1,641	811	-
Other noncurrent assets	40,888	36,745	-	-	-
Total assets	1,104,862	1,129,785	4,612	2,948	28,585
Deferred outflows of resources					
Deferred outflows of resources - goodwill	2,016	2,689	-	-	-
Deferred outflows of resources - postemployment medical benefits (OPEB)	7,905	9,141	-	-	-
Deferred outflows of resources - pension	12,520	17,356	-	-	-
Total deferred outflows	22,441	29,186	-	-	-
Total assets and deferred outflows of resources	\$ 1,127,303	\$ 1,158,971	\$ 4,612	\$ 2,948	\$ 28,585

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

Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

	District		Foundation		Warm Springs
	2022	2021	2022	2021	2022
<i>(in thousands)</i>					
Liabilities and Net Position					
Current liabilities					
Current portion of long-term debt	\$ 10,953	\$ 11,550	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	26,298	26,091	-	-	144
Due to foundation	964	1,091	-	-	-
Due to third party payors and unearned revenue	19,817	61,668	-	-	-
Accrued liabilities					
Payroll related	11,311	15,451	-	-	-
Vacation	21,822	19,451	-	-	-
Health benefits	3,439	4,519	-	-	-
Interest	10,516	10,597	-	-	-
Other	25,324	22,868	-	-	-
Total current liabilities	<u>130,444</u>	<u>173,286</u>	<u>-</u>	<u>-</u>	<u>144</u>
Long-term liabilities					
Workers' compensation claims	7,414	5,987	-	-	-
Net postemployment medical benefits (OPEB)	37,676	40,419	-	-	-
Long-term lease liabilities	7,322	9,320	-	-	-
Long-term debt, net of current maturities	211,172	220,969	-	-	-
Long-term debt, general obligation bonds	345,595	328,564	-	-	-
Total long-term liabilities	<u>609,179</u>	<u>605,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>739,623</u>	<u>778,545</u>	<u>-</u>	<u>-</u>	<u>144</u>
Deferred inflows of resources					
Deferred inflows of resources - postemployment medical benefits (OPEB)	13,964	17,335	-	-	-
Deferred inflows of resources - pension	46,269	30,374	-	-	-
Deferred inflows of resources - Lease Obligations	22,179	22,756	-	-	-
Total deferred inflows	<u>82,412</u>	<u>70,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position					
Net investment in capital assets	92,850	122,886	-	-	11,615
Restricted - expendable	28,817	30,005	4,548	2,892	-
Restricted for minority interest - nonexpendable	3,345	4,528	-	-	13,936
Unrestricted	180,256	152,542	64	56	2,890
Total net position	<u>305,268</u>	<u>309,961</u>	<u>4,612</u>	<u>2,948</u>	<u>28,441</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,127,303</u>	<u>\$ 1,158,971</u>	<u>\$ 4,612</u>	<u>\$ 2,948</u>	<u>\$ 28,585</u>

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 20, 2022 and 2021

<i>(in thousands)</i>	District		Foundation		Warm Springs
	2022	2021	2022	2021	2022
Operating revenues					
Net patient service revenues	\$ 575,825	\$ 522,079	\$ -	\$ -	\$ -
Other	13,438	11,534	-	-	-
Contributions	-	-	2,746	1,342	-
Contributed services	-	-	696	715	-
Total operating revenues	589,263	533,613	3,442	2,057	-
Operating expenses					
Salaries and wages	263,643	240,958	-	-	-
Employee benefits	61,275	75,075	-	-	-
Supplies	77,982	70,407	-	-	-
Professional fees	71,683	68,998	-	-	-
Purchased services	43,617	42,245	-	-	100
Depreciation	49,972	52,116	-	-	-
Insurance	3,038	2,265	-	-	14
Donations	-	-	1,062	3,350	-
Other operating expenses	13,113	12,573	724	552	163
Total operating expenses	584,323	564,637	1,786	3,902	277
Operating income (loss)	4,940	(31,024)	1,656	(1,845)	(277)
Non-operating revenues and expenses					
Federal grant revenue	1,410	4,069	-	-	-
Investment income	2,574	3,163	8	11	-
Net increase (decrease) in the fair value of investments	(9,264)	(2,041)	-	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(21,927)	(21,554)	-	-	-
Property tax revenue	17,298	17,317	-	-	-
Bond issuance costs	(456)	(718)	-	-	-
Other non-operating income	1,242	1,362	-	-	-
Total non-operating revenues and (expenses), net	(9,123)	1,598	8	11	-
Increase (decrease) in net position before other changes	(4,183)	(29,426)	1,664	(1,834)	(277)
Minority interest - additional contributions from	500	551	-	-	-
Minority interest - distributions to	(1,684)	(611)	-	-	-
Contributions used for capital expenditures	674	2,054	-	-	-
Capital contributions to joint venture formation	-	-	-	-	28,718
Increase (decrease) in net position after other changes	(4,693)	(27,432)	1,664	(1,834)	28,441
Net position					
Beginning of year	309,961	337,393	2,948	4,782	-
End of year	\$ 305,268	\$ 309,961	\$ 4,612	\$ 2,948	\$ 28,441

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

Washington Township Health Care District

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	District	
	2022	2021
<i>(in thousands)</i>		
Cash flows from operating activities		
Cash received from patient service activities	\$ 569,995	\$ 505,682
Other cash receipts	13,438	11,534
Cash payments to suppliers	(246,748)	(194,581)
Cash payments to employees and employee benefit programs	(343,628)	(331,758)
Net cash provided by (used in) operating activities	<u>(6,943)</u>	<u>(9,123)</u>
Cash flows from noncapital financing activities		
Donation from Foundation to District	356	1,188
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC	500	551
Net assets distributed to minority shareholders in Washington Outpatient Surgery Center, LLC	(1,684)	(611)
Federal grant revenue	1,410	4,069
Net cash provided by (used in) noncapital financing activities	<u>582</u>	<u>5,197</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(10,301)	(21,338)
Payments on leases	(2,789)	(2,878)
Rental income	4,227	3,884
Donation from Foundation to District	674	2,054
Principal paid on debt	(11,565)	(12,208)
Interest paid on debt	(23,933)	(25,057)
Proceeds from debt issuance, net of issuance costs	20,122	9,055
Proceeds from property taxes levied by the County	18,103	17,960
Net cash provided by (used in) capital and related financing activities	<u>(5,462)</u>	<u>(28,528)</u>
Cash flows from investing activities		
Purchases of investments	(183,468)	(234,421)
Sales of investments	162,942	233,860
Investment income	2,558	3,459
Purchase of interest in equity investments	(2,805)	(484)
Other non-operating income (loss)	2,965	(1,298)
Net cash provided by (used in) investing activities	<u>(17,808)</u>	<u>1,116</u>
Net increase (decrease) in cash and cash equivalents	(29,631)	(31,338)
Cash and cash equivalents		
Beginning of year	40,697	72,035
End of year	<u>\$ 11,066</u>	<u>\$ 40,697</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 4,940	\$ (31,024)
Adjustments to reconcile operating income to net cash		
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	49,972	52,116
(Gain) loss on disposal of fixed assets	-	18
Provision for doubtful accounts	40,918	43,691
Amortization of goodwill	672	672
Pension funding	(6,675)	(23,100)
Postemployment medical benefits (OPEB) funding	(4,882)	(6,046)
Net change in deferred outflows and inflows	(4,976)	(12,709)
Changes in assets and liabilities		
Accounts receivable	(46,748)	(36,465)
Supplies, prepaid expenses, and other current assets	(7,271)	3,563
Other assets	7,912	12,436
Due to foundation	(127)	(273)
Due from/to third party payors	(41,851)	(5,773)
Accounts payable and accrued expenses	207	10,561
Payroll, vacation, and health accrued liabilities	(2,849)	2,702
Other liabilities	3,815	(19,492)
Net cash provided by (used in) operating activities	<u>\$ (6,943)</u>	<u>\$ (9,123)</u>
Noncash transactions		
Capitalized interest	\$ -	\$ 275
Accounts payable and accrued expenses for capital assets	1,122	833
Proceeds from bond issuances deposited in irrevocable escrow accounts	-	46,320
Capital assets acquired via debt	66	188

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

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2021 and 2020¹

	Pension and OPEB Trust Funds	
	<u>2021</u>	<u>2020</u>
<i>(in thousands)</i>		
Assets		
Cash and cash equivalents	\$ 5,155	\$ 2,085
Investments at fair value:		
Mutual Funds		
Fixed Income Funds	150,754	136,433
Domestic Equity Funds	156,479	144,971
International Equity Funds	119,200	102,317
Commodity Funds	33,422	26,642
Real Estate Funds	29,199	26,923
Infrastructure Funds	10,206	8,764
Total investments	<u>499,260</u>	<u>446,050</u>
Total assets	<u>504,415</u>	<u>448,135</u>
 Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net position		
Restricted for:		
Pensions	480,456	430,112
OPEB	23,959	18,023
Total liabilities and net position	<u>\$ 504,415</u>	<u>\$ 448,135</u>

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 Changes in Fiduciary Net Position
December 31, 2021 and 2020¹

	Pension and OPEB Trust Funds	
	<u>2021</u>	<u>2020</u>
<i>(in thousands)</i>		
Additions		
Contributions:		
Members	\$ 2,140	\$ 1,919
Employers	11,700	26,400
Total contributions	<u>13,840</u>	<u>28,319</u>
Investment earnings		
Net increase in fair value of investments	\$ 46,940	\$ 39,537
Interest, dividends, and other	17,064	10,158
Total investment earnings	<u>64,004</u>	<u>49,695</u>
Less investment costs:		
Investment activity costs	238	181
Net investment earnings	<u>63,766</u>	<u>49,514</u>
Total additions	<u>77,606</u>	<u>77,833</u>
Deductions		
Benefits paid to participants or beneficiaries	21,045	19,623
Administrative expense	281	279
Total deductions	<u>21,326</u>	<u>19,902</u>
Net increase (decrease) in fiduciary net position	56,280	57,931
Net position - beginning	448,135	390,204
Net position - ending	<u>\$ 504,415</u>	<u>\$ 448,135</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

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 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 a blended component unit in the District's financial statements.

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 a blended component unit in the District's financial statements.

In fiscal year 2022, 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, 2022, 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 District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO, WTMF, PSC and PSP. 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.

Warm Springs, LLC

Warm Springs Health Center Partnership, LLC (Warm Springs) was established in October of 2021 and is a California limited liability corporation for federal and state tax purposes. Warm Springs LLC is

Washington Township Health Care District

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a joint venture between Washington Hospital Healthcare Systems (WHHS) and the University of California at San Francisco (UCSF). This joint venture was established to handle the management, design and construction of the building that these two entities own through a Tenants In Common Agreement.

The District's holding of a majority equity interest in Warm Springs does not meet the definition of an investment and the holding of the majority equity interest results in the District being financially accountable for the organization. Warm Springs does not meet the criteria for blending, and therefore is a discretely presented component unit in the District's financial statements.

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 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.

Warm Springs

As the District's officials appoint a controlling majority of the members of the Warm Springs governing body, the organization is considered governmental. As such, Warm Springs' financial statements have been conformed to GASB presentation.

Fiduciary Component Unit

The District administers a pension plan and an OPEB plan through trust arrangements. The District is obligated to make contributions to the plans and as such the plans meet the criteria for being considered fiduciary component units of the District.

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.

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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 investments 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.

Donations received by the District from the Foundation designated for capital expenditures are recognized as other changes in net position. All other donations are reported as non-operating income.

Supplies

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

Long-Term Investments 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.

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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

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. The District also records deferred inflows related to leases.

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 2022 and 2021 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.

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.

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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

The District is involved in several joint ventures with outside entities in which it maintains majority ownership interest. These joint ventures include two ambulatory surgery centers and a multi-specialty outpatient clinic that is currently under development. As of June 30, 2022, the minority interest in these joint ventures includes (in thousands):

Washington Outpatient Surgery Center	\$	3,778
Peninsula Surgery Center		(433)
Warm Springs Outpatient Clinic		13,936

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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 25 percent and 26 percent of the District's net patient service revenues for the fiscal years ended June 30, 2022 and 2021, respectively. Medicare (14.4 percent) and Blue Cross Prudent Buyer (13.6 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2022. 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 30 donor pledges, with the largest individual pledge representing approximately 75.3 percent of the total pledge receivable balance, as of June 30, 2022. 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.

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

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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 \$6.0 million in fiscal year 2022 and approximately \$1.5 million in fiscal year 2021.

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 and the Quality Incentive Pool (QIP) program. Amounts recorded for the QIP program were \$3.8 million in fiscal year 2022 and \$2.4 million in fiscal year 2021 for the PRIME program.

Interest Income and Expense

Interest expense on debt issued for construction projects and income earned on the funds held pending use are recorded as income or expense in the period they are earned or incurred.

Impairment of Long-Lived Assets

The District is required to evaluate material 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 material impairment losses in fiscal years 2022 and 2021.

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.

Warm Springs, LLC

Warm Springs, LLC is a California limited liability corporation and is subject to state and federal income taxes.

Washington Township Health Care District

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Federal Grant Revenue

In fiscal year 2022, the District received CARES Act provider relief funding of \$1.4 million in general provider distributions. The District recognized this amount as fiscal year 2022 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, 2022.

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.

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 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.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, effective for financial statements beginning after June 15, 2023 (fiscal year 2024 for the District), with earlier adoption encouraged. This Statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Management is currently evaluating the effect of this standard on the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for financial statements beginning after December 15, 2023 (fiscal year 2025 for the District), with earlier adoption encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Management is currently evaluating the effect of this standard on the District's financial statements.

Washington Township Health Care District

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Adopted

In fiscal year 2022, the District also adopted 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. 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. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

In fiscal year 2022 the District adopted GASB Statement No. 87, *Leases*, effective for the District's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as those leases lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

The effects of adopting GASB 87 in the District's financial statements for the year ended June 30, 2021, were as follows:

Statement of Net Position	As Previously Reported*	Impacts of GASB 87	As Revised
<i>(in thousands)</i>			
Assets			
Current assets			
Other receivables	\$ 5,681	\$ 3,666	\$ 9,347
Total current assets	172,666	3,666	176,332
Capital assets, net	666,556	10,771	677,327
Other non-current assets	16,787	19,956	36,743
Total assets	1,095,391	34,394	1,129,785
Total assets and deferred outflows of resources	1,124,577	34,394	1,158,971
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Other	20,513	2,355	22,868
Total current liabilities	170,931	2,355	173,286
Long-term liabilities			
Long-term lease liabilities	-	9,320	9,320
Total long-term liabilities	595,939	9,320	605,259
Total liabilities	766,870	11,675	778,545
Deferred inflows of resources			
Deferred inflows of resources - lease obligations	-	22,756	22,756
Total deferred inflows	47,709	22,756	70,465
Net position			
Net investment in capital assets	112,116	10,770	122,886
Unrestricted	163,349	(10,807)	152,542
Total net position	309,998	(37)	309,961
Total liabilities, deferred inflows of resources and net position	\$ 1,124,577	\$ 34,394	\$ 1,158,971

* Certain "As Previously Reported" balances presented reflect the revision adjustments discussed in Note 10.

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Statement of Revenues, Expenses and Change in Net Position	As Previously Reported	Impacts of GASB 87	As Revised
<i>(in thousands)</i>			
Operating expenses			
Depreciation	\$ 49,416	\$ 2,700	\$ 52,116
Other operating expenses	15,631	(3,058)	12,573
Total operating expenses	564,995	(358)	564,637
Operating income (loss)	(31,382)	358	(31,024)
Non-operating revenues and expenses			
Other non-operating income	1,757	(395)	1,362
Total non-operating revenues and expenses	1,993	(395)	1,598
Net position			
Increase (decrease) in net position before other changes	(29,389)	(37)	(29,426)
Net investment in capital assets	112,116	10,770	122,886
Unrestricted	163,349	(10,807)	152,542
Increase (decrease) in net position	(27,395)	(37)	(27,432)
End of year	\$ 309,998	\$ (37)	\$ 309,961

Statement of Cash Flows	2021 Previously Reported	Impacts of GASB 87	2021 Restated
Cash flows from operating activities			
Cash payments to suppliers	\$ (197,459)	\$ 2,878	\$ (194,581)
Net cash provided by (used in) operating activities	(12,001)	2,878	(9,123)
Cash flows from capital and related financing activities			
Payments on leases	-	(2,878)	(2,878)
Rental income	-	3,884	3,884
Net cash provided by (used in) capital and related financing activities	(29,534)	1,006	(28,528)
Cash flows from investing activities			
Other non-operating income	\$ 2,586	\$ (3,884)	\$ (1,298)
Net cash provided by (used in) investing activities	5,000	(3,884)	1,116
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (31,382)	\$ 358	\$ (31,024)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	49,416	2,700	52,116
Net cash provided by (used in) operating activities*	\$ (12,001)	\$ 2,878	(9,123)

* Other immaterial impacts have been omitted.

Washington Township Health Care District
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2. Patient Revenues

Patient revenues consist of the following:

<i>(in thousands)</i>	2022	2021
Gross patient charges		
Routine inpatient services	\$ 411,656	\$ 402,881
Ancillary inpatient services	963,638	958,088
Outpatient services	1,068,497	876,793
	<u>2,443,791</u>	<u>2,237,762</u>
Less: Charity care	(4,604)	(2,562)
Gross patient service revenues	<u>2,439,187</u>	<u>2,235,200</u>
Deductions from gross patient service revenues		
Contractual allowances for statutory and negotiated rates	1,822,444	1,669,430
Provision for doubtful accounts	40,918	43,691
	<u>1,863,362</u>	<u>1,713,121</u>
Net patient service revenues	<u>\$ 575,825</u>	<u>\$ 522,079</u>

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, 2019.

Inpatient services provided to Medi-Cal program beneficiaries are reimbursed under an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. Outpatient services provided 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

Washington Township Health Care District
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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.

The District participates in several State and Federal supplemental payment programs that allow it and other governmental agencies to draw down unspent Medi-Cal funds, up to the Federal upper payment limit. The primary mechanism used for drawing down these funds is intergovernmental transfers, whereby Districts transfer funds to the State, who then transmits the funds to the Federal government to draw down the Federal matching funds. In fiscal years 2022 and 2021, the District recognized \$13.0 million and \$10.5 million, respectively, in supplemental funding obtained through these programs, including the following:

<i>(in thousands)</i>	2022	2021
Hospital Quality Assurance Fee	\$ 4,128	\$ 5,996
Rate Range	3,000	-
Public Hospital Redesign and Incentives in Medi-Cal Program	3,840	2,444
AB915 Public Hospital Outpatient Services Supplemental Reimbursement Program	1,008	(47)
AB113 Medi-Cal Fee-for-Service Payment Supplement	<u>1,473</u>	<u>2,100</u>
Total gross patient revenues	<u>\$ 13,449</u>	<u>\$ 10,493</u>

In fiscal year 2020, the State announced that they were recalculating amounts paid to all District Hospitals under the Public Hospital Outpatient Services Supplemental Reimbursement Program from 2003 to 2017 due to an error in the State's original calculations. It is anticipated that these recalculations may result in recoupment of amounts previously recorded, however the State has not yet finalized its analysis. At June 30, 2022 and 2021, the District had recorded a reserve of \$2.3 million based on the District's preliminary calculations of the potential recoupment amount.

Washington Township Health Care District
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The composition of gross patient revenues by major payor type is as follows:

<i>(in thousands)</i>	2022	2021
Medicare and Medicare HMO	\$ 1,264,821	\$ 1,160,255
Medi-Cal and Medi-Cal HMO	470,301	433,223
Commercial PPO, HMO and others	668,075	606,318
Private pay	40,594	37,966
Total gross patient revenues	<u>\$ 2,443,791</u>	<u>\$ 2,237,762</u>

3. Charity Care

The District maintains records to identify and monitor the level of direct charity care it provides. For fiscal year 2022 and 2021, net patient service revenues exclude charges foregone for charity care services and supplies of approximately \$4.6 million and \$2.6 million, respectively.

4. Related-Party Transactions

The District held \$0.96 million and \$1.1 million as of June 30, 2022 and 2021, respectively, of the Foundation's assets in the District's short-term investment account. The Foundation donated \$1.1 million and \$3.3 million to the District for fiscal years 2022 and 2021, 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, 2022 and June 30, 2021, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents \$11.1 million and \$40.7 million, Board-designated for capital and workers compensation \$143.9 million and \$150.5 million. Banking and investment fees paid were \$0.6 million for fiscal year 2022 and \$0.2 million for fiscal year 2021.

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.

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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. Certain deposits exceed FDIC limits.

Washington Township Health Care District

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The fair value of the District's, Foundation's and Warm Springs' investment assets, measured on a recurring basis at June 30, 2022, is reflected in the following table:

<i>(in thousands)</i>	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2022
District				
U.S. Treasuries	\$ 64,384	\$ -	\$ -	\$ 64,384
U.S. Agencies	19,639	-	-	19,639
Corporate and municipal bonds	55,818	-	-	55,818
Local Agency Investment Fund (LAIF)	-	71,534 ¹	-	71,534
Money market and mutual funds	-	-	55,440	55,440
Total Investments - District	<u>\$ 139,841</u>	<u>\$ 71,534</u>	<u>\$ 55,440</u>	<u>\$ 266,815</u>
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	-	964	-	964
Total Investments - Foundation	<u>\$ -</u>	<u>\$ 964</u>	<u>\$ 423</u>	<u>\$ 1,387</u>
Warm Springs				
Short-term investments Certificates of deposit	\$ -	\$ -	\$ 5,811	\$ 5,811
Total Investments - Warm Springs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,811</u>	<u>\$ 5,811</u>

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:

<i>(in thousands)</i>	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	<u>\$ 147,135</u>	<u>\$ 81,310</u>	<u>\$ 36,359</u>	<u>\$ 264,804</u>
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	<u>\$ -</u>	<u>\$ 1,090</u>	<u>\$ 423</u>	<u>\$ 1,513</u>

Washington Township Health Care District

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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, 2022 and as of June 30, 2021, 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, 2022 and 2021, investment and restricted funds, at fair value, have been set aside as follows:

<i>(in thousands)</i>	2022	2021
Long-term Investment and Restricted Funds		
Board-designated for capital and debt	\$ 199,979	\$ 215,928
Workers' compensation fund	8,912	9,428
Funds held by trustee under bond indenture	57,882	39,106
Restricted funds	42	42
Total funds	<u>266,815</u>	<u>264,504</u>
Short-term investments – required for current liabilities	<u>(29,896)</u>	<u>(30,584)</u>
Total long-term investment and restricted funds	<u>\$ 236,919</u>	<u>\$ 233,920</u>

Foundation

Investments as of June 30, 2022 and 2021, at fair value, are summarized below:

<i>(in thousands)</i>	2022	2021
Certificates of deposit	\$ 423	\$ 423
Short-term investments held by District on behalf of Foundation	<u>964</u>	<u>1,090</u>
Total Investments	<u>\$ 1,387</u>	<u>\$ 1,513</u>

Washington Township Health Care District
Notes to Financial Statements
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The District's investment policy permits the following investments:

Authorized investment type	Maximum Average Maturity	Maximum Percentage	Maximum Investment
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, 2022 the District had the following investments with maturities as follows:

<i>(in thousands)</i>	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type					
U.S. Treasuries	\$ 64,384	\$ 10,195	\$ 49,980	\$ 4,209	\$ -
U.S. Government agencies	19,639	3,361	8,253	2,904	5,121
Corporate bonds	55,818	10,365	44,153	1,300	-
LAIF (State Pool Demand Deposits)	71,534	71,534	-	-	-
Money market and mutual funds	55,440	55,440	-	-	-
Total investments	<u>\$ 266,815</u>	<u>\$ 150,895</u>	<u>\$ 102,386</u>	<u>\$ 8,413</u>	<u>\$ 5,121</u>

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

<i>(in thousands)</i>	Fair Value	Investment Maturities (in Years)			
		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	<u>\$ 264,804</u>	<u>\$ 134,791</u>	<u>\$ 112,446</u>	<u>\$ 9,635</u>	<u>\$ 7,932</u>

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

Washington Township Health Care District
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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, 2022 and 2021, there were no investments below the required rating.

The District's investments at June 30, 2022 are rated as follows:

(in thousands)

	Fair Value	Ratings
Investment type		
U.S. Treasuries	\$ 64,384	Not rated
U.S. Government agencies	19,639	Not rated
Corporate bonds	55,818	See below
Local agency investment fund	71,534	Not rated
Money market and mutual funds	55,440	Not rated
Total Investments	<u>\$ 266,815</u>	

(in thousands)

	Amount
Corporate bonds rating	
AAA	\$ 4,419
AA+	2,570
AA	7,974
AA-	7,316
A+	11,928
A	12,569
A-	9,042
Total corporate bonds	<u>\$ 55,818</u>

Washington Township Health Care District
Notes to Financial Statements
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The District's investments at June 30, 2021 are rated as follows:

<i>(in thousands)</i>	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	<u>\$ 264,804</u>	

<i>(in thousands)</i>	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	<u>\$ 61,392</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

7. Capital Assets

The District's capital assets activity for fiscal year 2022 consisted of the following:

<i>(in thousands)</i>	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	\$ 27,616	\$ -	\$ -	\$ 27,616
Construction in progress	16,668	7,183	(16,615)	7,236
Total capital assets not being depreciated	<u>44,284</u>	<u>7,183</u>	<u>(16,615)</u>	<u>34,852</u>
Capital assets being depreciated				
Land improvements	16,038	162	-	16,200
Buildings	791,184	1,075	(243)	792,016
Right of use asset	16,065	-	-	16,065
Fixed and moveable equipment	391,649	18,531	(1,022)	411,202
Total capital assets being depreciated	<u>1,214,936</u>	<u>19,768</u>	<u>(1,265)</u>	<u>1,233,439</u>
Less: Accumulated depreciation				
Land improvements	(14,967)	(642)	-	(15,609)
Buildings	(263,206)	(32,419)	-	(295,625)
Right of use asset	(5,294)	(2,457)	-	(7,751)
Fixed and movable equipment	(298,426)	(16,531)	833	(314,124)
Total accumulated depreciation	<u>(581,893)</u>	<u>(52,049)</u>	<u>833</u>	<u>(633,109)</u>
Total capital assets being depreciated, net	<u>633,043</u>	<u>(32,281)</u>	<u>(432)</u>	<u>600,330</u>
Total capital assets, net	<u>\$ 677,327</u>	<u>\$ (25,098)</u>	<u>\$ (17,047)</u>	<u>\$ 635,182</u>

The District's right of use asset includes both building and equipment leases. The equipment leases are not material.

At June 30, 2022, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately \$14.8 million.

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

<i>(in thousands)</i>	2022	2021
Change in accumulated depreciation		
Operating depreciation expense	\$ 49,972	\$ 52,116
Nonoperating depreciation expense	2,078	2,017
Disposal of fixed assets	<u>(833)</u>	<u>(859)</u>
Total increase in accumulated depreciation	<u>\$ 51,217</u>	<u>\$ 53,274</u>

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

<i>(in thousands)</i>	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	<u>35,040</u>	<u>16,549</u>	<u>(7,305)</u>	<u>44,284</u>
Capital assets being depreciated				
Land improvements	15,824	214	-	16,038
Buildings	772,641	18,545	(2)	791,184
Right of use assets	16,065	-	-	16,065
Fixed and moveable equipment	384,239	8,285	(875)	391,649
Total capital assets being depreciated	<u>1,188,769</u>	<u>27,044</u>	<u>(877)</u>	<u>1,214,936</u>
Less: Accumulated depreciation				
Land improvements	(14,269)	(698)	-	(14,967)
Buildings	(231,964)	(31,245)	3	(263,206)
Right of use assets	(5,265)	(29)	-	(5,294)
Fixed and movable equipment	(277,121)	(22,161)	856	(298,426)
Total accumulated depreciation	<u>(528,619)</u>	<u>(54,133)</u>	<u>859</u>	<u>(581,893)</u>
Total capital assets being depreciated, net	<u>660,150</u>	<u>(27,089)</u>	<u>(18)</u>	<u>633,043</u>
Total capital assets, net	<u>\$ 695,190</u>	<u>\$ (10,540)</u>	<u>\$ (7,323)</u>	<u>\$ 677,327</u>

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 Warm Springs assets activity for fiscal year 2022 consisted of the following:

<i>(in thousands)</i>	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	\$ -	\$ 13,200	\$ -	\$ 13,200
Building	-	9,574	-	9,574
Total capital assets not being depreciated	<u>-</u>	<u>22,774</u>	<u>-</u>	<u>22,774</u>
Capital assets being depreciated				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Accumulated depreciation				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 22,774</u>	<u>\$ -</u>	<u>\$ 22,774</u>

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8. Credit Facilities

In fiscal year 2015, the District entered into an Irrevocable Standby Letter of Credit (LOC) in the amount of \$2.1 million in connection with the construction of the new parking garage (completed in August 2016) and the Morris Hyman Critical Care Pavilion (completed in November 2018). In fiscal year 2022, the amount was reduced to \$1.8 million. No draws have been made under the LOC. The current renewal expires March 2, 2023.

In fiscal year 2021, the District obtained a short term revolving line of credit in the amount of \$20.0 million. No draws have been made under this line of credit. The current renewal expires on June 3, 2023.

In fiscal year 2021, Peninsula Surgery Center LLC entered into an Unsecured Revolving Line of Credit with DEVCO for \$4.0 million. During fiscal year 2022, the agreement was amended and the line of credit was increased to \$10.0 million (2nd Amendment). This amendment expires August 1, 2029. As of June 30, 2022, PSC has drawn approximately \$6.6 million on this line of credit.

During the fiscal years 2022 and 2021, 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, 2023.

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

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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

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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.

In November 2020, the residents of the District approved Measure XX, which authorized the issue of \$425 million of general obligation bonds to fund certain capital building projects. In April, 2022, the District issued \$20.0 million of the 2020 Election General Obligation Bonds, 2022 Series A. The proceeds of the issuance will be used to complete a portion of the construction necessary to make the Hospital earthquake-safe and ensure the hospital remains open and accessible to provide life-saving care during a major disaster, and to provide modern operating rooms and, intensive care for infants and modern patient facilities. Also, part of the proceeds will be used for the Morris Hyman Critical Care Pavilion Bridge and the Infill Project. Proceeds will also be used to pay the cost of issuance associated with the bonds. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District and are not secured by the revenues from the operations of the Washington Hospital Healthcare System. \$405 million of the November 2020 bond authorization remains unissued.

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

Washington Township Health Care District

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covenants as of June 30, 2022 and 2021, maintaining debt service coverage ratios of 4.44 to 1.0 and 2.73 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.

WOSC is party to several 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. This financing was paid in full as scheduled in January 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.

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A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2022 is as follows:

<i>(in thousands)</i>	Ending Balance, June 30, 2021	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2022	Due Within One Year
Bonds payable						
2022A General Obligation Bonds, principal and interest (at 4.00% to 5.00%) payable semiannually	\$ -	\$ 20,000			\$ 20,000	\$ -
Plus: Issuance premium	-	457	(6)		451	-
Total 2022 General Obligation Refunding Bonds	-	20,457	(6)	-	20,451	-
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	40,865			(2,710)	38,155	\$ 1,515
Plus: Issuance premiums	4,036		(633)		3,403	
Total 2019A Revenue Refunding Bonds Payable	44,901	-	(633)	(2,710)	41,558	1,515
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	48,045			(1,455)	46,590	1,530
Plus: Issuance premiums	2,719		(491)		2,228	-
Total 2019A Revenue Refunding Bonds Payable	50,764	-	(491)	(1,455)	48,818	1,530
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110			(65)	11,045	75
Plus: Issuance premiums	81		(30)		51	-
Total 2019A General Obligation Refunding Bonds	11,191	-	(30)	(65)	11,096	75
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	63,205			(1,290)	61,915	1,350
Plus: Issuance premiums	2,218		(341)		1,877	-
Total 2017B Revenue Refunding Bonds Payable	65,423	-	(341)	(1,290)	63,792	1,350
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	35,685			(715)	34,970	740
Plus: Issuance premiums	809		(117)		692	-
Total 2017A Revenue Bonds Payable	36,494	-	(117)	(715)	35,662	740
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	26,220			(1,220)	25,000	1,275
Plus: Issuance premiums	1,736		(319)		1,417	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	27,956	-	(319)	(1,220)	26,417	1,275
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	21,665			(1,975)	19,690	2,080
Plus: Issuance premiums	389		(164)		225	-
Total 2015A Revenue Refunding Bonds Payable	22,054	-	(164)	(1,975)	19,915	2,080
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500			-	145,500	-
Plus: Issuance premiums	1,354		(50)		1,305	-
Total 2015B General Obligation Bonds Payable	146,854	-	(50)	-	146,805	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	103,200			(1,080)	102,120	1,080
Plus: Issuance premiums	1,809		(134)		1,675	-
Total 2013B General Obligation Bonds Payable	105,009	-	(134)	(1,080)	103,795	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	39,800			(420)	39,380	420
Plus: Issuance premiums	539		(37)		502	-
Total 2013A General Obligation Bonds Payable	40,339	-	(37)	(420)	39,882	420
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	302			(40)	262	29
Total WOSC 2020 Loans Payable	302	-	-	(40)	262	29
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	9,400			(382)	9,018	788
Total PSC 2021 Loan Payable	9,400	-	-	(382)	9,018	788
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	67			(67)	-	-
Total WOSC 2017 Loan Payable	67	-	-	(67)	-	-
Lease obligations						
principal and interest (at 4.25%) payable monthly	11,634			(2,314)	9,320	1,998
Total lease obligations	11,634	-	-	(2,314)	9,320	1,998
Total long-term debt payable	\$ 572,388	\$ 20,457	\$ (2,322)	\$ (13,733)	\$ 576,791	\$ 12,880

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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:

<i>(in thousands)</i>	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	-
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
Lease obligations principal and interest (at 4.25%) payable monthly	13,964	-	-	(2,330)	11,634	2,314
Total lease obligations	13,964	-	-	(2,330)	11,634	2,314
Total long-term debt payable	\$ 579,615	\$ 55,345	\$ (1,875)	\$ (60,697)	\$ 572,388	\$ 13,719

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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

<i>(in thousands)</i>	Original Issue Amount	Maturity Date	Effective Interest Rate	
			2022	2021
Bond issue				
2022A General Obligation Bonds	\$ 20,000	8/1/2052	4.05%	N/A
2020A Revenue Refunding Bonds	40,865	7/1/2038	2.51%	0.96%
2019A Revenue Refunding Bonds	49,445	7/1/2048	2.96%	2.92%
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	2.99%	2.97%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.69%	3.65%
2017A Revenue Bonds	37,655	7/1/2047	4.00%	3.95%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.36%	2.28%
2015A Revenue Bonds	30,290	7/1/2029	3.48%	3.38%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	4.96%	4.93%
2013A General Obligation Bonds	40,500	8/1/2043	4.96%	4.93%
2010 Revenue Bonds	60,725	7/1/2038	N/A	5.57%

The long-term debt payment requirements as of June 30, 2022, excluding unamortized discounts and premiums on bonds payable, are as follows:

<i>(in thousands)</i>	Private Long-Term Debt		Public Long-Term Debt		Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2023	\$ 8,120	\$ 9,006	\$ 2,850	\$ 14,910	\$ 10,970	\$ 23,916
2024	8,462	8,574	2,900	15,193	11,362	23,767
2025	8,898	8,153	1,470	14,977	10,368	23,130
2026	9,327	7,714	1,530	14,909	10,857	22,623
2027	9,732	7,253	1,610	14,830	11,342	22,083
2028 - 2032	55,731	29,206	20,265	72,499	75,996	101,705
2033 - 2037	64,094	16,101	53,310	65,169	117,404	81,270
2038 - 2042	30,900	5,363	107,180	47,073	138,080	52,436
2043 - 2047	12,245	1,974	140,840	14,755	153,085	16,729
2048 - 2052	3,340	68	8,780	1,039	12,120	1,107
2053 - 2057	-	-	2,310	-	2,310	-
Total long-term debt, excluding unamortized discounts and premiums	<u>\$ 210,849</u>	<u>\$ 93,412</u>	<u>\$ 343,045</u>	<u>\$ 275,354</u>	<u>\$ 553,894</u>	<u>\$ 368,766</u>

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.

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

Based on guidance under GASB 68 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.

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:

	2022	2021
Active and suspended	1,511	1,525
Vested terminated	723	706
Retirees and beneficiaries	<u>873</u>	<u>823</u>
Total participants	<u>3,107</u>	<u>3,054</u>

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

<i>(in thousands)</i>	2022	2021
Pension cost		
Service cost	\$ 10,332	\$ 9,548
Employee contributions	(2,140)	(1,919)
Interest	28,992	27,890
Expected return on plan assets	(29,739)	(26,591)
Administrative expenses	228	226
Recognition of deferred amounts	<u>(12,079)</u>	<u>(30)</u>
Total pension cost	<u>\$ (4,406)</u>	<u>\$ 9,124</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

<i>(in thousands)</i>	<u>Deferred Outflows</u>	<u>Deferred (Inflows)</u>
Differences between expected and actual experience	\$ 605	\$ (1,156)
Change of assumptions	7,865	(1,807)
Net differences between projected and actual earnings	-	(43,306)
Contributions made subsequent to measurement date	<u>4,050</u>	<u>-</u>
Total	<u>\$ 12,520</u>	<u>\$ (46,269)</u>

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

<i>(in thousands)</i>	<u>Deferred Outflows</u>	<u>Deferred (Inflows)</u>
Differences between expected and actual experience	\$ 1,415	\$ (2,754)
Change of assumptions	10,166	(2,400)
Net differences between projected and actual earnings	-	(25,220)
Contributions made subsequent to measurement date	<u>5,775</u>	<u>-</u>
Total	<u>\$ 17,356</u>	<u>\$ (30,374)</u>

The District reclassified \$17.4 million of Deferred outflows of resources – pension at June 30, 2021 in both the Statement of Net Position and the table above to Deferred inflows of resources – pension to conform to the 2022 presentation.

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

<i>(in thousands)</i>	<u>Deferred Outflows</u>	<u>Deferred (Inflows)</u>	<u>Total</u>
2023	12,225	(18,743)	\$ (6,518)
2024	3,540	(18,513)	(14,973)
2025	1,194	(11,260)	(10,066)
2026	196	(6,438)	(6,242)
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred (inflows) and outflows of resources - pension	<u>\$ 17,155</u>	<u>\$ (54,954)</u>	<u>\$ (37,799)</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

The following table summarizes changes in net pension (prepaid) liability from July 1, 2020 to June 30, 2022:

<i>(in thousands)</i>	2022	2021
Total pension liability		
Service cost	\$ 10,332	\$ 9,548
Interest	28,992	27,890
Change in assumptions	1,042	(2,992)
Difference between expected and actual experience	(786)	1,001
Benefit payments	<u>(21,045)</u>	<u>(19,623)</u>
Net change in total pension liability	18,535	15,824
Total pension liability (beginning of year)	<u>424,951</u>	<u>409,127</u>
Total pension liability (end of year)	<u>443,486</u>	<u>424,951</u>
Plan fiduciary net position		
Employer contributions	8,400	23,100
Employee contributions	2,140	1,919
Net investment income	61,077	47,613
Benefit payments	(21,045)	(19,623)
Administrative expense	(228)	(226)
Other	<u>-</u>	<u>-</u>
Net change in fiduciary net position	50,344	52,783
Fiduciary net position (beginning of year)	<u>430,112</u>	<u>377,329</u>
Fiduciary net position (end of year)	<u>480,456</u>	<u>430,112</u>
Net pension (prepaid) liability (end of year)	<u>\$ (36,970)</u>	<u>\$ (5,161)</u>
Fiduciary net position as percent of liability	<u>108.3%</u>	<u>101.2%</u>
Covered payroll (pension)	<u>\$ 181,577</u>	<u>\$ 182,973</u>
Net pension (prepaid)/liability as percent of covered payroll	<u>20.4%</u>	<u>2.8%</u>

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (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, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2021 - Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2020 - Pri-2012 disabled tables and projected forward using MP-2020 projection scale on a generational basis
Sensitivity of net pension liability at December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	\$17,345,000
Current discount rate (7.0%)	(36,970,000)
1 percent increase (8.0%)	(82,530,000)
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)

The fair value of the District's pension investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

<i>(in thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	\$ -	\$ 4,209	\$ 4,209
Fixed income funds	143,815	-	143,815
Domestic equity funds	149,223	-	149,223
International equity funds	113,743	-	113,743
Commodity funds	31,875	-	31,875
Real estate funds	27,846	-	27,846
Infrastructure funds	9,745	-	9,745
Total pension assets	<u>\$ 476,247</u>	<u>\$ 4,209</u>	<u>\$ 480,456</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

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:

<i>(in thousands)</i>	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	<u>\$ 428,053</u>	<u>\$ 2,059</u>	<u>\$ 430,112</u>

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 makes contributions to this plan, matching participant contributions to the Deferred Compensation Plan to a maximum of 1.5 percent of gross earnings for employees with a minimum of 1,000 hours in a benefitted status. 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 2022 and 2021 were as follows:

<i>(in thousands)</i>	Amount	Employee Deductions Being Matched
Contribution Year		
2022	\$ -	Calendar year 2021
2021	\$ 2,229	Calendar year 2020

The contribution for fiscal year 2022 was made in July 2022 in the amount of \$2,293,000.

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 benefitted status for the five years prior to their retirement date.

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

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.

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, 2021 and December 31, 2020 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2022	2021
Active	1,417	1,431
Retirees	<u>562</u>	<u>552</u>
Total participants	<u><u>1,979</u></u>	<u><u>1,983</u></u>

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

<i>(in thousands)</i>	2022	2021
Postemployment medical benefits cost		
Service cost	\$ 1,911	\$ 1,885
Interest	4,155	3,948
Expected return on plan assets	(1,373)	(1,013)
Administrative expenses	53	52
Recognition of deferred amounts	<u>(4,327)</u>	<u>(3,949)</u>
Total postemployment medical benefits cost	<u><u>\$ 419</u></u>	<u><u>\$ 923</u></u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

<i>(in thousands)</i>	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	\$ 432	\$ (572)
Change of assumptions	4,872	(11,583)
Net differences between projected and actual earnings	-	(1,809)
Contributions made subsequent to measurement date	2,601	-
Total	<u>\$ 7,905</u>	<u>\$ (13,964)</u>

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

<i>(in thousands)</i>	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	\$ 188	\$ (679)
Net differences between projected and actual earnings	-	(998)
Change of assumptions	6,342	(15,658)
Contributions made subsequent to measurement date	2,611	-
Total	<u>\$ 9,141</u>	<u>\$ (17,335)</u>

The District reclassified \$17.4 million of differences between projected and actual earnings listed above that were previously classified as deferred outflows at June 30, 2021 to deferred inflows to conform to the 2022 presentation.

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:

<i>(in thousands)</i>	Deferred Outflows	Deferred (Inflows)	Total
2023	\$ 1,673	\$ (5,740)	\$ (4,067)
2024	1,125	(5,670)	(4,545)
2025	954	(1,422)	(468)
2026	945	(579)	366
2027	630	(304)	326
Thereafter	75	(347)	(272)
Total deferred inflows of resources - postemployment medical benefits (OPEB)	<u>\$ 5,402</u>	<u>\$ (14,062)</u>	<u>\$ (8,660)</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

The following table summarizes changes in the net postemployment medical benefit liability from July 1, 2020 to June 30, 2022 and related ratios:

<i>(in thousands)</i>	2022	2021
Total postemployment medical benefits liability		
Service cost	\$ 1,911	\$ 1,885
Interest	4,155	3,948
Difference between expected and actual experience	349	(555)
Change of assumptions	(1,217)	(385)
Benefit payments	<u>(2,005)</u>	<u>(1,904)</u>
Net change in postemployment medical benefits liability	3,193	2,989
Total postemployment medical benefits liability (beginning of year)	<u>58,442</u>	<u>55,453</u>
Total postemployment medical benefits liability (end of year)	<u>61,635</u>	<u>58,442</u>
Plan fiduciary net position		
Employer contributions	5,305	5,204
Net investment income	2,689	1,900
Benefit payments	(2,005)	(1,904)
Administrative expense	(53)	(52)
Other	<u>-</u>	<u>-</u>
Net change in fiduciary net position	5,936	5,148
Fiduciary net position (beginning of year)	<u>18,023</u>	<u>12,875</u>
Fiduciary net position (end of year)	<u>23,959</u>	<u>18,023</u>
Net postemployment medical benefits liability (end of year)	<u>\$ 37,676</u>	<u>\$ 40,419</u>
Fiduciary net position as percent of liability	<u>38.9%</u>	<u>30.8%</u>
Covered employee payroll	<u>\$ 181,577</u>	<u>\$ 182,973</u>
Net postemployment medical benefits liability as percent of covered employee payroll ¹	<u>20.7%</u>	<u>22.1%</u>

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (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, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis	
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis	
Mortality table for disabled participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis	
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 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, 2021 to changes in the discount rate, with no other changes -		
1 percent decrease (6.00%)		\$46,385,000
Current discount rate (7.00%)		\$37,676,000
1 percent increase (8.00%)		\$30,444,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the health cost trend rate, with no other changes -		
1 percent decrease		\$29,672,000
Current healthcare cost trend rate		\$37,676,000
1 percent increase		\$47,587,000
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

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

The fair value of the District's OPEB investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

<i>(in thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	\$ -	\$ 946	\$ 946
Fixed income funds	6,939	-	6,939
Domestic equity funds	7,256	-	7,256
International equity funds	5,457	-	5,457
Commodity funds	1,547	-	1,547
Real estate funds	1,353	-	1,353
Infrastructure funds	461	-	461
Total OPEB assets	<u>\$ 23,013</u>	<u>\$ 946</u>	<u>\$ 23,959</u>

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:

<i>(in thousands)</i>	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	<u>\$ 17,997</u>	<u>\$ 26</u>	<u>\$ 18,023</u>

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

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	Asset Class
		Expected
		Returns
Total portfolio	7.10 %	
Total portfolio asset allocation		
U.S. Equity	30 %	7.50 %
Non-U.S. Equity	25 %	8.00 %
Core fixed income	12 %	4.50 %
Opportunistic credit	10 %	6.50 %
Real assets	15 %	7.00 %
Private Credit	8 %	7.00 %
Total	<u>100 %</u>	

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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	\$ 100,000
Boiler and machinery insurance	100,000,000	100,000
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	50,000
Automobile insurance	10,000,000	500
Cyber liability	5,000,000	250,000
Cyber excess, including notifications	5,000,000	-
Pollution	2,000,000	50,000

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, 2022 and 2021, the approximate liability for unpaid compensated absences was \$21.8 million and \$19.5 million, respectively.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 is as follows:

<i>(in thousands)</i>	Hospital	DEVCO	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION				
Current assets	\$ 136,425	\$ 18,478	\$ -	\$ 154,903
Long-term investment and restricted funds	236,919	-	-	236,919
Capital assets, net	600,578	34,604	-	635,182
Other assets	344,386	7,402	(273,930)	77,858
Total assets	1,318,308	60,484	(273,930)	1,104,862
Deferred outflows of resources	20,425	2,016	-	22,441
Total assets and deferred outflows of resources	<u>\$ 1,338,733</u>	<u>\$ 62,500</u>	<u>\$ (273,930)</u>	<u>\$ 1,127,303</u>
Liabilities				
Current liabilities	\$ 117,643	\$ 286,731	\$ (273,930)	\$ 130,444
Other non-current liabilities	593,215	15,964	-	609,179
Total liabilities	710,858	302,695	(273,930)	739,623
Deferred inflows of resources	82,412	-	-	82,412
Net position				
Net investment in capital assets	92,850	-	-	92,850
Restricted - expendable	28,817	-	-	28,817
Restricted for minority interest	-	3,345	-	3,345
Unrestricted	423,796	(243,540)	-	180,256
Total net position	545,463	(240,195)	-	305,268
Total liabilities, net position and deferred inflows of resources	<u>\$ 1,338,733</u>	<u>\$ 62,500</u>	<u>\$ (273,930)</u>	<u>\$ 1,127,303</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	\$ 522,801	\$ 81,627	\$ (15,165)	\$ 589,263
Operating expenses	(448,888)	(100,749)	15,286	(534,351)
Depreciation	(45,854)	(4,118)	-	(49,972)
Operating income (loss)	28,059	(23,240)	121	4,940
Non-operating revenues and expenses, net	(8,120)	(882)	(121)	(9,123)
Increase (decrease) in net position before minority interest and restricted funds	19,939	(24,122)	-	(4,183)
Other, including minority interest	674	(1,184)	-	(510)
Increase (decrease) in net position	20,613	(25,306)	-	(4,693)
Net position				
Beginning of year	524,959	(214,998)	-	309,961
End of year	<u>\$ 545,572</u>	<u>\$ (240,304)</u>	<u>\$ -</u>	<u>\$ 305,268</u>
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	\$ 19,788	\$ (26,610)	\$ (121)	(6,943)
Noncapital financing activities	(23,912)	24,494	-	582
Capital and related financing activities	(140)	(5,443)	121	(5,462)
Investing activities	(21,642)	3,834	-	(17,808)
Net increase (decrease) in cash and cash equivalents	\$ (25,906)	\$ (3,725)	\$ -	\$ (29,631)
Cash and cash equivalents - beginning of year	31,619	9,078	-	40,697
Cash and cash equivalents - end of year	<u>\$ 5,713</u>	<u>\$ 5,353</u>	<u>\$ -</u>	<u>\$ 11,066</u>

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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

<i>(in thousands)</i>	Hospital*	DEVCO	Eliminations	District*
CONDENSED STATEMENTS OF NET POSITION				
Current assets	\$ 155,439	\$ 20,893	\$ -	\$ 176,332
Long-term investment and restricted funds	234,220	-	-	234,220
Capital assets, net	640,048	37,279	-	677,327
Other assets	283,276	6,771	(248,141)	41,906
Total assets	<u>1,312,983</u>	<u>64,943</u>	<u>(248,141)</u>	<u>1,129,785</u>
Deferred outflows of resources	26,497	2,689	-	29,186
Total assets and deferred outflows of resources	<u>\$ 1,339,480</u>	<u>\$ 67,632</u>	<u>\$ (248,141)</u>	<u>\$ 1,158,971</u>
Liabilities				
Current liabilities	\$ 155,409	\$ 17,883	\$ (6)	\$ 173,286
Other non-current liabilities	588,647	264,747	(248,135)	605,259
Total liabilities	<u>744,056</u>	<u>282,630</u>	<u>(248,141)</u>	<u>778,545</u>
Deferred inflows of resources	70,465	-	-	70,465
Net position				
Net investment in capital assets	122,886	-	-	122,886
Restricted - expendable	30,005	-	-	30,005
Restricted for minority interest	-	4,528	-	4,528
Unrestricted	372,068	(219,526)	-	152,542
Total net position	<u>524,959</u>	<u>(214,998)</u>	<u>-</u>	<u>309,961</u>
Total liabilities, net position and deferred inflows of resources	<u>\$ 1,339,480</u>	<u>\$ 67,632</u>	<u>\$ (248,141)</u>	<u>\$ 1,158,971</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	\$ 469,919	\$ 74,485	\$ (10,791)	\$ 533,613
Operating expenses	(431,382)	(92,307)	11,168	(512,521)
Depreciation	(47,900)	(4,216)	-	(52,116)
Operating income (loss)	<u>(9,363)</u>	<u>(22,038)</u>	<u>377</u>	<u>(31,024)</u>
Non-operating revenues and expenses, net	436	1,539	(377)	1,598
Increase (decrease) in net position before minority interest and restricted funds	(8,927)	(20,499)	-	(29,426)
Other, including minority interest	2,051	(57)	-	1,994
Increase (decrease) in net position	<u>(6,876)</u>	<u>(20,556)</u>	<u>-</u>	<u>(27,432)</u>
Net position				
Beginning of year	531,835	(194,442)	-	337,393
End of year	<u>\$ 524,959</u>	<u>\$ (214,998)</u>	<u>\$ -</u>	<u>\$ 309,961</u>
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	\$ 3,124	\$ (12,610)	\$ 363	\$ (9,123)
Noncapital financing activities	(22,057)	27,240	14	5,197
Capital and related financing activities	(24,708)	(3,443)	(377)	(28,528)
Investing activities	6,647	(5,531)	-	1,116
Net increase (decrease) in cash and cash equivalents	<u>\$ (36,994)</u>	<u>\$ 5,656</u>	<u>\$ -</u>	<u>\$ (31,338)</u>
Cash and cash equivalents - beginning of year	68,613	3,422	-	72,035
Cash and cash equivalents - end of year	<u>\$ 31,619</u>	<u>\$ 9,078</u>	<u>\$ -</u>	<u>\$ 40,697</u>

* The Fiscal Year 2021 amounts for Current Assets, Unrestricted Net Position, Operating Revenues and Increase in Net Position presented in the table above, have been reduced by \$3.7 million to correct an immaterial error in the previously presented information.

Washington Township Health Care District
Notes to Financial Statements
June 30, 2022 and 2021

14. Commitments and Contingencies

Lease Commitments

The District has entered into leases for medical clinic facilities and equipment. In fiscal year 2022 the District adopted GASB 87 – *Leases*, effective for the District’s fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset. Lease obligations for fiscal years 2022 and 2021 were \$3.0 Million and \$3.1 Million, respectively.

The District’s future lease obligations are as follows:

<i>(in thousands)</i>	Principal	Interest
2023	\$ 1,983	\$ 333
2024	1,784	254
2025	1,505	185
2026	1,570	119
2027	907	64
Thereafter	1,044	49
Total lease commitments	\$ 8,793	\$ 1,004

The District is a lessor of buildings under agreements that extend through 2067. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 5 years. Certain of the District’s lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties. The District measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term. During the years ended June 30, 2022 and 2021, the District recorded \$3.8 million and \$3.7 million, respectively, in lease revenues.

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.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2022 and 2021

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, 2021 the District received and recognized CARES Act provider relief funding of \$32.5 million, as federal grant revenue on the statement of revenues, expenses and changes in net position. In fiscal year 2022, the District received an additional \$1.4 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 2021 was September 30, 2022 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 fiscal 2022 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 Medicare Accelerated and Advanced Payments Program. As of June 30, 2022, the District has repaid approximately \$48 Million and the remaining amount due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2022.

In addition, in fiscal 2021 The Washington Outpatient Surgery Center (WOSC) received a \$1.6 million Paycheck Protection Program loan for small business. In fiscal year 2022 WOSC submitted for forgiveness of this loan. Forgiveness was subsequently received in August 2022.

Required Supplementary Information

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

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:

<i>(in thousands)</i>	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	165,710 *	17.43%
2020	23,100	23,100	-	177,841	12.99%
2021	23,100	23,100	-	182,973	12.62%
2022	8,181	6,675	(1,506)	181,577	3.68%
	<u>\$ 243,502</u>	<u>\$ 304,876</u>	<u>\$ 61,374</u>		

* The Fiscal Year 2019 amounts for Covered Payroll (Pension) and Contributions as % of Covered Payroll have been reduced by \$8.0 Million and 0.81%, respectively, to correct an immaterial error in the previously presented information.

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	<u>21,800</u>
Total pension funding for years 2010 to 2013 included in 2014 actual contribution	<u>\$ 84,800</u>

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, 2022:

<i>(in thousands)</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 10,332	\$ 9,548	\$ 9,075	\$ 8,190	\$ 6,500	\$ 6,494	\$ 5,669	\$ 5,434	\$ 5,456	\$ 6,580
Interest	28,992	27,890	27,395	26,693	24,436	24,263	23,657	21,585	20,223	19,283
Difference between expected and actual experience	(786)	1,001	(703)	(8,586)	15,019	8,244	(13,656)	578	4,395	(5,173)
Change in assumptions	1,042	(2,992)	16,421	-	-	-	-	14,522	362	2,148
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Net change in total pension liability	18,535	15,824	34,042	9,967	30,912	8,591	1,910	28,357	18,953	13,540
Total pension liability (beginning of year)	424,951	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)	443,486	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Plan fiduciary net position										
Employer contributions	8,400	23,100	23,100	23,100	22,300	22,000	27,100	36,200	115,526	-
Employee contributions	2,140	1,919	1,655	1,235	980	732	374	139	-	-
Net investment income	61,077	47,613	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342	12,619
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Administrative expense	(228)	(226)	(226)	(224)	(252)	(216)	(64)	(65)	(62)	(69)
Other	-	-	-	-	(1)	(126)	-	-	-	-
Net change in fiduciary net position	50,344	52,783	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323	3,252
Plan fiduciary net position (beginning of year)	430,112	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)	480,456	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)	\$ (36,970)	\$ (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	108.3 %	101.2 %	92.2 %	83.1 %	88.4 %	81.5 %	83.7 %	79.5 %	75.8 %	36.4 %
Covered payroll (pension)	\$ 181,577	\$ 182,973	\$ 177,841	\$ 165,710 *	\$ 168,165	\$ 146,438	\$ 142,319	\$ 136,999	\$ 144,445	\$ 145,324
Net pension liability as percent of covered payroll	(20.4)%	(2.8)%	17.9 %	38.3 % *	25.2 %	42.2 %	37.2 %	48.5 %	49.4 %	121.0 %
Deferred outflows of resources										
Employer contributions after measurement date	\$ 4,050	\$ 5,775	\$ 5,775	\$ 5,775	\$ -	\$ -	\$ -	\$ 5,000	\$ 18,500	\$ -
Fiduciary net position as percent of liability including deferred outflows of resources	109.2 %	102.6 %	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %	36.4 %
Net pension liability as percent of covered payroll including deferred outflows of resources	(22.6)%	(6.0)%	14.6 %	34.8 % *	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %	121.0 %

* The Fiscal Year 2019 amounts for Covered Payroll (pension) has been reduced by \$8.0 Million, Net pension liability as a percent of covered payroll has been increased by 1.7%, and Net pension liability as a percent of covered payroll including deferred outflows of resources has been increased by 1.6% to correct an immaterial error in the previously presented information.

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

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 - 2021	7.00%
	December 31, 2012 - 2018	7.50%
Demographic assumptions		
Mortality table for healthy participants	December 31, 2021	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	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, 2021	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	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, 2022:

<i>(in thousands)</i>	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%
2022	7,400	5,444	(1,956)	181,577	3.00%
	<u>\$ 38,950</u>	<u>\$ 30,231</u>	<u>\$ (8,719)</u>		

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

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

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, 2022, and related ratios:

<i>(in thousands)</i>	2022	2021	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability						
Service cost	\$ 1,911	\$ 1,885	\$ 1,473	\$ 3,049	\$ 2,948	\$ 3,007
Interest	4,155	3,948	3,461	2,495	2,457	2,260
Difference between expected and actual experience	349	(555)	(265)	368	-	-
Change of assumptions	(1,217)	(385)	6,880	(29,183)	3,541	(2,045)
Benefit payments	<u>(2,005)</u>	<u>(1,904)</u>	<u>(1,508)</u>	<u>(1,569)</u>	<u>(1,494)</u>	<u>(1,412)</u>
Net change in postemployment medical benefits (OPEB) liability	3,193	2,989	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	<u>58,442</u>	<u>55,453</u>	<u>45,412</u>	<u>70,252</u>	<u>62,800</u>	<u>60,990</u>
Total postemployment medical benefits (OPEB) liability (end of year)	<u>61,635</u>	<u>58,442</u>	<u>55,453</u>	<u>45,412</u>	<u>70,252</u>	<u>62,800</u>
Plan fiduciary net position						
Employer contributions	5,305	5,204	4,808	9,969	1,494	1,412
Net investment income	2,689	1,900	1,510	(270)	-	-
Benefit payments	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(53)	(52)	(49)	(15)	-	-
Other	-	-	1	(2)	-	-
Net change in fiduciary net position	5,936	5,148	4,762	8,113	-	-
Fiduciary net position (beginning of year)	<u>18,023</u>	<u>12,875</u>	<u>8,113</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position (end of year)	<u>23,959</u>	<u>18,023</u>	<u>12,875</u>	<u>8,113</u>	<u>-</u>	<u>-</u>
Net postemployment medical benefits (OPEB) liability (end of year)	<u>\$ 37,676</u>	<u>\$ 40,419</u>	<u>\$ 42,578</u>	<u>\$ 37,299</u>	<u>\$ 70,252</u>	<u>\$ 62,800</u>
Fiduciary net position as percent of liability	<u>38.9%</u>	<u>30.8%</u>	<u>23.2%</u>	<u>17.9%</u>	<u>0.0%</u>	<u>0.0%</u>
Covered employee payroll	<u>\$ 181,577</u>	<u>\$ 182,973</u>	<u>\$ 177,841</u>	<u>\$ 165,710</u>	<u>\$ 168,165</u>	<u>\$ 146,438</u>
NOL as a % of Covered Employee Payroll	<u>20.7%</u>	<u>22.1%</u>	<u>23.9%</u>	<u>21.5%</u>	<u>41.8%</u>	<u>42.9%</u>
Deferred outflows of resources						
Employer contributions after measurement date	\$ 2,750	\$ 2,611	\$ 1,769	\$ 1,686	\$ 4,500	\$ -
Fiduciary net position as percent of liability including deferred outflows of resources	43.3 %	35.3 %	26.4 %	21.6 %	6.4 %	0.0 %
Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	19.2 %	20.7 %	22.9 %	21.5 %	39.1 %	42.9 %

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

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 - 2021	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	