

**Washington Township Health
Care District**
Financial Statements
June 30, 2020 and 2019

Washington Township Health Care District
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June 30, 2020 and 2019

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Report of Independent Auditors

To the Washington Township Health Care District Board of Directors

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Washington Township Health Care District (the "District"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows, as applicable, for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Washington Township Health Care District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows, as applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 2 through 24 and the required supplementary pension and postemployment benefits information on pages 69 through 72 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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
November 3, 2020

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (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) and Washington Hospital Healthcare Foundation (the Foundation) as discrete financial entities, operating as a financial whole. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's and Foundation's financial statements.

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

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

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed in 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code.

Both DEVCO and WTMF are considered component units of the District, and are blended in the District's financial statements.

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

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

The financial statements as of June 30, 2019 and for the year ended June 30, 2019, have been revised to correct prior period errors as discussed in Note 1, "Revisions and Reclassification" to the financial statements included in this Annual Report. Accordingly, Management's Discussion and Analysis reflects the impact of those revisions. For Management's Discussion and Analysis for the year ended June 30, 2018, reclassification of contributions to the District resulted in a decrease in other operating revenues of \$4,119, an increase in non-operating revenues of \$128 and an increase in other changes in net position of \$3,991. As a result, for the year ended June 30, 2018, operating income decreased by \$4,119 and non-operating revenues, net of expenses, increased by \$3,991.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Washington Township Health Care District

District Financial Highlights for Fiscal Year 2020

- The District generated an operating loss of \$35.4 million for fiscal year 2020, compared with an operating loss of \$12.2 million for fiscal year 2019, a decrease of \$23.2 million. When non-operating income and special items are included, the District's activities resulted in a \$0.3 million increase in net position for fiscal year 2020.
- Major items that impacted the District's operating results for fiscal year 2020, as compared to those for fiscal year 2019, included:
 - In fiscal year 2020, the District, along with all other healthcare providers, was greatly impacted by the COVID-19 pandemic, the most significant disruption of the healthcare system in recent memory. On March 4, 2020, the governor of California declared a State of Emergency in response to the pandemic. On March 17, 2020, Alameda County issued a shelter-in-place order and all elective and non-emergency healthcare services were cancelled.
 - The District was not able to resume elective or non-emergent services until early May 2020, at which time a phased re-opening approach was developed, with the implementation of numerous additional safety initiatives for employees and patients. The resumption of services was slowed by limitations on COVID-19 testing capacity, in addition to residual concerns by community members about the risks associated with entering the hospital facilities.
 - For the eight months ended February 2020, the District's patient days were down from the same period in fiscal year 2019 by three percent (1,365 days), while net patient revenues for the period exceeded the budget by \$3.0 million and the prior year by \$14.6 million. With operating expenses exceeding the budget by \$2.5 million and the prior year by \$16.6 million, the District's operating income for the eight month period of \$1.8 million, while lower than the prior year period by \$2.0 million, was favorable by \$0.7 million compared to the budgeted amount. Due to the impact of COVID-19, by the end of June 2020, total net patient revenues were \$19.1 million below budget and had decreased \$20.8 million (4.0 percent) from fiscal year 2019, with a 13.1 percent decrease (8,019 days) in adult and pediatric patient days (53,231) compared to the prior fiscal year (61,250).
 - Total surgeries were down 2.0 percent from the prior year at the end of February and 14 percent by the end of June. Cardiac catheterizations for the eight months ended February 2020 were ahead of the numbers through February 2019 by 21.2 percent; by the end of June 2020, they were only 7.0 percent ahead of the fiscal year 2019 numbers.
 - Operating expenses increased \$4.1 million (0.8 percent), primarily due to depreciation expense increasing by \$6.1 million (13.9 percent) with the Morris Hyman Critical Care Pavilion (the Hyman Pavilion), which opened in November 2018, in operation for twelve months in fiscal year 2020 versus eight months in fiscal year 2019. Salaries and wages increased by \$2.3 million (1.0 percent) however, benefits expense decreased by \$3.8 million (4.5 percent), and supplies expense decreased by \$2.0 million (3.0 percent).
 - Incremental expenses which were specific to the COVID-19 response included additional staffing in various areas: resource and registry nurses, temperature and symptom screeners at all entrances, additional environmental services staff to implement and expand disinfectant cleaning of high touch

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

surfaces and additional laboratory staff to process COVID-19 tests. Supplies expenses for personal protective equipment (PPE) increased dramatically as the District competed with all other providers for masks, infection control gowns, and antibacterial cleaning products with scarce availability. Total incremental non-wage expenses of \$1.7 million also included 1) the cost of implementing and outfitting a Rapid Screening and Treatment Unit (RSTU) as an ancillary location of the Emergency Department to segregate potential COVID-19 patients from other patients, 2) retrofitting of 57 additional patient rooms to accommodate the negative pressure requirement for COVID-19 patients, 3) reagents used to perform in-house testing and 4) send-out fees for testing not able to be performed in-house, due to limited availability of the necessary reagents.

- Under the Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the District received Medicare advance loans totaling \$60 million, and Provider Relief Funding totaling \$30 million. The Medicare advance loans are reflected as liabilities in due to third party payors on the statement of net position for fiscal year 2020. The Provider Relief Funding is reflected as federal grant revenue in the non-operating section of the statement of revenues, expenses and changes in net position for fiscal year 2020. In August 2020, the District received additional CARES Act provider relief funding of \$1.3 million.
- In September 2020, HHS issued new reporting requirements for CARES Act provider relief funding. The new requirements stated that the District must first identify healthcare related expenses attributable to coronavirus that another source had not reimbursed. If those expenses did not exceed the funding received, the District needed to demonstrate that the remaining provider relief funding was used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. HHS would then be entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses.
- In October 2020, based on concerns raised by providers and others regarding the reporting requirements issued in September, HHS amended the reporting requirements again. The October amendment allows increased flexibility in how providers can apply provider relief funding toward lost revenues attributable to coronavirus. After reimbursing healthcare-related expenses attributable to coronavirus that were unreimbursed by other sources, providers may now use remaining provider relief funding to cover any lost revenue, measured as a negative change in year-over-year actual revenue from patient care related sources.
- Due to the continuing evolution of the reporting requirements there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funding recognized by the District may change in future periods.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

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

- Total assets increased \$55.9 million, from \$1,087.0 million at June 30, 2019 to \$1,142.9 million at June 30, 2020. Total available cash and investments increased \$88.0 million, from \$250.5 million to \$338.5 million. Bond drawdowns, to reimburse construction-related payments, resulted in a decrease in unexpended capital bond funds of \$7.8 million. Capital assets, net, decreased \$41.1 million, from \$738.8 million to \$697.8 million.
- In March 2020, the District, with the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building was most recently used for manufacturing and includes approximately 30,000 square feet of office space. The District and UCSF anticipate forming a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District will be the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The investment in this venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2020.
- Total liabilities increased \$35.2 million, from \$772.5 million at June 30, 2019 to \$807.6 million at June 30, 2020. Current liabilities increased by \$65.6 million from \$105.0 million to \$170.5 million. The primary contributor to both of these increases was the Medicare payment advance loans of \$60 million, repayment of which was originally scheduled to begin in August 2020, but which has been postponed by the federal government pending further review. This repayment will take the form of offsets against future payments due for services provided to Medicare patients. Within total liabilities, the impact of the Medicare advance loans was offset by a reduction in net pension liability of \$31.7 million, which was primarily attributable to higher than projected investment returns on pension assets for fiscal year 2020.
- Total net position of \$337.4 million at June 30, 2020 was \$0.3 million more than the net position of \$337.1 million at June 30, 2019.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (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, 2020, 2019 and 2018:

<i>(in thousands)</i>	2020	2019	2018
Assets			
Current assets	\$ 192,428	\$ 161,238	\$ 175,338
Long-term investment and restricted funds	234,880	181,568	222,586
Capital assets, net	697,785	738,844	738,497
Other assets	17,765	5,357	2,992
Total assets	<u>1,142,858</u>	<u>1,087,007</u>	<u>1,139,413</u>
Deferred outflows of resources	<u>65,665</u>	<u>67,493</u>	<u>44,150</u>
Total assets and deferred outflows of resources	<u>\$ 1,208,523</u>	<u>\$ 1,154,500</u>	<u>\$ 1,183,563</u>
Liabilities and Net Position			
Current liabilities	\$ 170,545	\$ 104,981	\$ 129,041
Net pension liability	31,798	63,510	42,389
Net postemployment medical benefits (OPEB)	42,578	37,299	70,252
Long-term debt	556,097	560,701	571,031
Other long-term liabilities	6,615	5,970	6,445
Total liabilities	<u>807,633</u>	<u>772,461</u>	<u>819,158</u>
Deferred inflows of resources	<u>63,497</u>	<u>44,923</u>	<u>21,603</u>
Net position			
Net investment in capital assets	142,756	187,907	222,739
Restricted - expendable	29,301	29,276	32,216
Restricted for minority interest	3,666	4,301	4,799
Unrestricted	161,670	115,632	83,048
Total net position	<u>337,393</u>	<u>337,116</u>	<u>342,802</u>
Total liabilities, net position and deferred inflows of resources	<u>\$ 1,208,523</u>	<u>\$ 1,154,500</u>	<u>\$ 1,183,563</u>

Table 2 provides a summary of total available cash and investments as of June 30, 2020, 2019 and 2018.

<i>(in thousands)</i>	2020	2019	2018
Cash and cash equivalents and short-term investments	\$ 103,643	\$ 68,921	\$ 87,075
Board-designated for capital and debt	212,395	151,688	147,128
Workers' compensation fund	9,391	8,967	8,593
Unexpended capital bond funds, excluding amounts required for current liabilities	13,052	20,872	64,063
Restricted funds	42	41	2,802
Total available cash and investments	<u>\$ 338,523</u>	<u>\$ 250,489</u>	<u>\$ 309,661</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, 2020 and 2019 (unaudited)

Capital Assets, Net (2020)

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

Debt Administration (2020 and 2019)

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

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

**Washington Township Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019 (unaudited)**

Revenue and Expense Analysis for the District – Fiscal Year 2020

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2020, 2019 and 2018:

<i>(in thousands)</i>	2020	2019	2018
Operating revenues			
Net patient service revenues	\$ 499,516	\$ 520,294	\$ 505,529
Other	13,403	11,661	11,536
Total operating revenues	<u>512,919</u>	<u>531,955</u>	<u>517,065</u>
Operating expenses			
Salaries and wages	229,485	227,166	209,685
Employee benefits	81,813	85,640	80,189
Supplies	63,811	65,798	60,562
Professional fees	66,844	66,348	65,044
Purchased services	39,499	40,626	38,752
Depreciation	49,931	43,829	34,032
Insurance	2,001	1,708	1,218
Other operating expenses	14,912	13,081	12,748
Total operating expenses	<u>548,296</u>	<u>544,196</u>	<u>502,230</u>
Operating income (loss)	(35,377)	(12,241)	14,835
Non-operating revenues and expenses			
Federal grant revenue	29,948	-	-
Other non-operating revenues and expenses, net	4,510	7,125	10,432
Total non-operating revenues and expenses	<u>34,458</u>	<u>7,125</u>	<u>10,432</u>
Increase (decrease) in net position before minority interest and restricted funds	(919)	(5,116)	25,267
Additional minority interest capital received	-	349	-
Minority interest distributions	(795)	(1,483)	(1,234)
Morris Hyman Critical Care Pavilion Transition	-	(2,402)	-
Special use grant	1	-	1
Contributions used for capital expenditures	1,990	2,966	3,991
Increase (decrease) in net position	277	(5,686)	28,025
Net position			
Beginning of year	<u>337,116</u>	<u>342,802</u>	<u>314,777</u>
End of year	<u>\$ 337,393</u>	<u>\$ 337,116</u>	<u>\$ 342,802</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 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, 2020 and 2019 (unaudited)

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

Inpatient Business Activity

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

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

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

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

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

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

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

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

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Outpatient Business Activity

The District's gross outpatient revenue increased by \$6.5 million (0.9 percent), from \$748.3 million in fiscal year 2019 to \$754.8 million in fiscal year 2020. COVID-19 also significantly impacted outpatient volumes, and unless otherwise indicated, accounted for the declines in the activity measures below. Despite the declines in outpatient volumes, gross outpatient revenue increased, in part due to the movement of certain joint procedures from the inpatient to the outpatient setting, as discussed above.

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

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

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

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

Deductions from Revenue

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

Charity Care

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

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

Washington Township Health Care District Management’s Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

residence or a social services provider is located, and has agreed to accept the patient, which can result in lengthy discharge delays.

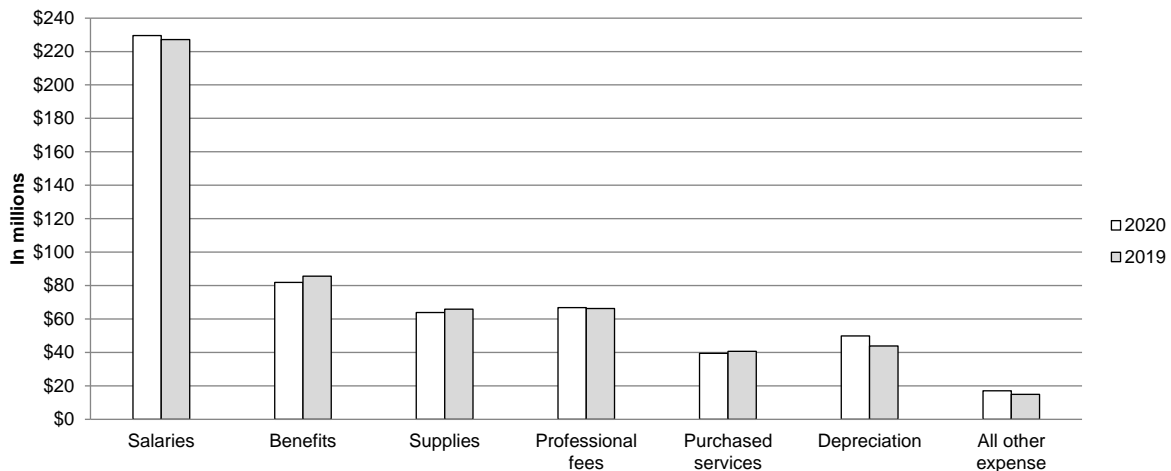
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was \$64 million and \$67 million in fiscal years 2020 and 2019, respectively, and uncompensated services with an estimated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

Provision for Bad Debt

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

Operating Expenses

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



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

Salaries and Benefits

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

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

- Total District's full time equivalents (FTEs) at June 30, 2020 were 1,747 which reflects a decrease of 13 FTEs (0.7 percent) from the 1,760 FTEs at June 30, 2019. The Hospital FTEs at June 30, 2020 were 1,476, a decrease of eight FTEs (0.5 percent) from the 1,484 FTEs at June 30, 2019. To the extent possible, during the COVID shelter-in-place period from mid-March to mid-May 2020, the District reduced staffing of non-essential personnel, however additional staffing was needed for resource nurses to monitor donning and doffing of personal protective equipment for those caring for COVID patients, for pre-entry temperature and symptom screening of employees and patients, for increased facility cleaning efforts, and various other activities.
- Benefits expense decreased by \$3.8 million (4.5 percent). The two largest components of this decrease were health insurance claims costs which decreased by \$1.8 million (5.6 percent) and pension expense which also decreased by \$1.8 million (8.2 percent). Health insurance claims were reduced by lower demand and access to services by our benefited employees during the shelter-in-place period, and were further reduced by stop loss reimbursements on several individually large claims in fiscal year 2020. Pension expense declined due to improved investment performance, offset by a reduction in the discount rate used to value future liabilities.

Other Operating Expenses

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

Non-operating Revenues and Expenses, Net

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

- As discussed above, in fiscal year 2020, the District received federal grants under the CARES Act including \$28.8 million for the Hospital, \$0.8 million for WTMF and \$0.3 million for DEVCO. In addition, Washington Outpatient Surgery Center (WOSC) received a \$1.6 million Payroll Protection Plan (PPP) forgivable loan. WOSC expects the full amount of this loan to be forgiven, however, GASB guidance precludes recognition of this amount as revenue until confirmation of the forgiveness is received, which has not yet occurred.
- Net interest expense increased by \$4.5 million. Although total interest cost for fiscal year 2020 was \$1.8 million less in fiscal year 2020 than in fiscal year 2019, capitalized interest for fiscal year 2020 was \$6.3 million lower than the amount for fiscal year 2019, resulting in higher net interest expense. In November 2018, the Hyman Pavilion construction project was placed in service which reduced the amount of interest capitalized to construction projects. The District's construction projects were reduced to \$7.4 million at June 30, 2020 from \$10.4 million at June 30, 2019.
- Bond issuance costs of \$0.9 million expensed in fiscal year 2019 were related to the July 2, 2019 refinancing of revenue and general obligation bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2020.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (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 and the current health care landscape remains heavily politicized and highly volatile. Efforts to repeal and replace the ACA have been unsuccessful, in part due to the millions of people who would lose coverage under any of the proposals that have been brought forth. Despite having been unsuccessful in repealing the entire ACA, Congress was able to eliminate the penalty for not having health insurance, and the administration issued new rules making it easier for people to buy cheaper insurance that covers fewer health care services. In light of the continued changes and uncertainty in the healthcare environment, it continues to be exceedingly difficult for providers to make short-term plans or projections, much less make longer-term forecasts.

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 reduction in reimbursement for fiscal years 2020 and 2019 was \$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, 2020.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

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 2020 and 2019, DSH payments received were \$4.8 million and \$5.8 million, respectively.

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that demonstrated 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.

Economic Factors Expected to Affect the District's 2021 Operations

The Board of Directors of the District approved the fiscal year 2021 operating budget at their July 2020 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 unprecedented uncertainty caused by the COVID-19 pandemic. 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 2021, the District has attempted to incorporate the continued effects of the changes in payments from government, commercial and third party payors, based on the available information, including recently negotiated multi-year reimbursement rate increases with certain commercial payors. 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 2021 budget anticipates a slight increase in operating expenditures from the fiscal year 2020 level. This increase includes salary and wage increases, based on negotiated union contracts, offset by the effects of projected declines in patient volumes, due to an anticipated extended recovery period as patient confidence in seeking healthcare services returns. Marketing and advertising expenses are anticipated to increase by a small amount in fiscal year 2021. All other expense categories are expected to decrease in fiscal year 2021, with the largest projected decreases in supplies and purchased services.

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

**Washington Township Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019 (unaudited)**

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2020

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

Foundation Net Position – Fiscal Year 2020

Table 5 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2020, 2019 and 2018:

<i>(in thousands)</i>	2020	2019	2018
Assets			
Cash and cash equivalents	\$ 1,494	\$ 1,114	\$ 1,550
Short-term investments	308	307	535
Short-term investments held by District on behalf of Foundation	1,364	2,376	2,860
Contributions receivable, net	1,445	1,827	2,962
Prepaid expenses and other	60	42	-
Long-term investments, unrestricted	111	110	-
Total assets	<u>\$ 4,782</u>	<u>\$ 5,776</u>	<u>\$ 7,907</u>
Liabilities			
Accounts payable and accrued expenses	\$ -	\$ -	\$ 26
Total liabilities	<u>-</u>	<u>-</u>	<u>26</u>
Net position			
Restricted - expendable	4,569	5,631	7,848
Unrestricted	213	145	33
Total net position	<u>4,782</u>	<u>5,776</u>	<u>7,881</u>
Total liabilities and net position	<u>\$ 4,782</u>	<u>\$ 5,776</u>	<u>\$ 7,907</u>

Table 6 provides a summary of cash and investments for the Foundation as of June 30, 2020, 2019 and 2018:

<i>(in thousands)</i>	2020	2019	2018
Cash and cash equivalents	\$ 1,494	\$ 1,114	\$ 1,550
Certificates of deposit	419	417	535
	<u>1,913</u>	<u>1,531</u>	<u>2,085</u>
Short-term investments held by District on behalf of Foundation	1,364	2,376	2,860
	<u>\$ 3,277</u>	<u>\$ 3,907</u>	<u>\$ 4,945</u>

**Washington Township Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019 (unaudited)**

Revenue and Expense Analysis for the Foundation – Fiscal Year 2020

Table 7 shows the Foundation's changes in net position for 2020, 2019 and 2018:

(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	Total	Total	Total
Operating revenues			
Contributions	\$ 1,323	\$ 1,342	\$ 4,523
Contributed services	425	638	572
Total operating revenues	<u>1,748</u>	<u>1,980</u>	<u>5,095</u>
Operating expenses			
Donation to Pathways Hospice	-	10	5
Donation to Washington Hospital Service League	-	-	8
Donation to District	2,056	3,025	4,119
Other operating expenses	<u>735</u>	<u>1,103</u>	<u>1,235</u>
Total operating expenses	<u>2,791</u>	<u>4,138</u>	<u>5,367</u>
Operating income (loss)	(1,043)	(2,158)	(272)
Non-operating revenues and expenses			
Investment income	<u>49</u>	<u>53</u>	<u>92</u>
Total non-operating revenues and expenses	49	53	92
Increase (decrease) in net position	(994)	(2,105)	(180)
Net position			
Beginning of year	<u>5,776</u>	<u>7,881</u>	<u>8,061</u>
End of year	<u>\$ 4,782</u>	<u>\$ 5,776</u>	<u>\$ 7,881</u>

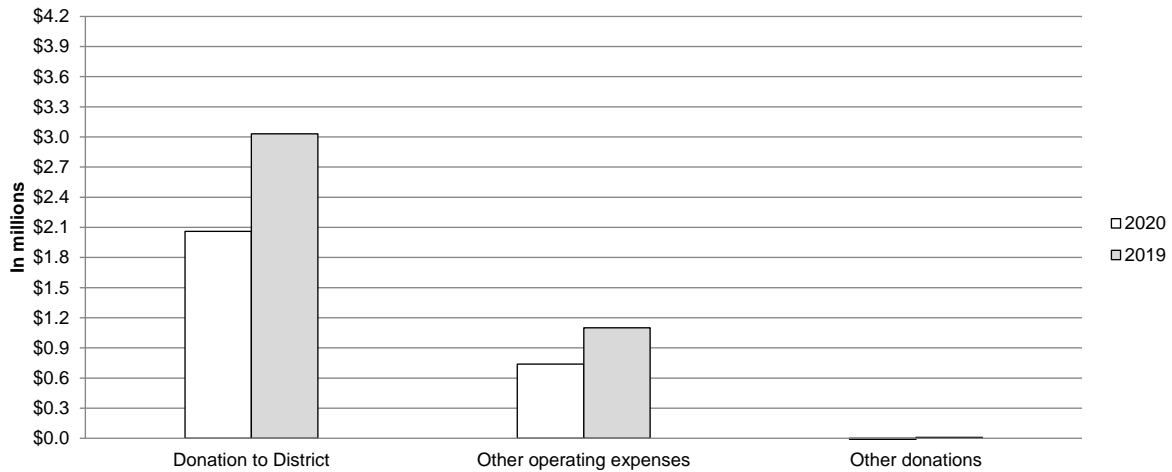
Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Revenues, Expenses and Changes in Net Position

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

Expenses

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



Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

District Financial Highlights for Fiscal Year 2019

- The District generated an operating loss of \$12.2 million for fiscal year 2019, compared with operating income of \$14.8 million for fiscal year 2018, a decrease of \$27.0 million. When non-operating revenues, expenses and special items are included, the District realized a \$5.7 million decrease in net position for fiscal year 2019, compared with an increase of \$28.0 million for fiscal year 2018.
- Major items that impacted the District's operating results for fiscal year 2019, as compared to those for fiscal year 2018, included:
 - Net patient revenues increased \$14.8 million (2.9 percent), due primarily to a 5.0 percent increase in the number of adult and pediatric patient days (61,250) compared to the prior fiscal year (58,332).
 - Operating expenses increased \$42.0 million (8.4 percent), primarily due to the increased inpatient volume and the opening of the Morris Hyman Critical Care Pavilion (the Hyman Pavilion) in November 2018, with salaries and benefits expense increasing by \$22.9 million (7.9 percent), depreciation expense increasing by \$9.8 million (28.8 percent) and supplies expense increasing by \$5.2 million (8.6 percent).
 - The Morris Hyman Critical Care Pavilion (the Hyman Pavilion) opened on November 13, 2018. The Hyman Pavilion was built in response to an unfunded State mandate. Under California State regulations, effective January 1, 2030, California hospital buildings must meet requirements that are intended to enable them to remain operational after a significant earthquake. Most of the funding burden related to this requirement is the responsibility of the hospitals and their communities. The Hyman Pavilion is the largest public works project in the history of the District, and its opening represents a pivotal moment for the community.

The multi-story, 224,800-square-foot building expands the District's ability to meet the community's growing health care needs. The structure is built on a sophisticated base isolation system; making it one of the most seismically-sound structures in the southeast Bay Area. This advanced technology is designed to protect the Hyman Pavilion from severe damage in the event of an earthquake up to a 7.9 in magnitude. This safety feature will enable the Hospital to remain open to the community, at a time when medical services will be needed most.

The first floor of the Pavilion features a new Emergency Department (ED), which is four times the size of the former ED. On the second floor is a state-of-the-art Critical Care Unit with 48 beds, doubling the number of patients that can be served. The third floor has another 68 medical surgical beds. In the new family-friendly design, every patient has their own room for comfort, safety and privacy. Patient rooms have floor-to-ceiling windows for maximum natural light, which promotes patient healing.

Analysis of the District's Net Position – Fiscal Year 2019

- Total assets decreased \$52.4 million, from \$1,139.4 million at June 30, 2018 to \$1,087.0 million at June 30, 2019. Total available cash and investments decreased \$59.2 million, from \$309.7 million to \$250.5 million. Bond drawdowns, to reimburse construction-related payments, resulted in a decrease in unexpended capital bond funds of \$43.2 million. Capital assets, net, increased \$0.3 million, from \$738.5 million to \$738.8 million. In November 2018, as discussed above, the Hyman Pavilion was placed into service, replacing the previous emergency and critical care units with expanded state-of-the-art facilities.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

- Total liabilities decreased \$46.7 million, from \$819.2 million at June 30, 2018 to \$772.5 million at June 30, 2019. The primary contributor to this decrease was the net postemployment medical liability (OPEB) which decreased by \$33.0 million, from \$70.3 million to \$37.3 million, due to a change in the discount rate used to value the obligation. Current liabilities decreased by \$24.0 million from \$129.0 million to \$105.0 million, attributable primarily to reductions in amounts payable for Pavilion construction costs. Although the OPEB obligation decreased by \$33.0 million, the pension obligation increased by \$21.1 million due to investment losses incurred during calendar year 2018.
- Total net position of \$337.1 million at June 30, 2019 was \$5.7 million less than the net position of \$342.8 million at June 30, 2018.

Capital Assets, Net (2019)

Capital assets, net, increased \$0.3 million, from \$738.5 million at June 30, 2018 to \$738.8 million at June 30, 2019. This increase resulted from \$41.9 million in capital additions and \$5.8 million in net capitalized interest expense, offset by \$47.3 million in depreciation. The net capital additions included \$63.2 million in equipment, building, and land improvements combined with a decrease of \$21.3 million in construction in progress, primarily related to the Hyman Pavilion, which was completed on time and on budget, and which was placed in service in November 2018. At June 30, 2019, outstanding commitments related to capital projects totaled \$4.6 million.

Debt Administration (2019 and 2018)

As part of the obligations under the bond indentures for the 2009, 2010, 2015, 2017A and 2017B 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, 2019, the Hospital's long-term debt service coverage ratio was 3.5 to 1.0. For the year ended June 30, 2018, the Hospital's long-term debt service coverage ratio was 4.3 to 1.0. During the years ended June 30, 2019 and 2018, the Hospital's Moody's rating of Baa1 (outlook negative) for its revenue bonds was unchanged.

The Hospital's percentage of debt-to-capitalization, excluding general obligation bonds, of 30.7 percent at June 30, 2019, was lower than the percentage of 32.1 percent at June 30, 2018. The decrease in percentage reflects the combined effect of the \$7.2 million reduction in outstanding debt, excluding general obligation bonds, and the \$16.3 million increase in the Hospital's net position.

Revenue and Expense Analysis for the District – Fiscal Year 2019

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 25 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased by \$14.8 million (2.9 percent), from \$505.5 million in fiscal year 2018 to \$520.3 million in fiscal year 2019.

Inpatient Business Activity

The District's gross inpatient revenue increased by \$0.3 million (0.0 percent), from \$1,495.3 million in fiscal year 2018 to \$1,495.6 million in fiscal year 2019.

**Washington Township Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019 (unaudited)**

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

	2019 Days	2018 Days	% Change
Specialty			
Medical/surgical	\$ 47,364	\$ 45,094	5.0 %
Critical care	7,742	6,663	16.2 %
Special care nursery	1,319	1,521	(13.3)%
Pediatrics	378	332	13.9 %
Obstetrics	4,447	4,722	(5.8)%
Subtotal adult and pediatric patient days	61,250	58,332	5.0 %
Newborn	3,238	3,408	(5.0)%
Total patient days	\$ 64,488	\$ 61,740	4.5 %

Although admissions decreased by 457 (3.7 percent) from 12,441 in fiscal year 2018 to 11,984 in fiscal year 2019, the average length of stay increased 9.1 percent, from 4.63 to 5.05 days, resulting in an increase in adult and pediatric patient days of 2,918 (5.0 percent), as indicated in Table 4 above.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.463 in fiscal year 2019, as compared to 1.484 in fiscal year 2018. The Medicare case mix index for the same period decreased from 1.657 to 1.628.

Inpatient surgeries decreased by 490 (14.9 percent), from 3,292 in fiscal year 2018 to 2,802 in fiscal year 2019. A significant factor in this decrease was the transition from inpatient to outpatient of knee replacement surgeries due to a change in Medicare regulations.

Inpatient catheterization lab procedures increased by 398 (20.3 percent), from 1,962 to 2,360 in fiscal year 2018 and 2019, respectively. The increase in this area is attributable to expansion of the District's interventional radiology program.

Deliveries decreased by 113 (6.8 percent), from 1,655 to 1,542.

Outpatient Business Activity

The District's gross outpatient revenue increased by \$138.4 million (22.7 percent), from \$609.9 million in fiscal year 2018 to \$748.3 million in fiscal year 2019. The largest component of this increase was related to outpatient surgical revenues.

Emergency room visits decreased by 113 (0.2 percent) from 51,835 in fiscal year 2018 to 51,722 in fiscal year 2019; however, outpatient visits increased by 3,101 (3.6 percent) from 87,005 to 90,106 in fiscal 2019.

Outpatient surgeries performed at the hospital in fiscal year 2019 increased by 763 (76.8 percent), from 993 to 1,756. As mentioned above, the transition of knee replacement surgeries from inpatient to outpatient was a primary contributor to this increase.

Outpatient catheterization lab procedures decreased by 102 (5.3 percent) from 1,940 to 1,838.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Outpatient visits at Washington Township Medical Foundation increased by 16,358 (9.3 percent) from 175,197 in fiscal year 2018 to 191,555 in fiscal year 2019. The main factors contributing to the increase were the acquisitions of a primary care and a urology practice during fiscal year 2019.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.57 percent and 73.93 percent for fiscal year 2019 and 2018, respectively. The increase resulted from a slight increase in the proportion of patients covered by government payors, compounded by small increases in contractual rates for almost all payors.

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 \$2.7 million and \$4.1 million in foregone charges related to charity care for patient services during fiscal years 2019 and 2018, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased to \$54.2 million in fiscal year 2019 from \$49.0 million in fiscal year 2018.

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 \$67 million and \$57 million in fiscal years 2019 and 2018, respectively, and uncompensated services with an estimated total cost of more than \$150 million in fiscal year 2019 and \$128 million in fiscal year 2018, were provided to Medicare and Medicare managed care patients.

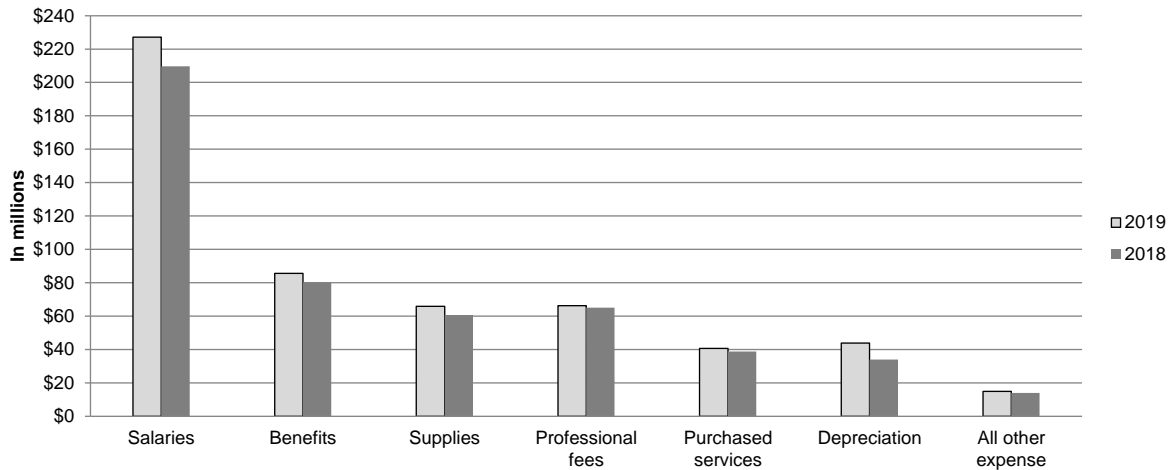
Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 2.22 percent in fiscal year 2019, compared to 2.01 percent in fiscal year 2018.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Operating Expenses

Total operating expenses were \$544.2 million and \$502.2 million for fiscal years 2019 and 2018, respectively, as summarized in the graph below:



Total operating expenses increased by 42.0 million (8.4 percent) from 2018 to 2019, with the largest dollar increase (\$17.5 million) attributable to salaries and wages expense, and the next largest dollar increase attributable to depreciation (\$9.8 million). Benefits expense increased by \$5.4 million and supplies expense increased by \$5.2 million.

Salaries and Benefits

- Salaries and wages increased by \$17.5 million (8.3 percent). As of June 2019, approximately 64 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 an increase in full time equivalents (see below) combined with increases in wage rates under the MOUs. 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, 2019 were 1,760, an increase of 59 FTEs (3.5 percent) over the 1,701 FTEs at June 30, 2018. The Hospital FTEs at June 30, 2019 were 1,484, an increase of 55 FTEs (3.8 percent) over the 1,429 FTEs at June 30, 2018. The increase in Hospital FTEs was primarily attributable to the opening of the Hyman Pavilion in November 2018.
- Benefits expense increased by \$5.4 million (6.7 percent). The key factor contributing to this change was an increase in pension expense of \$6.6 million (41.5 percent) over fiscal year 2018. The increase was attributable to unfavorable investment performance of pension plan assets during calendar year 2018. Partially offsetting this increase, OPEB plan expense was lower due to a change in the discount rate assumption which was the result of establishing and contributing to a trust account to fund these obligations.

Washington Township Health Care District Management's Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Other Operating Expenses

- Supplies expense increased \$5.2 million (8.6 percent) in fiscal year 2019, with the majority of the increase related to expenses for pharmaceuticals, which increased by \$2.0 million (18.9 percent). This increase was associated with a growth in infusion volumes by 27.3 percent. In addition, expenses for prosthetics and other implants increased by \$1.1 million (7.7 percent) as a result of growth in joint procedures by 5.6 percent, and expenses for cardiovascular and neurology supplies increased by \$0.9 million (31.0 percent). Depreciation increased by \$9.8 million (28.8 percent) and insurance expense increased by \$0.5 million (41.7 percent) in fiscal year 2019. These increases were associated with the Hyman Pavilion's placement in-service in November 2018.

Non-operating Revenues and Expenses, net

Non-operating revenues and expenses, net, decreased \$3.3 million in fiscal year 2019. The most significant changes in non-operating activity for fiscal year 2019 were the following items:

- Net interest expense increased by \$10.8 million. Although total interest cost for fiscal year 2019 was \$0.3 million less in fiscal year 2019 than in fiscal year 2018, capitalized interest for fiscal year 2019 was \$11.2 million lower than the amount for fiscal year 2018, resulting in higher net interest expense. Interest can only be capitalized while construction is in progress. In November 2018, the Hyman Pavilion construction project was placed in service which reduced the amount of interest capitalized to construction projects. The District's construction projects were reduced to \$10.4 million at June 30, 2019 from \$392.2 million at June 30, 2018.
- The fair value of investments increased by \$6.3 million in fiscal year 2019.
- Bond issuance costs of \$0.9 million expensed in fiscal year 2019 were related to the July 1, 2019 refinancing of revenue and general obligation bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2018.

Other Changes – Morris Hyman Critical Care Pavilion Transition Costs

Concurrent with the opening of the Hyman Pavilion, patients were moved into the building and building operations commenced on November 13, 2018. The Pavilion move was anticipated and within the control of management. Although the nature of the expenses (wages and training) was not unusual for the District, the expenses were significant and infrequent and, accordingly, qualified for treatment as a special item, reported separately before extraordinary items. The total amount of the Hyman Pavilion Transition costs was \$2.4 million.

Washington Township Health Care District Management’s Discussion and Analysis Years Ended June 30, 2020 and 2019 (unaudited)

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2019

- Total assets of \$5.8 million at June 30, 2019 decreased by \$2.1 million from the balance at June 30, 2018 of \$7.9 million. Total cash and investments decreased by \$1.0 million, from \$4.9 million to \$3.9 million, while net contributions receivable decreased \$1.2 million from \$3.0 million to \$1.8 million.
- Net position of \$5.8 million at June 30, 2019 was \$2.1 million lower than at June 30, 2018.

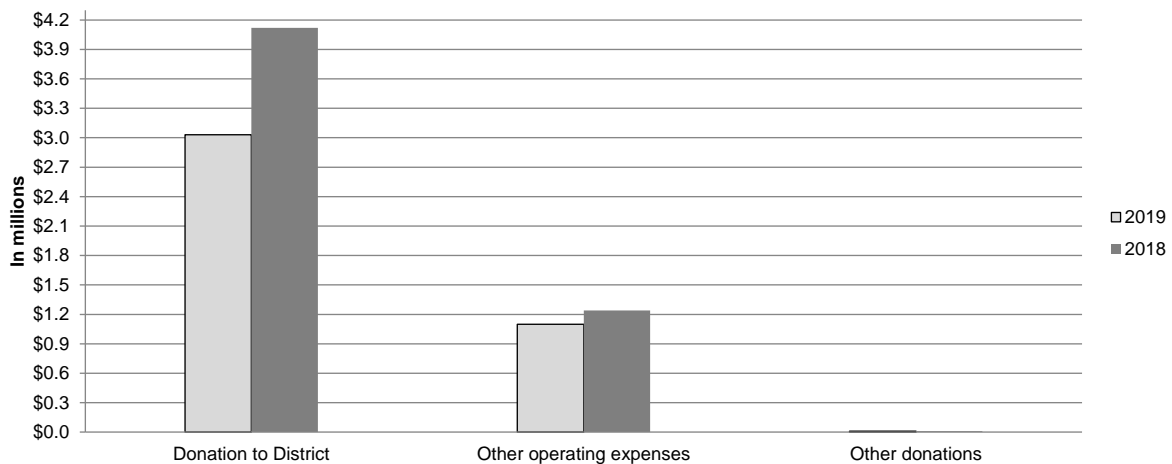
Revenue and Expense Analysis for the Foundation – Fiscal Year 2019

Revenues, Expenses, and Changes in Net Position

The Foundation’s total operating revenues decreased \$3.2 million from \$5.2 million in fiscal year 2018 to \$2.0 million in fiscal year 2019. Several individually large gifts restricted for the construction and equipping of the Hyman Pavilion, which was nearing completion as of the end of fiscal year 2018, in addition to a highly successful employee giving campaign effort, accounted for the significant amount of contribution revenue in that year. Contributions of \$1.3 million in fiscal year 2019 were \$3.2 million less than the \$4.5 million recorded in fiscal year 2018.

Expenses

Total expenses for the Foundation decreased by \$1.2 million from \$5.4 million in fiscal year 2018 to \$4.2 million in fiscal year 2019 (including the transfer of \$2.7 million in funds designated for equipment for the Hyman Pavilion), as summarized in the graph below:



Washington Township Health Care District

Statements of Net Position

June 30, 2020 and 2019

(in thousands)

	District		Foundation	
	2020	2019	2020	2019
Assets				
Current assets				
Cash and cash equivalents	\$ 72,035	\$ 35,335	\$ 1,494	\$ 1,114
Short-term investments	31,608	33,586	308	307
Short-term investments held by District on behalf of Foundation	-	-	1,364	2,376
Patient accounts receivable, less allowance for estimated uncollectibles of \$26,940 and \$26,053 in 2020 and 2019, respectively	68,256	76,052	-	-
Contributions receivable, net, due in less than 1 year	-	-	235	94
Supplies	4,146	3,659	-	-
Other receivables	10,278	6,501	-	-
Prepaid expenses and other	6,105	6,105	60	42
Total current assets	192,428	161,238	3,461	3,933
Long-term investment and restricted funds				
Board-designated for capital, debt and workers' compensation	221,786	160,655	-	-
Held by trustee	13,052	20,872	-	-
Restricted funds	42	41	-	-
Unrestricted	-	-	111	110
Capital assets, net	697,785	738,844	-	-
Other assets				
Contributions receivable, net, due in more than 1 year	-	-	1,210	1,733
Other noncurrent assets	17,765	5,357	-	-
Total assets	1,142,858	1,087,007	4,782	5,776
Deferred outflows of resources				
Deferred outflows of resources - goodwill	3,361	4,033	-	-
Deferred outflows of resources - postemployment medical benefits (OPEB)	10,122	4,786	-	-
Deferred outflows of resources - pension	52,182	58,674	-	-
Total deferred outflows	65,665	67,493	-	-
Total assets and deferred outflows of resources	\$ 1,208,523	\$ 1,154,500	\$ 4,782	\$ 5,776
Liabilities and Net Position				
Current liabilities				
Current portion of long-term debt	\$ 9,856	\$ 8,892	\$ -	\$ -
Accounts payable and accrued expenses	22,474	26,847	-	-
Due to foundation	1,364	2,376	-	-
Due to third party payors and deferred revenue	67,441	3,508	-	-
Accrued liabilities				
Payroll related	14,994	13,048	-	-
Vacation	16,425	16,175	-	-
Health benefits	5,300	4,325	-	-
Interest	11,247	11,933	-	-
Other	21,444	17,877	-	-
Total current liabilities	170,545	104,981	-	-
Long-term liabilities				
Workers' compensation claims	6,615	5,970	-	-
Net pension liability	31,798	63,510	-	-
Net postemployment medical benefits (OPEB)	42,578	37,299	-	-
Long-term debt, net of current maturities	224,105	224,877	-	-
Long-term debt, general obligation bonds	331,992	335,824	-	-
Total long-term liabilities	637,088	667,480	-	-
Total liabilities	807,633	772,461	-	-
Deferred inflows of resources				
Deferred inflows of resources - postemployment medical benefits (OPEB)	21,280	25,487	-	-
Deferred inflows of resources - pension	42,217	19,436	-	-
Total deferred inflows	63,497	44,923	-	-
Net position				
Net investment in capital assets	142,756	187,907	-	-
Restricted - expendable	29,301	29,276	4,569	5,631
Restricted for minority interest - nonexpendable	3,666	4,301	-	-
Unrestricted	161,670	115,632	213	145
Total net position	337,393	337,116	4,782	5,776
Total liabilities, deferred inflows of resources and net position	\$ 1,208,523	\$ 1,154,500	\$ 4,782	\$ 5,776

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

Washington Township Health Care District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019

(in thousands)

	District		Foundation	
	2020	2019	2020	2019
Operating revenues				
Net patient service revenues	\$ 499,516	\$ 520,294	\$ -	\$ -
Other	13,403	11,661	-	-
Contributions	-	-	1,323	1,342
Contributed services	-	-	425	638
Total operating revenues	<u>512,919</u>	<u>531,955</u>	<u>1,748</u>	<u>1,980</u>
Operating expenses				
Salaries and wages	229,485	227,166	-	-
Employee benefits	81,813	85,640	-	-
Supplies	63,811	65,798	-	-
Professional fees	66,844	66,348	-	-
Purchased services	39,499	40,626	-	-
Depreciation	49,931	43,829	-	-
Insurance	2,001	1,708	-	-
Donations	-	-	2,056	3,035
Other operating expenses	14,912	13,081	735	1,103
Total operating expenses	<u>548,296</u>	<u>544,196</u>	<u>2,791</u>	<u>4,138</u>
Operating income (loss)	<u>(35,377)</u>	<u>(12,241)</u>	<u>(1,043)</u>	<u>(2,158)</u>
Non-operating revenues and expenses				
Federal grant revenue	29,948	-	-	-
Investment income	3,897	4,279	49	53
Net increase (decrease) in the fair value of investments	4,346	3,638	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(22,298)	(17,786)	-	-
Property tax revenue	17,026	17,185	-	-
Bond issuance costs	-	(930)	-	-
Other non-operating income	1,539	739	-	-
Total non-operating revenues and expenses	<u>34,458</u>	<u>7,125</u>	<u>49</u>	<u>53</u>
Increase (decrease) in net position before other changes	(919)	(5,116)	(994)	(2,105)
Minority interest - additional contributions from	-	349	-	-
Minority interest - distributions to	(795)	(1,483)	-	-
Morris Hyman Critical Care Pavilion transition	-	(2,402)	-	-
Special use grant	1	-	-	-
Contributions used for capital expenditures	1,990	2,966	-	-
Increase (decrease) in net position after other changes	277	(5,686)	(994)	(2,105)
Net position				
Beginning of year	337,116	342,802	5,776	7,881
End of year	<u>\$ 337,393</u>	<u>\$ 337,116</u>	<u>\$ 4,782</u>	<u>\$ 5,776</u>

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

Washington Township Health Care District

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

(in thousands)

	District	
	2020	2019
Cash flows from operating activities		
Cash received from patient service activities	\$ 507,312	\$ 510,036
Other cash receipts	13,403	11,661
Cash payments to suppliers	(124,673)	(191,944)
Cash payments to employees and employee benefit programs	(314,158)	(322,589)
Net cash provided by (used in) operating activities	<u>81,884</u>	<u>7,164</u>
Cash flows from noncapital financing activities		
Donation from Foundation to District	66	59
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC	-	349
Net assets distributed to minority shareholders in Washington Outpatient Surgery Center, LLC	(795)	(1,483)
Morris Hyman Critical Care Pavilion Transition	-	(2,402)
Federal grant revenue	29,948	-
Net cash provided by (used in) noncapital financing activities	<u>29,219</u>	<u>(3,477)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(13,047)	(62,970)
Proceeds on sale of capital assets	164	-
Donation from Foundation to District	1,990	2,966
Principal paid on debt	(14,202)	(7,585)
Interest paid on debt	(25,851)	(26,590)
Proceeds from debt issuance, net of issuance costs	11,662	-
Proceeds from property taxes levied by the County	17,604	17,857
Net cash provided by (used in) capital and related financing activities	<u>(21,680)</u>	<u>(76,322)</u>
Cash flows from investing activities		
Purchases of investments	(300,481)	(248,359)
Sales of investments	253,493	313,197
Investment income	4,519	5,641
Purchase of interest in equity investments	(13,697)	-
Other non-operating income received	3,443	4,184
Net cash provided by (used in) investing activities	<u>(52,723)</u>	<u>74,663</u>
Net increase (decrease) in cash and cash equivalents	36,700	2,028
Cash and cash equivalents		
Beginning of year	35,335	33,307
End of year	<u>\$ 72,035</u>	<u>\$ 35,335</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (35,377)	\$ (12,241)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	49,931	43,829
Loss on disposal of fixed assets	254	-
Provision for doubtful accounts	41,152	49,584
Amortization of goodwill	672	672
Pension funding	(23,100)	(28,875)
Postemployment medical benefits (OPEB) funding	(4,891)	(6,400)
Net change in deferred outflows and inflows	21,288	22,748
Changes in assets and liabilities		
Accounts receivables	(33,356)	(59,842)
Supplies, prepaid expenses, and other current assets	(4,255)	4,873
Other assets	1,289	(2,365)
Due to foundation	(1,012)	(484)
Due from/to third party payors	63,933	(2,628)
Accounts payable and accrued expenses	(1,448)	328
Payroll, vacation, and health accrued liabilities	3,171	2,072
Other liabilities	3,633	(4,107)
Net cash provided by (used in) operating activities	<u>\$ 81,884</u>	<u>\$ 7,164</u>
Noncash transactions		
Capitalized interest	\$ 845	\$ 7,123
Accounts payable and accrued expenses for capital assets	2,349	4,351
Proceeds from bond issuances deposited in irrevocable escrow accounts	52,497	-
Capitalized Leases	-	181

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Organization

District

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

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

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

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

Foundation

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Accounting Standards

District

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

Foundation

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

Use of Estimates

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

Proprietary Fund Accounting

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

Cash and Cash Equivalents

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

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

Contributed Services

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Contributions Received

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

Promises to Give

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

Donations Granted

Donations granted by the Foundation are recognized as expenses in the period made and as decreases of assets or increases of liabilities, depending on the form of benefits given.

Supplies

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

Long-Term Investment and Restricted Funds

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

Capital Assets

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

Depreciable lives by property classification are as follows:

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

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Deferred Inflows and Outflows of Resources

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

Business Combinations and Goodwill

The District adopted GASB 69, *Government Combinations and Disposals of Government Operations* in fiscal year 2015. In connection with this adoption, the goodwill associated with the July 2010 purchase of a controlling interest in the WOSC was assigned a life of fifteen years. *Other operating expenses* for fiscal years 2020 and 2019 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*.

There were no new business combinations in fiscal year 2020 or fiscal year 2019.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident claims; and medical malpractice. The District utilizes both commercial insurance and self-insurance for claims arising from such matters. The District is self-insured with excess insurance above specified retention amounts for workers' compensation claims, health, vision and dental claims. The District has commercial insurance coverage for professional and general liability, directors and officers liability, and property damage claims.

Self-Insurance Plans

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

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

The District is a member of and participates in a professional and general liability and also directors and officers liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

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

Net Position

Net position is composed of the following categories:

Net Investment in Capital Assets

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

Restricted - Expendable

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

Restricted for Minority Interest – Nonexpendable

Net position of a legally separate organization attributable to other participants. In July 2010, the District acquired the WOSC and concurrently sold a minority interest in the entity to area physicians. No gain on sale was recognized upon the sale of the minority interest. During 2020, the WOSC operations generated an operating loss of \$0.3 million. The District distributed a portion of the minority interest's share of 2019 earnings in fiscal year 2020.

Unrestricted

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

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, respectively. Medicare (16.4 percent) and Blue Cross Prudent Buyer (12.4 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2020. 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 157 donor pledges, with the largest individual pledge representing approximately 37.1 percent of the total pledge receivable balance, as of June 30, 2020. The Foundation had 163 donor pledges, with the largest individual pledge representing approximately 32.7 percent of the total pledge receivable balance, as of June 30, 2019.

Statements of Revenues, Expenses, and Changes in Net Position

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

Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Reimbursement from third-party payors under various methodologies is based on the level of care provided. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, increased net patient service revenues by approximately \$6.1 million in fiscal year 2020 and approximately \$10.9 million in fiscal year 2019.

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.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Other Revenues

Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. Amounts recorded for the PRIME program were \$3.6 million and \$3.8 million in fiscal years 2020 and 2019, respectively.

Interest Income and Expense

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

Impairment of Long-Lived Assets

The District is required to evaluate prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no impairment losses in fiscal years 2020 and 2019.

Income Taxes

District

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

Foundation

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

Federal Grant Revenue

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

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.

Special Item

Concurrent with the opening of the Hyman Pavilion, patients were moved into the building and building operations commenced on November 13, 2018. The Pavilion move was anticipated and within the control of management. Although the nature of the expenses (wages and training) was not unusual for the District, the expenses were significant and infrequent and, accordingly, qualified for treatment as a special item, reported separately before extraordinary items.

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.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Revisions and Reclassifications

In connection with the preparation of the financial statements for the year ended June 30, 2020, the District revised its previously issued June 30, 2019 financial statements. The revisions reflect the correction of certain prior period errors and omissions related to presentation and disclosure requirements in accordance with governmental accounting standards. While there were no impacts to the Statement of Net Position, there were certain impacts on the Statement of Revenues, Expenses, and Changes in Net Position for the District, the Statement of Cash Flows for the District, and notes to the financial statements for the District and the Foundation. The corrections are as follows:

Statement of Revenues, Expenses, and Changes in Net Position

(in thousands)

	Year Ended June 30, 2019		
	As Previously		
	Reported	Adjustments	As Revised
Operating revenues			
Contributions	\$ 3,025	\$ (3,025)	\$ -
Total operating revenues	534,980	(3,025)	531,955
Operating loss	(9,216)	(3,025)	(12,241)
Non-operating revenues and expenses			
Other non-operating income	680	59	739
Total non-operating revenues and expenses	7,066	59	7,125
Decrease in net position before other changes	(2,150)	(2,966)	(5,116)
Contributions used for capital expenditures	-	2,966	2,966
Decrease in net position after other changes	(5,686)	-	(5,686)

Statement of Cash Flows

(in thousands)

	Year Ended June 30, 2019		
	As Previously		
	Reported	Adjustments	As Revised
Cash flows from noncapital financing activities			
Donation from Foundation to District	\$ 3,025	\$ (2,966)	\$ 59
Net cash used in noncapital financing activities	(511)	(2,966)	(3,477)
Cash flows from capital and related financing activities			
Donation from Foundation to District	-	2,966	2,966
Net cash used in capital and related financing activities	(79,288)	2,966	(76,322)
Cash flows from investing activities			
Purchases of investments	(200,254)	(48,105)	(248,359)
Sales of investments	265,092	48,105	313,197
Net cash provided by investing activities	74,663	-	74,663
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	(9,216)	(3,025)	(12,241)
Adjustments to reconcile operating income to net cash provided by operating activities			
Donations from Foundation	(3,025)	3,025	-
Net cash provided by operating activities	7,164	-	7,164

Washington Township Health Care District

Notes to Financial Statements

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The District has also adjusted the fair value hierarchy level disclosure amounts associated with certain of its investments and pension assets for the year ended June 30, 2019. The Local Agency Investment Fund (LAIF), previously reported as a Level 2 investment in the fair value hierarchy for the District in the amount of \$32,791 and a Level 2 investment in the fair value hierarchy for the Foundation in the amount of \$2,376 for the related investment in LAIF held by the District on behalf of the Foundation, has been reclassified to amounts reported at Net Asset Value (NAV). See Note 5, Fair Value, for more information.

The District also reclassified \$30,067 in mutual fund pension assets, previously reported as Level 2 investments in the fair value hierarchy for the year ended June 30, 2019, as Level 1 investments. Additionally, pension assets were previously disclosed in total as 'money market and mutual funds'. However, in the current year, the District has expanded its presentation to display the variety of funds. See Note 10, Employee Benefit Plans, for more information.

The District has also included condensed combining information for its blended component units for the fiscal year ended June 30, 2019 as part of its 2020 comparative presentation in Note 13, Blended Component Unit Information. This information was not provided in the previously issued June 30, 2019 financial statements.

The District also corrected the amount reported as covered employee payroll from 173,692 to 165,710 for its 2019 fiscal year in relation to required other post-employment benefit (OPEB) disclosures. See Note 10, Employee Benefit Plans, for more information.

Management has concluded that these revisions and reclassifications are not material, individually and in the aggregate, to the previously issued June 30, 2019 financial statements.

New Accounting Pronouncements

Pending Adoption

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for financial statements for periods beginning after December 15, 2019 (fiscal year 2021 for the District), with earlier application encouraged. The objectives of this Statement are to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how the reporting of these activities. Management is currently evaluating the effect of this standard on the District's financial statements.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, effective for financial statements for periods beginning after December 15, 2020 (fiscal year 2022 for the District), with earlier adoption encouraged. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of the construction period. Management is currently evaluating the effect of this standard on the District's financial statements.

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In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, effective for financial statements for periods beginning after December 15, 2019 (fiscal year 2021 for the District), with earlier application encouraged. The objectives of this Statement are to improve the consistency and comparability of reporting an entity's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Management is currently evaluating the effect of this standard on the District's financial statements.

2. Patient Revenues

Patient revenues consist of the following:

<i>(in thousands)</i>	2020	2019
Gross patient charges		
Routine inpatient services	\$ 370,723	\$ 416,792
Ancillary inpatient services	963,920	1,078,848
Outpatient services	754,799	748,284
	<u>2,089,442</u>	<u>2,243,924</u>
Less: Charity care	(3,086)	(2,658)
Gross patient service revenues	<u>2,086,356</u>	<u>2,241,266</u>
Deductions from gross patient service revenues		
Contractual allowances for statutory and negotiated rates	1,545,688	1,671,388
Provision for doubtful accounts	41,152	49,584
	<u>1,586,840</u>	<u>1,720,972</u>
Net patient service revenues	<u>\$ 499,516</u>	<u>\$ 520,294</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, 2016.

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

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

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

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

At the current time there is uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates, which would result in a decrease in Medicare reimbursements. The State budget contains proposed health care budget cuts that may affect reimbursements for non-contracted Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

State of California Assembly Bill ("AB") 1383 of 2009, as amended by AB 1653 (Statutes of 2010) established a series of Medicaid supplemental payments funded through a "Quality Assurance Fee (QAF)" and a "Hospital Fee Program (Program)", which are imposed on certain California hospitals. The original effective date of the HFP was April 1, 2009 through December 31, 2010 and is predicated, in part, on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). The Program was made permanent by the passage of Proposition 52 in November 2016. The current Program relates to the period from January 1, 2017 through June 30, 2020. The Program makes supplemental payments to hospitals for various health care services and supports the state's effort to maintain health care coverage for children. The District, designated as a public hospital, is exempt from paying the QAF; however, the District receives supplemental payments under the Program. For fiscal years 2020 and 2019, the District recognized \$3.1 million and \$4.7 million, respectively. Program revenues have been reported as net patient service revenues.

Non-Designated Public Hospitals (NDPHs), including the District, were authorized, in 2011's AB 113, to use intergovernmental transfers (IGTs) to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service payments. The IGTs are used to bring NDPHs, in the aggregate, up to their federal upper payment limit (UPL). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For fiscal years 2020 and 2019, the District recognized amounts under the IGT Program of \$0.8 million and \$1.4 million, respectively, which have been reported as net patient service revenues. In fiscal year 2020, the

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State announced that errors in various assumptions used by the State in their calculations for previous years' AB113 distributions had resulted in payments exceeding the UPL. The recoupment amount for fiscal year 2019 was \$0.7 million which reduced the revenue recognized for fiscal year 2020. There may be adjustments to other prior year calculations and the District has reserved an amount of \$1.0 million for future adjustments; however, the actual adjustment of future adjustments has not been determined by the State.

IGTs are also used to obtain federal supplemental funds for Medi-Cal managed care rates. Medi-Cal managed care rates are based on actuarial equivalents of fee-for-service rates. When the equivalents are determined, the State sets payment rates for the managed care plans at the low end of a calculated range. Public entities (such as the District) can provide voluntary contributions, for matching with federal Medicaid funds, to bring the payments up to the high end of the range. Health plans are provided with the available funding in the rate range and they negotiate with interested public entities in their area to improve the rates paid to those individual public providers. In fiscal year 2020, the District received \$3.2 million in net rate range funding. There was no rate range funding received in fiscal year 2019.

State of California Assembly Bill 915, *Public Hospital Outpatient Services Supplemental Reimbursement Program*, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's Certified Public Expenditures ("CPE"), which are matched with federal Medicaid funds. In fiscal years 2020 and 2019, the District recorded net patient service revenues of \$0.1 million and \$1.1 million, respectively, related to these payments. In fiscal year 2020, the State announced that they were recalculating amounts paid for previous years. It is anticipated that these recalculations may result in recoupment of amounts previously recorded; a reserve of \$1.0 million was established, based on preliminary calculations of the potential recoupment amount applicable to the District.

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

<i>(in thousands)</i>	2020	2019
Medicare and Medicare HMO	\$ 1,072,542	\$ 1,153,012
Medi-Cal and Medi-Cal HMO	378,160	434,552
Commercial PPO, HMO and others	596,003	602,200
Private pay	42,737	54,160
Total gross patient revenues	<u>\$ 2,089,442</u>	<u>\$ 2,243,924</u>

3. Charity Care

The District maintains records to identify and monitor the level of direct charity care it provides. For fiscal year 2020 and 2019, net patient service revenues exclude charges foregone for charity care services and supplies of approximately \$3.1 million and \$2.7 million, respectively.

4. Related-Party Transactions

The District held \$1.4 million and \$2.4 million as of June 30, 2020 and 2019, respectively, of the Foundation's assets in the District's short-term investment account. The Foundation donated \$2.1 million and \$3.0 million to the District for fiscal years 2020 and 2019, respectively. The District also

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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, 2020 and June 30, 2019, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents - \$72.0 million and 35.3 million, Board-designated for capital and workers compensation - \$149.9 million and 142.3 million. Banking and investment fees paid were \$0.1 million for fiscal year 2020 and \$0.1 million for fiscal year 2019.

5. Fair Value

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

These levels are as follows:

- Level 1 Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities. The District has no Level 1 assets or liabilities.
- Level 2 Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.
- Level 3 Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.

Net Asset

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

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

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

<i>(in thousands)</i>	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Levelled)
District			
U.S. Treasuries	\$ 48,694	\$ -	\$ -
U.S. Agencies	31,680	-	-
Corporate and municipal bonds	65,468	-	-
Local Agency Investment Fund (LAIF)	-	80,682 ¹	-
Money market and mutual funds	-	-	39,964
Total Investments - District	<u>\$ 145,842</u>	<u>\$ 80,682</u>	<u>\$ 39,964</u>

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

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

The fair value of the District's and Foundation's investment assets, measured on a recurring basis at June 30, 2019, is reflected in the following table:

<i>(in thousands)</i>	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Levelled)
District			
U.S. Treasuries	\$ 56,564	\$ -	\$ -
U.S. Agencies	19,937	-	-
Corporate and municipal bonds	63,998	-	-
Local Agency Investment Fund (LAIF)	-	32,791 ¹	-
Money market and mutual funds	-	-	41,864
Total Investments - District	<u>\$ 140,499</u>	<u>\$ 32,791</u>	<u>\$ 41,864</u>

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

Foundation			
Short-term investments			
Certificates of deposit	\$ -	\$ -	\$ 307
Short-term investments held by District on behalf of Foundation	-	2,376	-
Long-term investment and restricted funds:			
Certificates of deposit	-	-	110
Total Investments - Foundation	<u>\$ -</u>	<u>\$ 2,376</u>	<u>\$ 417</u>

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

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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, 2020 and as of June 30, 2019, 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, 2020 and 2019, investment and restricted funds, at fair value, have been set aside as follows:

<i>(in thousands)</i>	2020	2019
Long-term Investment and Restricted Funds		
Board-designated for capital and debt	\$ 214,743	\$ 156,039
Workers' compensation fund	9,391	8,967
Funds held by trustee under bond indenture	42,312	50,107
Restricted funds	42	41
Total funds	<u>266,488</u>	<u>215,154</u>
Short-term investments – required for current liabilities	<u>(31,608)</u>	<u>(33,586)</u>
Total long-term investment and restricted funds	<u>\$ 234,880</u>	<u>\$ 181,568</u>

Foundation

Investments as of June 30, 2020 and 2019, at fair value, are summarized below:

<i>(in thousands)</i>	2020	2019
Certificates of deposit	\$ 419	\$ 417
Short-term investments held by District on behalf of Foundation	<u>1,364</u>	<u>2,376</u>
Total Investments	<u>\$ 1,783</u>	<u>\$ 2,793</u>

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The District's investment policy permits the following investments:

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

As of June 30, 2020 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	\$ 48,694	\$ 7,747	\$ 28,011	\$ 12,936	\$ -
U.S. Government agencies	31,680	1,098	19,058	3,406	8,118
Corporate bonds	65,468	9,430	54,759	1,076	203
LAIF (State Pool Demand Deposits)	80,682	80,682	-	-	-
Money market and mutual funds	39,964	39,964	-	-	-
Total investments	<u>\$ 266,488</u>	<u>\$ 138,921</u>	<u>\$ 101,828</u>	<u>\$ 17,418</u>	<u>\$ 8,321</u>

As of June 30, 2019, 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	\$ 56,564	\$ 4,594	\$ 47,862	\$ 4,108	\$ -
U.S. Government agencies	19,937	313	11,190	2,087	6,347
Corporate bonds	63,998	1,616	62,170	212	-
LAIF (State Pool Demand Deposits)	32,791	32,791	-	-	-
Money market and mutual funds	41,864	41,864	-	-	-
Total investments	<u>\$ 215,154</u>	<u>\$ 81,178</u>	<u>\$ 121,222</u>	<u>\$ 6,407</u>	<u>\$ 6,347</u>

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

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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. Certain of the District's investments as of June 30, 2020 were in the "corrective action required" category.

The District's investments at June 30, 2020 are rated as follows:

<i>(in thousands)</i>	Fair Value	Ratings
Investment type		
U.S. Treasuries	\$ 48,694	Not rated
U.S. Government agencies	31,680	Not rated
Corporate bonds	65,468	See below
Local agency investment fund	80,682	Not rated
Money market and mutual funds	39,964	Not rated
Total Investments	<u>\$ 266,488</u>	

<i>(in thousands)</i>	Amount
Corporate bonds rating	
AAA	\$ 5,541
AA+	4,125
AA	9,178
AA-	8,895
A+	8,433
A	17,507
A-	11,219
BBB+	335
BBB	235

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7. Capital Assets

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

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

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

The District's capital assets activity for fiscal year 2019 consisted of the following:

<i>(in thousands)</i>	Beginning Balance June 30, 2018	Increase	Decrease	Ending Balance June 30, 2019
Capital assets, not being depreciated				
Land	\$ 27,616	\$ -	\$ -	\$ 27,616
Construction in progress	392,243	41,811	(423,612)	10,442
Total capital assets not being depreciated	<u>419,859</u>	<u>41,811</u>	<u>(423,612)</u>	<u>38,058</u>
Capital assets being depreciated				
Land improvements	12,924	2,806	-	15,730
Buildings	391,049	393,883	-	784,932
Fixed and moveable equipment	343,090	32,792	(524)	375,358
Total capital assets being depreciated	<u>747,063</u>	<u>429,481</u>	<u>(524)</u>	<u>1,176,020</u>
Less: Accumulated depreciation				
Land improvements	(12,044)	(1,511)	-	(13,555)
Buildings	(179,652)	(25,432)	-	(205,084)
Fixed and movable equipment	(236,729)	(20,390)	524	(256,595)
Total accumulated depreciation	<u>(428,425)</u>	<u>(47,333)</u>	<u>524</u>	<u>(475,234)</u>
Total capital assets being depreciated, net	<u>318,638</u>	<u>382,148</u>	<u>-</u>	<u>700,786</u>
Total capital assets, net	<u>\$ 738,497</u>	<u>\$ 423,959</u>	<u>\$ (423,612)</u>	<u>\$ 738,844</u>

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At June 30, 2019, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately \$4.6 million.

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

<i>(in thousands)</i>	2020	2019
Change in accumulated depreciation		
Operating depreciation expense	\$ 49,931	\$ 43,829
Non-operating depreciation expense	1,969	3,504
Disposal of fixed assets	<u>(1,110)</u>	<u>(524)</u>
Total increase in accumulated depreciation	<u>\$ 50,790</u>	<u>\$ 46,809</u>

8. Credit Facilities

During the fiscal years 2020 and 2019, WOSC had a short-term \$1.0 million revolving line of credit available. The line of credit was renewed, through September 2021, upon expiration in September 2019. There have been no draws under the line of credit since its inception.

In fiscal year 2015, the District entered into an Irrevocable Standby Letter of Credit (Standby LC) in the amount of \$2.1 million in connection with the construction of the new parking garage (completed in August 2016) and the Hyman Pavilion (completed in November 2018). No draws have been made under the Standby LC which expires March 1, 2021.

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.

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.

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.

In November 2013, the District issued two additional series of general obligation bonds (2013 Series A and 2013 Series B), as approved by voters in elections in 2004 and 2012. The combined amount of the two issuances was \$145.5 million. The 2013 bonds were issued to provide funds for the construction of a new parking structure and the Hyman Pavilion which will include facilities for

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emergency care, intensive care and cardiac care services. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

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

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

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

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

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

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

Washington Township Health Care District

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June 30, 2020 and 2019

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.

The District is also required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2020 and 2019, maintaining debt service coverage ratios of 4.7 to 1.0 and 3.5 to 1.0, respectively. The Hospital is the sole member of the obligated group for these bonds.

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

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

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

In December 2016, WOSC entered into an unsecured promissory note to finance the construction of a surgery center in Napa, California. The original amount of the promissory note was \$986,440 at 4.5 percent with a maturity date of January 3, 2022.

Washington Township Health Care District

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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, 2020 is as follows:

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

Washington Township Health Care District

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June 30, 2020 and 2019

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2019 is as follows:

<i>(in thousands)</i>	Beginning Balance, June 30, 2018	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2019	Due Within One Year
Bonds payable						
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	\$ 66,690	\$ -	\$ -	\$ (1,090)	\$ 65,600	\$ 1,170
Plus: Issuance premiums	3,424	-	(433)	-	2,991	-
Total 2017B Revenue Refunding Bonds Payable	<u>70,114</u>	<u>-</u>	<u>(433)</u>	<u>(1,090)</u>	<u>68,591</u>	<u>1,170</u>
2017A Revenue Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	37,655	-	-	(635)	37,020	655
Plus: Issuance premiums	1,251	-	(164)	-	1,087	-
Total 2017A Revenue Bonds Payable	<u>38,906</u>	<u>-</u>	<u>(164)</u>	<u>(635)</u>	<u>38,107</u>	<u>655</u>
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	29,640	-	-	(1,105)	28,535	1,135
Plus: Issuance premiums	2,954	-	(450)	-	2,504	-
Total 2016 Gen'l Obligation Refunding Bonds Payabl	<u>32,594</u>	<u>-</u>	<u>(450)</u>	<u>(1,105)</u>	<u>31,039</u>	<u>1,135</u>
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	27,120	-	-	(1,740)	25,380	1,815
Plus: Issuance premiums	1,131	-	(292)	-	839	-
Total 2015A Revenue Refunding Bonds Payable	<u>28,251</u>	<u>-</u>	<u>(292)</u>	<u>(1,740)</u>	<u>26,219</u>	<u>1,815</u>
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,504	-	(50)	-	1,454	-
Total 2015B General Obligation Bonds Payable	<u>147,004</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>146,954</u>	<u>-</u>
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	105,000	-	-	-	105,000	720
Plus: Issuance premiums	2,338	-	(193)	-	2,145	-
Total 2013B General Obligation Bonds Payable	<u>107,338</u>	<u>-</u>	<u>(193)</u>	<u>-</u>	<u>107,145</u>	<u>720</u>
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	40,500	-	-	-	40,500	280
Plus: Issuance premiums	664	-	(44)	-	620	-
Total 2013A General Obligation Bonds Payable	<u>41,164</u>	<u>-</u>	<u>(44)</u>	<u>-</u>	<u>41,120</u>	<u>280</u>
2010 Revenue Bonds, principal and interest (at 5.00% to 5.50%) payable semiannually	53,250	-	-	(1,465)	51,785	1,540
Less: Issuance discounts	(840)	-	51	-	(789)	-
Total 2010 Revenue Bonds Payable	<u>52,410</u>	<u>-</u>	<u>51</u>	<u>(1,465)</u>	<u>50,996</u>	<u>1,540</u>
2009 Revenue Bonds, principal and interest (at 5.00% to 6.25%) payable semiannually	48,435	-	-	(1,135)	47,300	1,190
Less: Issuance discounts	(582)	-	49	-	(533)	-
Total 2009 Revenue Bonds Payable	<u>47,853</u>	<u>-</u>	<u>49</u>	<u>(1,135)</u>	<u>46,767</u>	<u>1,190</u>
2009 General Obligation Bonds, principal and interest (at 4.50% to 5.75%) payable semiannually	11,785	-	-	(30)	11,755	45
Less: Issuance discounts	(11)	-	1	-	(10)	-
Total 2009 General Obligation Bonds Payable	<u>11,774</u>	<u>-</u>	<u>1</u>	<u>(30)</u>	<u>11,745</u>	<u>45</u>
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	725	-	-	(243)	482	203
Total WOSC 2017 Loan Payable	<u>725</u>	<u>-</u>	<u>-</u>	<u>(243)</u>	<u>482</u>	<u>203</u>
Capital lease obligations						
WOSC Capital Leases (2015 - 2019), principal and interest (at 3.49% to 5.00%) payable monthly	389	181	-	(142)	428	139
Total WOSC capital lease obligations	<u>389</u>	<u>181</u>	<u>-</u>	<u>(142)</u>	<u>428</u>	<u>139</u>
Total long-term debt payable	<u>\$ 578,522</u>	<u>\$ 181</u>	<u>\$ (1,525)</u>	<u>\$ (7,585)</u>	<u>\$ 569,593</u>	<u>\$ 8,892</u>

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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	
			2020	2019
Bond issue				
2019A Revenue Refunding Bonds	\$ 49,445	7/1/2048	2.98%	N/A
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	2.95%	N/A
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.61%	3.57%
2017A Revenue Bonds	37,655	7/1/2047	3.90%	3.85%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.19%	2.11%
2015A Revenue Bonds	30,290	7/1/2029	3.27%	3.16%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.93%
2013B General Obligation Bonds	105,000	8/1/2043	4.90%	4.88%
2013A General Obligation Bonds	40,500	8/1/2043	4.90%	4.88%
2010 Revenue Bonds	60,725	7/1/2038	5.53%	5.50%
2009 Revenue Bonds	55,000	7/1/2039	6.04%	6.28%

The long-term debt payment requirements as of June 30, 2020, 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,						
2021	\$ 7,176	\$ 10,113	\$ 2,680	\$ 14,632	\$ 9,856	\$ 24,745
2022	7,322	9,762	2,785	14,509	10,107	24,271
2023	7,523	9,399	2,850	14,386	10,373	23,785
2024	7,845	9,019	2,900	14,265	10,745	23,284
2025	8,250	8,617	1,470	14,170	9,720	22,787
2026 - 2030	47,640	36,583	12,130	69,674	59,770	106,257
2031 - 2035	61,645	23,980	37,860	65,100	99,505	89,080
2036 - 2040	57,450	9,371	80,750	52,324	138,200	61,695
2041 - 2045	11,245	2,978	146,165	25,809	157,410	28,787
2046 - 2049	8,535	556	38,920	793	47,455	1,349
Total long-term debt, excluding unamortized discounts and premiums	<u>\$ 224,631</u>	<u>\$ 120,378</u>	<u>\$ 328,510</u>	<u>\$ 285,662</u>	<u>\$ 553,141</u>	<u>\$ 406,040</u>

Components of interest expense include the following:

<i>(in thousands)</i>	2020	2019
Total interest cost	\$ 23,143	\$ 24,909
Capitalized interest expense	<u>(845)</u>	<u>(7,123)</u>
Net interest expense	<u>22,298</u>	<u>17,786</u>
Capitalized investment income	\$ 631	\$ 1,291

Washington Township Health Care District
Notes to Financial Statements
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10. Employee Benefit Plans

Defined Benefit Retirement Plan

The District maintains a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan.

Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed 20 years of service, or an employee who attains age 60 with 30 years of service is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

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

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

Participant data for the Plan, as of the measurement date (January 1) for the indicated fiscal years, is shown in the table below:

	2020	2019
Active and suspended	1,509	1,448
Vested terminated	722	725
Retirees and beneficiaries	768	702
Total participants	2,999	2,875

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

<i>(in thousands)</i>	2020	2019
Pension cost		
Service cost	\$ 9,075	\$ 8,190
Employee contributions	(1,655)	(1,235)
Interest	27,395	26,693
Expected return on plan assets	(23,603)	(24,491)
Administrative expenses	226	224
Recognition of deferred amounts	9,224	13,135
Total pension cost	\$ 20,662	\$ 22,516

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

<i>(in thousands)</i>	Deferred outflows of resources	Deferred (inflows) of resources
Differences between expected and actual experience	\$ 4,662	\$ (4,977)
Change of assumptions	13,294	-
Net differences between projected and actual earnings	28,451	(37,240)
Contributions made subsequent to measurement date	5,775	-
Total	<u>\$ 52,182</u>	<u>\$ (42,217)</u>

Components of deferred outflows and inflows of resources for the year ended June 30, 2019 were as follows:

<i>(in thousands)</i>	Deferred outflows of resources	Deferred (inflows) of resources
Differences between expected and actual experience	\$ 10,213	\$ (6,497)
Net differences between projected and actual earnings	42,686	(12,939)
Contributions made subsequent to measurement date	5,775	-
Total	<u>\$ 58,674</u>	<u>\$ (19,436)</u>

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

	Inflows	Outflows	Total
2021	\$ (13,689)	18,259	4,570
2022	(13,689)	12,425	(1,264)
2023	(7,518)	11,813	4,295
2024	(7,287)	3,128	(4,159)
2025	(34)	782	748
Thereafter	-	-	-
Total deferred (inflows) and outflows of resources - pension	<u>\$ (42,217)</u>	<u>\$ 46,407</u>	<u>\$ 4,190</u>

Washington Township Health Care District
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June 30, 2020 and 2019

The following table summarizes changes in net pension liability from July 1, 2018 to June 30, 2020:

<i>(in thousands)</i>	2020	2019
Total pension liability		
Service cost	\$ 9,075	\$ 8,190
Interest	27,395	26,693
Change in assumptions	16,421	(8,586)
Difference between expected and actual experience	(703)	-
Benefit payments	<u>(18,146)</u>	<u>(16,330)</u>
Net change in total pension liability	34,042	9,967
Total pension liability (beginning of year)	<u>375,085</u>	<u>365,118</u>
Total pension liability (end of year)	<u>409,127</u>	<u>375,085</u>
Plan fiduciary net position		
Employer contributions	23,100	23,100
Employee contributions	1,655	1,235
Net investment income	59,371	(18,935)
Benefit payments	(18,146)	(16,330)
Administrative expense	(226)	(224)
Other	<u>-</u>	<u>-</u>
Net change in fiduciary net position	65,754	(11,154)
Fiduciary net position (beginning of year)	<u>311,575</u>	<u>322,729</u>
Fiduciary net position (end of year)	<u>377,329</u>	<u>311,575</u>
Net pension liability (end of year)	<u>\$ 31,798</u>	<u>\$ 63,510</u>
Fiduciary net position as percent of liability	<u>92.2%</u>	<u>83.1%</u>
Covered payroll (pension)	<u>186,174</u>	<u>173,692</u>
Net pension liability as percent of covered payroll	<u>17.1%</u>	<u>36.6%</u>

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2020 and June 30, 2019 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	January 1	
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	January 1, 2020 - 7.00%	January 1, 2019 - 7.50%
Demographic assumptions		
Mortality table for healthy participants	January 1, 2020 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis January 1, 2019 - RP-2014 base table with two-dimensional projection scale BB projected generationally	
Mortality table for disabled participants	January 1, 2020 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis January 1, 2019 - RP-2014 Disabled retiree table	
Sensitivity of net pension liability at January 1, 2020 to changes in the discount rate, with no other changes -		
1 percent decrease (6.0%)		\$81,930,000
Current discount rate (7.0%)		31,798,000
1 percent increase (8.0%)		(10,226,000)
Sensitivity of net pension liability at January 1, 2019 to changes in the discount rate, with no other changes -		
1 percent decrease (6.5%)		\$109,634,000
Current discount rate (7.5%)		63,510,000
1 percent increase (8.5%)		24,994,000

The fair value of the District's pension investments measured as of January 1, 2020, and used for the purpose of the June 30, 2020 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 Levelled)	Balance At Valuation Date
Money market funds	\$ -	\$ 1,925	\$ 1,925
Fixed income funds	159,399	-	159,399
Domestic equity funds	116,194	-	116,194
International equity funds	92,020	-	92,020
Commodity funds	3,592	-	3,592
Real estate funds	4,199	-	4,199
Total pension assets	<u>\$ 375,404</u>	<u>\$ 1,925</u>	<u>\$ 377,329</u>

Washington Township Health Care District
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The fair value of the District's pension investments measured as of January 1, 2019, and used for the purpose of the June 30, 2019 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 Levelled)	Balance At Valuation Date
Money market funds	\$ -	\$ 2,163	\$ 2,163
Fixed income funds	114,776	-	114,776
Domestic equity funds	109,220	-	109,220
International equity funds	77,464	-	77,464
Commodity funds	3,774	-	3,774
Real estate funds	4,178	-	4,178
Total pension assets	<u>\$ 309,412</u>	<u>\$ 2,163</u>	<u>\$ 311,575</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 matches participant contributions, for employees with a minimum of 1,000 hours in a benefitted status, to a maximum of 1.5 percent of gross earnings. Under the deferred compensation plan and the Matching Plan agreements, the District purchases annuity contracts for various investments. All investment earnings, including market value appreciation and depreciation, are set aside in trusts for the benefit of the participants.

Matching contributions made by the District in fiscal years 2020 and 2019 were as follows:

<i>(in thousands)</i>	Amount	Employee Deductions Being Matched
Contribution Year		
2020	\$ 2,118	Calendar year 2019
2019	\$ 1,998	Calendar year 2018

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

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is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

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

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

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

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

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

For the valuation dates of January 1, 2019 and January 1, 2020, with the trust established and given the District's intention to fully fund the OPEB Plan, the total OPEB liabilities as of June 30, 2019 and June 30, 2020 were discounted based on the expected long-term return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

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

As of the January 1, 2020 and January 1, 2019 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2020	2019
Active	1,419	1,448
Retirees	517	504
Total participants	1,936	1,952

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

<i>(in thousands)</i>	2020	2019
Postemployment medical benefits cost		
Service cost	\$ 1,473	\$ 3,049
Interest	3,461	2,495
Expected return on plan assets	(705)	(219)
Administrative expenses	49	15
Recognition of deferred amounts	<u>(3,651)</u>	<u>(4,354)</u>
Total postemployment medical benefits cost	<u>\$ 627</u>	<u>\$ 986</u>

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

<i>(in thousands)</i>	Deferred outflows of resources	Deferred (inflows) of resources
Differences between expected and actual experience	\$ 249	\$ (231)
Net differences between projected and actual earnings	293	(644)
Change of assumptions	7,811	(20,405)
Contributions made subsequent to measurement date	<u>1,769</u>	<u>-</u>
Total	<u>\$ 10,122</u>	<u>\$ (21,280)</u>

Components of deferred outflows and inflows of resources for the year ended June 30, 2019 were as follows:

<i>(in thousands)</i>	Deferred outflows of resources	Deferred (inflows) of resources
Differences between expected and actual experience	\$ 308	\$ -
Net differences between projected and actual earnings	391	-
Change of assumptions	2,401	(25,487)
Contributions made subsequent to measurement date	<u>1,686</u>	<u>-</u>
Total	<u>\$ 4,786</u>	<u>\$ (25,487)</u>

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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:

Amount of deferred (inflows) and outflows - postemployment medical benefits (OPEB) to be recognized in employee medical benefit expense for future years

	<u>Inflows</u>	<u>Outflows</u>	<u>Total</u>
2021	\$ (5,278)	1,627	(3,651)
2022	(5,278)	1,627	(3,651)
2023	(5,018)	1,628	(3,390)
2024	(4,949)	1,079	(3,870)
2025	(700)	908	208
Thereafter	(57)	1,484	1,427
Total deferred inflows of resources - postemployment medical benefits (OPEB)	<u>\$ (21,280)</u>	<u>\$ 8,353</u>	<u>\$ (12,927)</u>

The following table summarizes changes in the net postemployment medical benefit (OPEB) liability from July 1, 2018 to June 30, 2020 and related ratios:

<i>(in thousands)</i>	2020	2019
Total postemployment medical benefits (OPEB) liability		
Service cost	\$ 1,473	\$ 3,049
Interest	3,461	2,495
Difference between expected and actual experience	(265)	368
Change of assumptions	6,880	(29,183)
Benefit payments	<u>(1,508)</u>	<u>(1,569)</u>
Net change in postemployment medical benefits (OPEB) liability	10,041	(24,840)
Total postemployment medical benefits (OPEB) liability (beginning of year)	<u>45,412</u>	<u>70,252</u>
Total postemployment medical benefits (OPEB) liability (end of year)	<u>55,453</u>	<u>45,412</u>
Plan fiduciary net position		
Employer contributions	4,808	9,969
Net investment income	1,510	(270)
Benefit payments	(1,508)	(1,569)
Administrative expense	(49)	(15)
Other	1	(2)
Net change in fiduciary net position	<u>4,762</u>	<u>8,113</u>
Fiduciary net position (beginning of year)	<u>8,113</u>	<u>-</u>
Fiduciary net position (end of year)	<u>12,875</u>	<u>8,113</u>
Net postemployment medical benefits (OPEB) liability (end of year)	<u>\$ 42,578</u>	<u>\$ 37,299</u>
Fiduciary net position as percent of liability	<u>23.2%</u>	<u>17.9%</u>
Covered employee payroll	<u>177,841</u>	<u>165,710</u>
Net postemployment medical benefits (OPEB) liability as percent of covered employee payroll ¹	<u>23.9%</u>	<u>22.5%</u>

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

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The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2020 and June 30, 2019 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	January 1
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	January 1, 2020 - 7.00%
	January 1, 2019 - 7.50%
Demographic assumptions	
Mortality table for healthy participants	January 1, 2020 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
	January 1, 2019 - RP-2014 base table with two-dimensional projection scale BB projected generationally
Mortality table for disabled participants	January 1, 2020 - Pri-2012 tables and projected forward using MP-2019 projection scale on a generational basis
	January 1, 2019 - RP-2014 Disabled retiree table
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends
Sensitivity of postretirement employee medical benefits liability at January 1, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	\$50,347,000
Current discount rate (7.00%)	\$42,578,000
1 percent increase (8.00%)	\$36,111,000
Sensitivity of postretirement employee medical benefits liability at January 1, 2020 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	\$35,379,000
Current healthcare cost trend rate	\$42,578,000
1 percent increase	\$51,485,000
Sensitivity of postretirement employee medical benefits liability at January 1, 2019 to changes in the discount rate, with no other changes -	
1 percent decrease (6.50%)	\$43,485,000
Current discount rate (7.50%)	\$37,299,000
1 percent increase (8.50%)	\$32,173,000
Sensitivity of postretirement employee medical benefits liability at January 1, 2019 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	\$31,898,000
Current healthcare cost trend rate	\$37,299,000
1 percent increase	\$43,871,000

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The fair value of the District's OPEB investments measured as of January 1, 2020, and used for the purpose of the June 30, 2020 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	\$ -	\$ 24	\$ 24
Fixed income funds	5,572	-	5,572
Domestic equity funds	<u>7,279</u>	<u>-</u>	<u>7,279</u>
Total OPEB assets	<u>\$ 12,851</u>	<u>\$ 24</u>	<u>\$ 12,875</u>

The fair value of the District's OPEB investments measured as of January 1, 2019, and used for the purpose of the June 30, 2019 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	\$ -	\$ 3,909	\$ 3,909
Fixed income funds	1,791	-	1,791
Domestic equity funds	<u>2,413</u>	<u>-</u>	<u>2,413</u>
Total OPEB assets	<u>\$ 4,204</u>	<u>\$ 3,909</u>	<u>\$ 8,113</u>

Washington Township Health Care District
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June 30, 2020 and 2019

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	7.00 %	
Total portfolio asset allocation		
U.S. Equity	30 %	7.80 %
Non-U.S. Equity	25 %	8.40 %
Core fixed income	30 %	4.80 %
Opportunistic credit	10 %	7.00 %
Real assets	5 %	7.70 %
Total	<u>100 %</u>	

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11. Insurance Plans

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

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

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

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

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

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

12. Compensated Absences

District employees earn paid leave at varying rates depending on length of service and job classification. Employees can accumulate up to 640 hours of paid leave. All accumulated unused leave in excess of the maximum accrual amount is paid at the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2020 and 2019, the approximate liability for unpaid compensated absences was \$16.4 million and \$16.2 million, respectively.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 is as follows:

<i>(in thousands)</i>	Hospital	DEVCO, excluding WOSC	WOSC	WTMF	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION						
Current assets	\$ 176,349	\$ 6,125	\$ 4,354	\$ 7,388	\$ (1,788)	\$ 192,428
Long-term investment and restricted funds	234,880	-	-	-	-	234,880
Capital assets, net	684,274	10,394	2,360	757	-	697,785
Other assets	233,692	191,094	-	-	(407,021)	17,765
Total assets	1,329,195	207,613	6,714	8,145	(408,809)	1,142,858
Deferred outflows of resources	62,304	-	3,361	-	-	65,665
Total assets and deferred outflows of resources	\$ 1,391,499	\$ 207,613	\$ 10,075	\$ 8,145	\$ (408,809)	\$ 1,208,523
Liabilities						
Current liabilities	\$ 157,053	\$ 5,541	\$ 2,970	\$ 5,016	\$ (35)	\$ 170,545
Other non-current liabilities	639,114	221,678	225	181,163	(405,092)	637,088
Total liabilities	796,167	227,219	3,195	186,179	(405,127)	807,633
Deferred inflows of resources	63,497	-	-	-	-	63,497
Net investment in capital assets	142,756	-	-	-	-	142,756
Restricted - expendable	29,301	-	-	-	-	29,301
Restricted for minority interest	-	-	-	-	3,666	3,666
Unrestricted	359,778	(19,606)	6,880	(178,034)	(7,348)	161,670
Total net position	531,835	(19,606)	6,880	(178,034)	(3,682)	337,393
Total liabilities, net position and deferred inflows of resources	\$ 1,391,499	\$ 207,613	\$ 10,075	\$ 8,145	\$ (408,809)	\$ 1,208,523
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Net patient service revenues	\$ 448,260	\$ 4,994	\$ 16,145	\$ 30,117	\$ -	\$ 499,516
Other operating revenues	6,665	8,858	169	11,663	(13,952)	13,403
Operating revenues	454,925	13,852	16,314	41,780	(13,952)	512,919
Operating expenses	(417,077)	(14,873)	(15,901)	(65,059)	14,545	(498,365)
Depreciation	(48,544)	(721)	(414)	(252)	-	(49,931)
Operating income (loss)	(10,696)	(1,742)	(1)	(23,531)	593	(35,377)
Non-operating revenues and expenses, net	33,925	180	323	788	(758)	34,458
Increase (decrease) in net position before minority interest and restricted funds	23,229	(1,562)	322	(22,743)	(165)	(919)
Other, including minority interest	1,796	194	(1,594)	-	800	1,196
Increase (decrease) in net position	25,025	(1,368)	(1,272)	(22,743)	635	277
Beginning of year	506,810	(18,238)	8,152	(155,291)	(4,317)	337,116
End of year	\$ 531,835	\$ (19,606)	\$ 6,880	\$ (178,034)	\$ (3,682)	\$ 337,393
CONDENSED STATEMENTS OF CASH FLOWS						
Net Cash provided (used) by:						
Operating activities	\$ 78,321	\$ 188	\$ 2,813	\$ (1,191)	\$ 1,753	\$ 81,884
Noncapital financing activities	28,024	51	356	788	-	29,219
Capital and related financing activities	(17,111)	(1,285)	(1,894)	(436)	(954)	(21,680)
Investing activities	(52,723)	799	-	-	(799)	(52,723)
Net increase (decrease) in cash and cash equivalents	\$ 36,511	\$ (247)	\$ 1,275	\$ (839)	\$ -	\$ 36,700
Cash and cash equivalents - beginning of year	32,100	908	1,410	917	-	35,335
Cash and cash equivalents - end of year	\$ 68,611	\$ 661	\$ 2,685	\$ 78	\$ -	\$ 72,035

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2019 is as follows:

<i>(in thousands)</i>	Hospital	DEVCO, excluding WOSC	WOSC	WTMF	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION						
Current assets	\$ 148,758	\$ 2,371	\$ 3,267	\$ 8,311	\$ (1,469)	\$ 161,238
Long-term investment and restricted funds	181,568	-	-	-	-	181,568
Capital assets, net	726,002	9,636	2,633	573	-	738,844
Other assets	199,715	172,357	-	-	(366,715)	5,357
Total assets	1,256,043	184,364	5,900	8,884	(368,184)	1,087,007
Deferred outflows of resources	63,460	-	4,033	-	-	67,493
Total assets and deferred outflows of resources	\$ 1,319,503	\$ 184,364	\$ 9,933	\$ 8,884	\$ (368,184)	\$ 1,154,500
Liabilities						
Current liabilities	\$ 98,847	\$ 3,170	\$ 1,213	\$ 1,779	\$ (28)	\$ 104,981
Other non-current liabilities	668,923	199,432	568	162,396	(363,839)	667,480
Total liabilities	767,770	202,602	1,781	164,175	(363,867)	772,461
Deferred inflows of resources	44,923	-	-	-	-	44,923
Net investment in capital assets	187,907	-	-	-	-	187,907
Restricted - expendable	29,276	-	-	-	-	29,276
Restricted for minority interest	-	-	-	-	4,301	4,301
Unrestricted	289,627	(18,238)	8,152	(155,291)	(8,618)	115,632
Total net position	506,810	(18,238)	8,152	(155,291)	(4,317)	337,116
Total liabilities, net position and deferred inflows of resources	\$ 1,319,503	\$ 184,364	\$ 9,933	\$ 8,884	\$ (368,184)	\$ 1,154,500
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Net patient service revenues	\$ 466,627	\$ 4,636	\$ 17,102	\$ 31,929	\$ -	\$ 520,294
Other operating revenues	6,280	7,963	93	11,066	(13,741)	11,661
Operating revenues	472,907	12,599	17,195	42,995	(13,741)	531,955
Operating expenses	(422,207)	(12,475)	(15,460)	(64,304)	14,079	(500,367)
Depreciation	(42,527)	(687)	(410)	(205)	-	(43,829)
Operating income (loss)	8,173	(563)	1,325	(21,514)	338	(12,241)
Non-operating revenues and expenses, net	7,548	589	(50)	15	(977)	7,125
Increase (decrease) in net position before minority interest and restricted funds	15,721	26	1,275	(21,499)	(639)	(5,116)
Other, including minority interest	561	3	(2,275)	-	1,141	(570)
Increase (decrease) in net position	16,282	29	(1,000)	(21,499)	502	(5,686)
Beginning of year	490,528	(18,267)	9,152	(133,792)	(4,819)	342,802
End of year	\$ 506,810	\$ (18,238)	\$ 8,152	\$ (155,291)	\$ (4,317)	\$ 337,116
CONDENSED STATEMENTS OF CASH FLOWS						
Net Cash provided (used) by:						
Operating activities	\$ 1,412	\$ 1,406	\$ 2,150	\$ 755	\$ 1,441	\$ 7,164
Noncapital financing activities	(3,492)	-	-	15	-	(3,477)
Capital and related financing activities	(72,210)	(1,009)	(2,633)	(170)	(300)	(76,322)
Investing activities	74,663	1,141	-	-	(1,141)	74,663
Net increase (decrease) in cash and cash equivalents	\$ 373	\$ 1,538	\$ (483)	\$ 600	\$ -	\$ 2,028
Cash and cash equivalents - beginning of year	31,727	(630)	1,893	317	-	33,307
Cash and cash equivalents - end of year	\$ 32,100	\$ 908	\$ 1,410	\$ 917	\$ -	\$ 35,335

Washington Township Health Care District
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14. Commitments and Contingencies

Lease Commitments

DEVCO has operating leases for medical clinic facilities. Rental expense under these leases for both fiscal years 2020 and 2019 was \$3.1 million.

Future minimum rental commitments for fiscal years ended subsequent to June 30, 2020 are as follows:

(in thousands)

2021	\$	3,314
2022		2,819
2023		2,012
2024		1,253
2025		641
Thereafter		-
Total lease commitments	\$	10,039

Litigation

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

Regulatory Environment

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

15. The CARES Act

In response to the disruptions that the COVID-19 pandemic has caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the CARES Act which made funds available to the District through various provisions of the legislation. Through June 30, 2020, the District received and recognized CARES Act provider relief funding of \$29.9 million, as federal grant revenue on the statement of revenues, expenses and changes in net position. This amount included \$19.4 million in funding attributable to a targeted distribution for safety net hospitals. The District recognized revenue related to CARES Act provider relief funding based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2020.

Washington Township Health Care District

Notes to Financial Statements

June 30, 2020 and 2019

The District received \$59.0 million in advanced payments from the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advanced Payments Program reported as due to third party payors, on the statement of net position. These advance payments are expected to be repaid within the next twelve months, based on current legislation. In addition, WOSC received a \$1.6 million Paycheck Protection Program loan for small business reported as due to third party payors, on the statement of net position since this loan is expected to be forgiven under current legislation. Furthermore, the CARES Act allowed employers to defer the deposits and payments of the employer's share of the Social Security taxes. As of June 30, 2020, \$0.9 million was deferred and reported as accrued (payroll related) liabilities on the statement of net position for the District and will be paid over the next two years based on current legislation.

16. Subsequent Events

In August 2020, the District received additional CARES Act provider relief funding of \$1.3 million.

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

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

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

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	173,692	16.62%
2020	23,100	23,100	-	186,174	12.41%
	<u>\$ 212,221</u>	<u>\$ 275,101</u>	<u>\$ 62,880</u>		

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:

<i>(in thousands)</i>	
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, 2020:

(in thousands)	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability								
Service cost	\$ 9,075	\$ 8,190	\$ 6,500	\$ 6,494	\$ 5,669	\$ 5,434	\$ 5,456	\$ 6,580
Interest	27,395	26,693	24,436	24,263	23,657	21,585	20,223	19,283
Difference between expected and actual experience	16,421	(8,586)	15,019	8,244	(13,656)	578	4,395	(5,173)
Change in assumptions	(703)	-	-	-	-	14,522	362	2,148
Benefit payments	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Net change in total pension liability	34,042	9,967	30,912	8,591	1,910	28,357	18,953	13,540
Total pension liability (beginning of year)	375,085	365,118	334,206	325,615	323,705	295,348	276,395	262,855
Total pension liability (end of year) (a)	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Plan fiduciary net position								
Employer contributions	23,100	23,100	22,300	22,000	27,100	36,200	115,526	-
Employee contributions	1,655	1,235	980	732	374	139	-	-
Net investment income	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342	12,619
Benefit payments	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Administrative expense	(226)	(224)	(252)	(216)	(64)	(65)	(62)	(69)
Other	-	-	(1)	(126)	-	-	-	-
Net change in fiduciary net position	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323	3,252
Plan fiduciary net position (beginning of year)	311,575	322,729	272,452	272,655	257,265	223,948	100,625	97,373
Plan fiduciary net position (end of year) (b)	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625
Net pension liability (end of year) (a) - (b)	\$ 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	92.2 % ¹	83.1 %	88.4 %	81.5 %	83.7 %	79.5 % ¹	75.8 % ¹	36.4 %
Covered payroll (pension)	186,174	173,692	168,165	146,438	142,319	136,999	144,445	145,324
Net pension liability as percent of covered payroll	17.1 % ²	36.6 %	25.2 %	42.2 %	37.2 %	48.5 % ²	49.4 % ²	121.0 %
Deferred outflows of resources								
Employer contributions after measurement date	\$ 5,775	\$ 5,775	\$ -	\$ -	\$ -	\$ 5,000	\$ 18,500	\$ -
¹ Fiduciary net position as percent of liability including deferred outflows of resources	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %	36.4 %
² Net pension liability as percent of covered payroll including deferred outflows of resources	14.0 %	33.2 %	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %	121.0 %

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

Discount rate	January 1, 2020	7.00%	
	January 1, 2013 - 2019	7.50%	
Demographic assumptions	Mortality table for healthy participants	January 1, 2020	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
		January 1, 2015 - 2019	RP-2014 base table with two-dimensional projection scale BB projected generationally
		January 1, 2013 - 2014	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	January 1, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2019 projection scale
	January 1, 2015 - 2019	RP-2014 Disabled retiree table	
	January 1, 2013 - 2014	RP-2000 Disabled mortality tables for females and males	

Washington Township Health Care District

Required Supplementary Pension and Postemployment Benefits Information

(unaudited)

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, 2020:

<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%
	<u>\$ 24,150</u>	<u>\$ 18,741</u>	<u>\$ (5,409)</u>		

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

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

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2016 (year of GASB 75 adoption) to June 30, 2020, and related ratios:

<i>(in thousands)</i>	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability				
Service cost	\$ 1,473	\$ 3,049	\$ 2,948	\$ 3,007
Interest	3,461	2,495	2,457	2,260
Difference between expected and actual experience	(265)	368	-	-
Change of assumptions	6,880	(29,183)	3,541	(2,045)
Benefit payments	<u>(1,508)</u>	<u>(1,569)</u>	<u>(1,494)</u>	<u>(1,412)</u>
Net change in postemployment medical benefits (OPEB) liability	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	<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>55,453</u>	<u>45,412</u>	<u>70,252</u>	<u>62,800</u>
Plan fiduciary net position				
Employer contributions	4,808	9,969	1,494	1,412
Net investment income	1,510	(270)	-	-
Benefit payments	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(49)	(15)	-	-
Other	<u>1</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Net change in fiduciary net position	4,762	8,113	-	-
Fiduciary net position (beginning of year)	<u>8,113</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position (end of year)	<u>12,875</u>	<u>8,113</u>	<u>-</u>	<u>-</u>
Net postemployment medical benefits (OPEB) liability (end of year)	<u>\$ 42,578</u>	<u>\$ 37,299</u>	<u>\$ 70,252</u>	<u>\$ 62,800</u>
Fiduciary net position as percent of liability	<u>23.2%</u> ¹	<u>17.9%</u> ¹	<u>0.0%</u> ¹	<u>0.0%</u> ¹
Covered employee payroll	<u>177,841</u>	<u>165,710</u>	<u>* 168,165</u>	<u>146,438</u>
Net postemployment medical benefits (OPEB) liability as percent of covered employee payroll ³	<u>23.9%</u> ²	<u>22.5%</u> ^{2*}	<u>41.8%</u> ²	<u>42.9%</u>
Deferred outflows of resources				
Employer contributions after measurement date	\$ 1,769	\$ 1,686	\$ 4,500	\$ -
¹ Fiduciary net position as percent of liability including deferred outflows of resources	26.4 %	21.6 %	6.4 %	0.0 %
² Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	22.9 %	21.5 %	39.1 %	42.9 %

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

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

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	January 1, 2020 - 7.00%
	January 1, 2019 - 7.50%
	January 1, 2018 - 3.44%
	January 1, 2017 - 3.78%
	January 1, 2016 - 3.57%
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends