

Audited Financial Statements
WEST CONTRA COSTA
HEALTHCARE DISTRICT

June 30, 2021

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JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

June 30, 2021

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JWT & Associates, LLP

Advisory Assurance Tax

1111 East Herndon, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax:(559) 431-7685

Report of Independent Auditors

The Contra Costa Board of Supervisors
West Contra Costa Healthcare District
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of West Contra Costa Healthcare District (the District) as of June 30, 2021, which comprise the statement of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JWT & Associates, LLP

Fresno, California

September XX, 2021

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West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2021

Introduction

This discussion and analysis has been prepared by the management of West Contra Costa County Healthcare District (the District or WCCHD) in order to provide an overview of the District's financial and operating performance for the year ended June 30, 2021, in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. Read in conjunction with the District's audited financial statements and accompanied notes to the financial statements. It is intended to help the reader better understand the District's financial performance and position. It should be noted that the audited financial statements prepared by JWT & Associates, LLP, include an unmodified opinion regarding the financial statements.

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements.

The District, which was formed in 1948, operated Doctors Medical Center in San Pablo, California for over 60 years. Since the mid-1990's, the medical center faced ongoing financial challenges. Ultimately, the District closed Doctors Medical Center in April 2015 due to insufficient funding for the population it serviced and due to its continuing losses. The District continues to function.

After the closure of the hospital in 2015, the remaining staff conducted the following key activities to wind down the non-clinical operations of the District.

- Conducted a complete inventory of the contents of the hospital.
- Obtained bids for equipment and sold equipment to the highest bidder.
- Discarded any unwanted items (trash) that were of little to no value.
- Shredded any unnecessary documents.
- Assigned remaining accounts receivable to an outside vendor for continued collection efforts on patient accounts.
- Arranged for medical records, storage, retention, retrieval and disposal.
- Removed information technology, ensuring that all data was appropriately removed before sale of hardware.
- Shut down unneeded building functions and plant operations.
- Sold the hospital building in April 2018.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2021

Bankruptcy

The District did not have sufficient cash or other assets to support the ongoing operations of the District or to pay the post closure liabilities until the sale of the hospital building. On October 20, 2017, the District filed Chapter 9 bankruptcy. The purpose of the bankruptcy is to obtain relief from creditor collection actions and allow the District time and access to the funds necessary to affect a "plan of adjustment." On December 21, 2018, the Bankruptcy court confirmed the Second Amended Plan of Adjustment which provides for the following:

- 2004 and 2011 COP's (Certificates of Participation) shall be paid in full, with interest, under the plan through the ongoing collection of parcel tax revenues. The 2004 COPs were refinanced in April 2018 and the 2011 COPs were refinanced in June 2019 to reduce the interest rate on the outstanding debt.
- The District paid \$218,000 to Contra Costa County in settlement of an unsecured claim against the District. Additionally, The County retains its rights under the Tax Sharing Agreement and all advances made to the District under this agreement will be reimbursed to the County under the terms of the agreement.
- The West Contra Costa Healthcare District Successor Pension Plan received \$2 million dollars in fiscal year ending June 30, 2021. Additional contributions will be paid to the Successor Pension Plan over the next 10 years and all participants are expected to receive their full benefit.
- The California Nurses Association (CNA) will be paid \$2,500,000 over the course of ten years without interest for an obligation incurred pursuant to the Memorandum of Understanding between the District and CNA dated June 14, 2011.
- General unsecured creditors have been paid and received approximately \$2.7 million over the past three years on a pro rata share of their claim basis.
- The Employment Development Department claim of \$1.3 million was paid over a two-year period without penalties and interest.
- Local 39 Pension claim will be paid in full over 10 years in annual installments and the Local 39 health claim will be paid at a 50% discount over 9 years.
- The sale of the hospital building for \$13 million closed in April 2018. The plan of adjustment allowed for payments of selling costs, plus costs to certain cellular parties in exchange for release of their interest or lien on the hospital building.
- The funds from the sale of the building and ongoing property tax collections will fund the plan of adjustment and the ongoing operations of the District. Under the terms of the plan of adjustment, the District has resumed providing healthcare services to the residents of the District and County as available funds allow.
- The first round of payments were made under the bankruptcy plan in December 2018. The second round of payments under the bankruptcy plan were made in December 2020. The third round of payments were made in December 2020.
- On June 25, 2021, the bankruptcy court entered an order closing the chapter 9 bankruptcy for the District.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2021

Future of the District

Contra Costa Local Agency Formation Commission (LAFCO) conducted a study, with the full cooperation of the District, to review the status of the District and to provide options for the future of the district. After consideration of these options, on February 16, 2018, Senator Glazer introduced Senate Bill Number 522 which provides that:

It is the intent of the Legislature in enacting this act to replace the district's elected governing body with a district board appointed by the Board of Supervisors of the County of Contra Costa. This change in governance is intended to reduce administrative costs, increase operational efficiencies, and maximize the use of health care funding through collaboration with the county, which is the only other public agency provider of medical services in the region.

The bill was signed into law on July 18, 2018, by Governor Jerry Brown.

On September 11, 2018, the Contra Costa County Board of Supervisors appointed itself, under Health & Safety Code Section 32100.8, as the District's Board of Directors effective January 1, 2020.

The Board of Supervisors also noted the closure of the District's hospital eliminated an important community resource. Relatively lower income levels in West County reduce healthcare options and increase certain health risks. The groups most likely affected by the closure are the elderly, children, diabetics and individuals with respiratory diseases and special needs.

Although the District no longer owns a hospital, such healthcare districts, may provide a variety of services, including 1) health facilities, diagnostic and testing centers, and free clinics; 2) outpatient programs, services and facilities; 3) retirement program services and facilities; 4) chemical dependency services and facilities; 5) other healthcare programs, services and facilities; 6) health education programs; 7) wellness and prevention programs; 8) support to other healthcare service providers, groups and organizations; 9) ambulance or ambulance services; and 10) participation in or management of health insurance programs. Under the court-approved bankruptcy plan, on average approximately \$1 million per year will be available to be allocated to the needs of the District. However, this figure is expected to fluctuate with revenues gradually expected to increase over time.

The Public Health West County Assessment Report presented to the District's Finance Committee on May 6, 2020 identified two major areas of health care related concerns.

1. The loss of emergency room services; and
2. The lack of adequate services for at-risk youth.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2021

The report recommended that funds allocated by the District for community benefit (\$900,000 for fiscal year ended June 30, 2021) be balanced between direct services and capacity building to address these areas of concern

In April 2019, the Contra Costa County Board of Supervisors, acting as the governing board of the District, adapted a resolution converting the financial reporting period of the District from a calendar year-end to a fiscal year-end ending on June 30th. These financial statements cover the year ended June 30, 2021. The first full fiscal year subsequent to the change.

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West Contra Costa Healthcare District

Statement of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,201,450	\$ 4,989,400
Assets limited as to use	3,418,967	2,684,711
Other receivables	-	2,157
Estimated third-party payors settlements receivable	136,397	71,082
Total current assets	7,756,814	7,747,350
Assets limited as to use, less current portion	-	1,001,915
Other assets	516,598	555,186
Total assets	\$ 8,273,412	\$ 9,304,451
Liabilities and net position		
Current liabilities		
Current maturities of debt borrowings	\$ 1,470,000	\$ 1,353,000
Accounts payable and accrued expenses	1,406,456	1,299,156
Pension liability, current portion	1,000,000	1,000,000
Other liabilities, current portion	1,683,041	5,070,811
Total current liabilities	5,559,497	8,722,967
Debt borrowings, net of current maturities	49,767,000	51,237,000
Net long-term pension liability	8,562,213	9,791,845
Other liabilities, net of current	1,742,083	3,518,835
Total liabilities	65,630,793	73,270,647
Net position		
Unrestricted	(57,357,381)	(63,966,196)
Total net position	(57,357,381)	(63,966,196)
Total liabilities and net position	\$ 8,273,412	\$ 9,304,451

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Operating revenue	\$ 276,252	\$ 88,699
Total operating revenue	<u>276,252</u>	<u>88,699</u>
Operating expenses		
Community Benefit Expense	650,000	650,000
Professional fees	691,062	640,885
Depreciation and amortization	38,588	38,588
Other operating expenses	11,865	25,155
Total operating expenses	<u>1,391,515</u>	<u>1,354,628</u>
Operating loss	<u>(1,115,263)</u>	<u>(1,265,929)</u>
Nonoperating revenues (expenses)		
District tax revenue	10,581,330	10,528,435
Investment income	9,153	113,489
Interest expense	(2,370,810)	(2,504,871)
Other non-operating revenues (expenses), net	(495,595)	(2,189,807)
Total nonoperating revenues (expenses)	<u>7,724,078</u>	<u>5,947,246</u>
Change in net position	<u>6,608,815</u>	<u>4,681,317</u>
Net position at beginning of the year	(63,966,196)	(68,647,513)
Net position at end of the year	<u>\$ (57,357,381)</u>	<u>\$ (63,966,196)</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from patient services	\$ (65,315)	\$ 196,240
Cash received from operations, other than patient services	278,409	106,328
Cash payments to suppliers and contractors	(1,245,627)	(329,192)
Net cash used in operating activities	(1,032,533)	(26,624)
Cash flows from noncapital financing activities		
Net change in other liability	(5,164,522)	(5,771,587)
Principal payments on debt borrowings	(1,353,000)	(1,241,000)
Interest payments on debt borrowings	(2,370,810)	(2,504,871)
Net change in pension liability	(1,229,632)	170,124
Other non-operating income (expense)	274,773	(19,683)
Parcel tax revenues levied for debt service	3,810,286	2,754,855
Ad valorem and parcel tax revenues to support operations	6,771,044	7,773,580
Net cash provided by noncapital financing activities	\$ 738,139	\$ 1,161,418
Cash flows from investing activities		
Net investment gain	9,153	113,489
Net change in assets whose use is limited	267,659	(1,608,184)
Net pension expense	(770,368)	(2,170,124)
Net change in other assets	-	15,979
Net cash used in investing activities	(493,556)	(3,648,840)
Net decrease in cash and cash equivalents	(787,950)	(2,514,046)
Cash and cash equivalents, beginning of year	4,989,400	7,503,446
Cash and cash equivalents, end of year	\$ 4,201,450	\$ 4,989,400

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows (continued)

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	\$ (1,115,263)	\$ (1,265,929)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	38,588	38,588
Changes in operating assets and liabilities:		
Other receivables	2,157	17,629
Accounts payable	107,300	986,848
Estimated third-party payors settlements receivable	(65,315)	196,240
Net cash used in operating activities	<u>\$ (1,032,533)</u>	<u>\$ (26,624)</u>
Non cash disclosures		
Non cash payments on county loan	<u>\$ 3,993,712</u>	<u>\$ 3,947,927</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity- West Contra Costa Healthcare District (the "District") is a public agency organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is not subject to federal or state income taxes. The District was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of West Contra Costa County. The District was governed by a Board of Directors elected from within the Healthcare District to specified terms of office until January 1, 2019. The District operated a full-service acute care facility and provided services to both inpatients and outpatients, who primarily resided in the local geographic area. The District ceased all operations of the hospital in April 2015 and subsequently filed bankruptcy in October 2017. On September 11, 2018, the Contra Costa County (the County) Board of Supervisors appointed itself, under Health & Safety Code Section 32100.8, as the District's Board of Directors effective January 1, 2020.

Basis of preparation - The District is a governmental health care district and, accordingly, follows governmental accounting standards. The accrual basis of accounting is used in accordance with provisions for proprietary fund types.

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989.

The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method.

Use of estimates - The preparation of the 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Other assets - Other assets include debt issuance costs related to certain debt. Debt issuance costs incurred in connection with the issuance of tax-exempt bonds have been deferred and/or recorded and are being amortized over the term of the bonds using a straight-line method. Amortization expense recognized for the year ended June 30, 2021, was \$38,588.

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; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Risk retention plans - The District is covered under the professional liability and workers' compensation insurance coverages arranged by and enforce for the County. Management estimates of uninsured losses for prior professional liability, workers' compensation and employee health coverage have been accrued as liabilities in the accompanying financial statements and are being settled as part of the bankruptcy.

Net position - Net position of the District are classified in three components:

- Net position invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 7.
- Unrestricted net position are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted expendable net assets.

Operating revenues and expenses - The District's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. The District no longer operates a hospital and now all operating revenue and expenses are related to the ongoing operations of the District which include administrative related, debt service related and other regulatorily required services. Non-operating revenues and expenses were those transactions not considered directly linked to providing health care services in prior years and currently those not associated with ongoing operations..

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Pensions - For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position and additions to and deductions from fiduciary net position are determined on the same basis as reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due as payable in accordance with benefit terms. Plan investments are reported at fair value.

Income taxes - 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.

Subsequent events - Subsequent events have been evaluated through the date the financial statements were available to be issued.

Property taxes - During the year ended June 30, 2021, the district received approximately 97.4% of its financial support from property taxes. Property taxes are levied by the County on the District's behalf on July 1st and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of the July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as non-operating revenue by the District when they are earned.

NOTE 2 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE

As of June 30, 2021, the District had deposits invested in various financial institutions in the form of cash and cash equivalents including amounts classified as assets limited as to use amounting to \$7,620,417. These funds were held in deposits, which are collateralized in accordance with the California Government Code ("CGC"), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutes to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE (continued)

The composition of assets limited as to use at June 30, 2021 and 2020, is set forth in the following table. Investments are stated at fair value.

Held by Trustee	2021	2020
US Government Securities and Repurchase Agreements	\$ 3,418,967	\$ 3,686,626
Total	<u>\$ 3,418,967</u>	<u>\$ 3,686,626</u>

NOTE 3 - NET PATIENT SERVICE REVENUE AND REIMBURSEMENT PROGRAMS

The District rendered services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") when the hospital was in operation.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient non-acute services were paid at prospectively determined rates per discharge. Payments for outpatient services were based on a stipulated amount per diagnosis. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's cost reports have been audited by the Medicare fiscal intermediary through 2015, the year the Hospital ceased operations. The District has estimated that as of June 30, 2021, they are due \$136,397 from Medicare for settlements through December 2015.

The District rendered services to Medi-Cal program beneficiaries at contracted rates. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by Medi-Cal. The District's cost reports have been audited by Medi-Cal through 2015. The District has estimated that as of June 30, 2021, they have no additional receivable or payable with Medi-Cal.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 4- DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended June 30, 2021 and 2017 is as follows:

	<u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/21</u>
Bonds payable				
Certificates of Participation - Series 2018	\$ 12,127,000	\$ -	\$ (1,239,000)	\$ 10,888,000
Certificates of Participation - Series 2019	40,463,000	-	(114,000)	40,349,000
	<u>\$ 52,590,000</u>	<u>\$ -</u>	<u>\$ (1,353,000)</u>	<u>\$ 51,237,000</u>
	<u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/20</u>
Bonds payable				
Certificates of Participation - Series 2018	\$ 13,322,000	\$ -	\$ (1,195,000)	\$ 12,127,000
Certificates of Participation - Series 2019	40,509,000	-	(46,000)	40,463,000
	<u>\$ 53,831,000</u>	<u>\$ -</u>	<u>\$ (1,241,000)</u>	<u>\$ 52,590,000</u>

The terms and due dates of the District's debt borrowings at June 30, 2021, are as follows:

- Series 2018 Certificates of Participation dated April 2018, original amount of 15,015,000, principal payable in annual installments ranging from \$1,114,000 in 2018 to \$1,629,000 in 2028, interest at 3.625%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement.
- Series 2020 Certificates of Participation dated June 2019, original amount of 40,509,000, principal payable in semi-annual installments ranging from \$46,000 in 2021 to \$1,750,000 in 2042, interest ranging from 4.125% to 5.00%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 4- DEBT BORROWINGS (continued)

Aggregate principal maturities on debt borrowings, based on scheduled maturities are as follows:

Year Ending June 30	Debt Borrowings	
	Principal	Interest
2022	1,484,000	2,140,735
2023	1,615,000	1,994,023
2024	1,675,000	1,932,830
2025	1,740,000	1,870,038
2026	1,774,000	1,802,093
Thereafter	42,949,000	18,636,051
	<u>\$51,237,000</u>	<u>\$28,375,770</u>

NOTE 6 - OTHER LONG-TERM LIABILITIES

The District entered into a tax exchange agreement with the County of Contra Costa (the "County") in April 2011, receiving an initial cash advance of \$10 million and subsequent additional advances for a total maximum outstanding balance of \$25,296,000, which was reached during the year ended December 31, 2014. The County Auditor allocates and transfers to the County, pursuant to this agreement, all but \$1,000,000 of the general ad valorem property tax revenues that otherwise would be collected and allocated to the District. The \$1,000,000 is transferred to the District for ongoing operating costs and expenses. This agreement commenced in July 1, 2011 and continued from year to year thereafter with allocations and transfers being made pursuant to the agreement. Pursuant to the tax exchange agreement, the District agreed to pay back an amount greater than what was advanced to them by the County. The District had been recognizing this additional amount pro-rata on a yearly basis based on the estimated years to pay off the advances. With the closure of the hospital and the subsequent bankruptcy the District decided to book the entire amount due to the county during the year ended December 31, 2016. The outstanding balance due to the County at June 30, 2021 is \$1,391,706. The current and long term outstanding advance balance is included in other liabilities in the statement of net position.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 7-RETIREMENT PLANS

The District offered a defined contribution savings plan intended to qualify under section 457(b) of the Internal Revenue Code ("IRC"). The plan was designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plan covered former employees of the District who met certain eligibility requirements. The District was the administrator of the plan and had delegated certain responsibilities for the operation and administration of the plan to an outside third-party trustee. Under the plan, employer contributions are discretionary. The District has not contributed to the plan since 2007.

The District also offered two Employer Contributory Tax Deferred Plans intended to qualify under section 403(b) and 401(a) of the IRC. The plans were designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plans covered employees of the District who met certain eligibility requirements. Under the plans, the District had the ability to make discretionary matching contributions of up to 5.0% of the participant's annual compensation to the plan. The District made no contributions to the plans since 2015.

The District also provides a non-contributory single employer defined benefit pension plan. The plan covers all eligible employees of the previous Brookside Hospital. Brookside Hospital was the previous name of Doctors Medical Center. The plan provides retirement and death benefits to plan members and beneficiaries based on each employee's years of service and annual compensation. No new employees have been enrolled in the plan since 1996. There are 196 ex-District employees participating in the plan.

For the year ended June 30, 2021, the District recognized a pension related loss under the Plan of \$575,408. At June 30, 2021, the District's reported deferred outflows and inflows of resources related to the Plan were considered immaterial.

The following is the aggregate pension expense for the years ended June 30, 2021:

Interest cost	\$ 442,469
Expected return on assets	(139,381)
Amortization of liability gains and losses	372,879
Amortization of assumption changes	(178,038)
Amortization of investment gains and losses	19,505
Administrative expenses	28,178
	<u>\$ 545,612</u>

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 7- RETIREMENT PLANS (continued)

The net pension liability at June 30, 2021 is as follows:

Interest on total pension liability	\$ 442,485
Liability (gain) loss	371,834
Assumption change	(178,038)
Benefit payments	<u>(829,841)</u>
Net change in total pension liability	(193,560)
Total pension liability at beginning of the year	<u>15,161,340</u>
Total pension liability at the end of the year	<u><u>\$ 14,967,780</u></u>

The fiduciary net position at June 30, 2021 is as follows:

Investment income (loss)	\$ 3,449
Employer contributions	2,000,000
Benefits paid	(829,841)
Administrative expenses	<u>(13,208)</u>
Net change in total pension liability	1,160,400
Total fiduciary net position at beginning of the year	<u>4,245,167</u>
Total fiduciary net position at the end of the year	<u><u>\$ 5,405,567</u></u>
District's net pension liability (total liability less net position)	<u><u>\$ 9,562,213</u></u>
Plan fiduciary net position as a % of the total liability	36%
Actuarially determined contributions	\$ 919,640
Actual contributions	<u>(2,000,000)</u>
Contribution (excess) deficiency	<u><u>\$ (1,080,360)</u></u>

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 7- RETIREMENT PLANS (continued)

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2021:

Actuarial valuation date	June 30, 2021
Methods and assumptions	
Actuarial cost method	Unit credit (all benefits are fully accrued)
Amortization method	Straight line
Asset valuation	Market value of assets
Investment rate of return	3.00%
Inflation rate	2.00%
Projected salary increases	N/A
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables (Healthy and Contingent Annuitant) projected with Scale MP-2020

Other disclosures about the non-contributory single employer defined benefit pension plan are as follows:

Description of the Plan: Effective March 2, 2000, the District began a single-employer defined benefit plan. This plan became effective on that date with a plan year end of June 30. This plan guarantees participants with a specific lifetime benefit funded 100% by the District.

Benefits provided: Benefitted full and part-time employees were eligible per plan specifications. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees up through 2000, at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

Employees covered by benefit terms: As of June 30, 2021, there are 196 participants in the plan, 97 deferred vested participants and 99 retired participants and beneficiaries. There are no participating employees.

Contributions: The recommended contribution for the 2021 plan year is \$951,869 (assuming contributions will be deposited throughout the plan year).

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2021

NOTE 7- RETIREMENT PLANS (continued)

Discount rate: The discount rate used to measure the total pension liability was 3.0%. In the previous valuation, the discount rate used to measure the total pension liability was also 3.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate from 3.0% would decrease the net pension liability by approximately \$1,242,000 and a 1% decrease in the discount rate from 3.0% would increase the net pension liability by approximately \$1,772,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation - The District may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2021, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.