

Audited Financial Statements
WEST CONTRA COSTA
HEALTHCARE DISTRICT

June 30, 2022

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JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

June 30, 2022

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Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of West Contra Costa Healthcare District (the District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated **November X, 2022**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

JWT & Associates, LLP

Fresno, California
November X, 2022

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West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2022

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, 2022, 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.

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 required key activities to wind down the non-clinical operations and continues to manage the District. The District has been governed since January 1, 2019, by the Contra Costa Board of Supervisors as per California Senate Bill 522.

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 April 4, 2018. The District filed for Chapter 9 Bankruptcy on October 20, 2016, and on June 25, 2021, exited Bankruptcy.

The District has met and will continue to meet its obligations of the Plan of Adjustment as follows:

- The West Contra Costa Healthcare District Successor Pension Plan received \$2 million dollars in fiscal years ending June 30, 2022 and 2021. Additional contributions are scheduled will be paid to the Successor Pension Plan 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. Full payment to be made by 2026.
- 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. Full payment to be made by 2027.

All other payments have been paid.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2022

Debt Obligation and Refinance 2021

In 2021 the District was successful in refinancing the 2018 & 2019 bonds for a savings of approximately \$10 million over the next 21 years. This commitment, now known as the "2021 Bonds" continues to be funded out of the property and the Ad Valorem taxes for the District. The debt is scheduled to be paid in full by 2042.

Future of the District

In addition to managing the debt and other administrative functions, the District continues to serve its community by using its limited available funds to fund programs that provide urgent care services and a youth support service; the two major areas of health care concerns in West Contra Costa County.

During the year ended June 30, 2022, the District Board authorized \$900,000 to fund Lifelong urgent care and RYSE, a resource center for high-risk youths ages 13-21 years old.

Due to the successful refinance of the Series 2018 and 2019 Certificates of Participation with the new Series 2021 Certificates of Participation during the year ended June 30, 2022, and the lower than expected amount of post-closure obligations, the District anticipates being able to increase further funding of healthcare needs in the District going forward.

West Contra Costa Healthcare District

Statement of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,560,129	\$ 4,201,450
Assets limited as to use	3,442,187	3,418,967
Other receivables	279,303	-
Estimated third-party payors settlements receivable	-	136,397
Total current assets	10,281,619	7,756,814
Assets limited as to use, less current portion	1,869,522	-
Other assets	502,653	516,598
Total assets	\$ 12,653,794	\$ 8,273,412
Liabilities and net position		
Current liabilities		
Current maturities of debt borrowings	\$ 1,580,000	\$ 1,470,000
Accounts payable and accrued expenses	1,541,065	1,406,456
Pension liability, current portion	1,000,000	1,000,000
Other liabilities, current portion	291,335	1,683,041
Total current liabilities	4,412,400	5,559,497
Debt borrowings, net of current maturities	50,136,455	49,767,000
Net long-term pension liability	6,794,571	8,562,213
Other liabilities, net of current	1,450,748	1,742,083
Total liabilities	62,794,174	65,630,793
Net position		
Unrestricted	(50,140,380)	(57,357,381)
Total net position	(50,140,380)	(57,357,381)
Total liabilities and net position	\$ 12,653,794	\$ 8,273,412

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Operating revenue	\$ 141,246	\$ 276,252
Total operating revenue	<u>141,246</u>	<u>276,252</u>
Operating expenses		
Community Benefit Expense	900,000	650,000
Professional fees	709,120	691,062
Depreciation and amortization	26,455	38,588
Other operating expenses	11,587	11,865
Total operating expenses	<u>1,647,162</u>	<u>1,391,515</u>
Operating loss	<u>(1,505,916)</u>	<u>(1,115,263)</u>
Nonoperating revenues (expenses)		
District tax revenue	11,100,456	10,581,330
Investment income	3,852	9,153
Interest expense	(1,632,435)	(2,370,810)
Other non-operating revenues (expenses), net	(748,956)	(495,595)
Total nonoperating revenues (expenses)	<u>8,722,917</u>	<u>7,724,078</u>
Change in net position	<u>7,217,001</u>	<u>6,608,815</u>
Net position at beginning of the year	<u>(57,357,381)</u>	<u>(63,966,196)</u>
Net position at end of the year	<u><u>\$ (50,140,380)</u></u>	<u><u>\$ (57,357,381)</u></u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows

For the Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from patient services	\$ 136,397	\$ (65,315)
Cash received from operations, other than patient services	(138,057)	278,409
Cash payments to suppliers and contractors	(1,486,098)	(1,245,627)
Net cash used in operating activities	<u>(1,487,758)</u>	<u>(1,032,533)</u>
Cash flows from noncapital financing activities		
Net change in other liability	(1,683,041)	(5,164,522)
Proceeds from debt borrowings	52,092,058	-
Principal payments on debt borrowings	(51,612,603)	(1,353,000)
Interest payments on debt borrowings	(1,632,435)	(2,370,810)
Net change in pension liability	(1,767,642)	(1,229,632)
Other non-operating income (expense)	(516,598)	274,773
Parcel tax revenues levied for debt service	3,610,735	3,810,286
Ad valorem and parcel tax revenues to support operations	7,489,721	6,771,044
Net cash provided by noncapital financing activities	<u>\$ 5,980,195</u>	<u>\$ 738,139</u>
Cash flows from investing activities		
Net investment gain	3,852	9,153
Net change in assets whose use is limited	(1,892,742)	267,659
Net pension expense	(232,358)	(770,368)
Net change in other assets	(12,510)	-
Net cash used in investing activities	<u>(2,133,758)</u>	<u>(493,556)</u>
Net decrease in cash and cash equivalents	<u>2,358,679</u>	<u>(787,950)</u>
Cash and cash equivalents, beginning of year	<u>4,201,450</u>	<u>4,989,400</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,560,129</u></u>	<u><u>\$ 4,201,450</u></u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows (continued)

For the Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	\$ (1,505,916)	\$ (1,115,263)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	26,455	38,588
Changes in operating assets and liabilities:		
Other receivables	(279,303)	2,157
Accounts payable	134,609	107,300
Estimated third-party payors settlements receivable	136,397	(65,315)
Net cash used in operating activities	<u>\$ (1,487,758)</u>	<u>\$ (1,032,533)</u>
Non cash disclosures		
Non cash payments on county loan	<u>\$ 1,391,706</u>	<u>\$ 3,993,712</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

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 (the Hospital) 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, 2021.

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, 2022

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, 2022, was \$26,455.

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, 2022

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 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. The District has been determined to be exempt from income taxes under Local Health Care District Law. Accordingly, no provision for income taxes is included in the accompanying financial statements

Accounting principles generally accepted in the United States require District management to evaluate uncertain tax positions taken by the District. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. District management has analyzed the tax positions taken by the District, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken. The District has recognized no interest or penalties related to uncertain tax positions. The District is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

Subsequent events – District management has evaluated events subsequent to June 30, 2022 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through **November X, 2022**, the date these financial statements were available to be issued.

Property taxes – During the year ended June 30, 2022, the district received approximately 98.7% 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, 2022, 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 \$11,871,838. 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.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

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

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.

The composition of assets limited as to use at June 30, 2022 and 2021, is set forth in the following table. Investments are stated at fair value.

	<u>2022</u>	<u>2021</u>
Held by Trustee		
US Government Securities and Repurchase Agreements	\$ 5,311,709	\$ 3,418,967
Total	<u>\$ 5,311,709</u>	<u>\$ 3,418,967</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 received a payment of \$136,397 during the year ended June 30, 2022, from Medicare for settlements through December 2015. The District has estimated that as of June 30, 2022, they have no additional receivable or payable with Medicare.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

**NOTE 3 - NET PATIENT SERVICE REVENUE AND REIMBURSEMENT PROGRAMS
(continued)**

The District rendered services to Medi-Cal program beneficiaries at contracted rates when the Hospital was in operation. 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, 2022, they have no additional receivable or payable with Medi-Cal.

NOTE 4-DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended June 30, 2022 and 2017 is as follows:

	06/30/21	Additions	Reductions	06/30/21
Bonds payable				
Certificates of Participation - Series 2018	\$ 10,888,000	\$ -	\$ (10,888,000)	\$ -
Certificates of Participation - Series 2019	40,349,000	-	(40,349,000)	-
Certificates of Participation - Series 2021	-	44,580,000	-	44,580,000
	<u>51,237,000</u>	<u>44,580,000</u>	<u>(51,237,000)</u>	<u>44,580,000</u>
Bond premium	-	7,512,058	(375,603)	7,136,455
	<u>\$ 51,237,000</u>	<u>\$ 52,092,058</u>	<u>\$ (51,612,603)</u>	<u>\$ 51,716,455</u>
	06/30/20	Additions	Reductions	06/30/21
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>

The terms and due dates of the District's debt borrowings at June 30, 2022, are as follows:

- Series 2018 Certificates of Participation (2018 COP) dated April 2018, with 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 paid off the 2018 COP with the proceeds of a new bond issuance in December 2021. The District was in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement at the time of the pay-off.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

NOTE 4-DEBT BORROWINGS (continued)

- Series 2019 Certificates of Participation (2019 COP) dated June 2019, with original amount of 40,509,000, principal payable in semi-annual installments ranging from \$46,000 in 2022 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 paid off the 2019 COP with the proceeds of a new bond issuance in December 2021. The District was in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement at the time of the pay-off.
- Series 2021 Certificates of Participation (2021 COP) dated December 2021, with original amount of \$44,580,000 and an original premium of \$7,512,058, principal payable in annual installments ranging from \$1,580,000 in 2023 to \$3,055,000 in 2042, interest ranging from 3.0% to 5.0%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The District paid off the 2018 COP and 2019 COP with the proceeds of this new bond issuance in December 2021. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement at June 30, 2022.

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

Year Ending June 30	Debt Borrowings	
	Principal	Interest
2023	1,580,000	1,862,187
2024	1,395,000	1,722,100
2025	1,450,000	1,665,200
2026	1,510,000	1,606,000
2027	1,570,000	1,544,400
Thereafter	37,075,000	12,485,400
	\$44,580,000	\$20,885,287

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

NOTE 5 - 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 on July 1, 2011 and has 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 remaining outstanding balance due to the County was paid off during the year ended June 30, 2022. Accordingly, there is no balance owing to the County at June 30, 2022. The current and long term outstanding advance balance was included in other liabilities in the statement of net position.

NOTE 6- 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 186 ex-District employees participating in the plan.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

NOTE 6- RETIREMENT PLANS (continued)

For the year ended June 30, 2022, the District recognized a pension related loss under the Plan of \$232,358. At June 30, 2022, 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, 2022:

Interest cost	\$ 434,449
Expected return on assets	(173,565)
Amortization of liability gains and losses	(29,034)
Amortization of assumption changes	58,221
Amortization of investment gains and losses	70,194
Administrative expenses	28,292
	<u>\$ 388,557</u>

The net pension liability at June 30, 2022 is as follows:

Interest on total pension liability	\$ 434,449
Liability (gain) loss	(29,034)
Assumption change	58,221
Benefit payments	<u>(979,503)</u>
Net change in total pension liability	(515,867)
Total pension liability at beginning of the year	<u>14,967,780</u>
Total pension liability at the end of the year	<u>\$ 14,451,913</u>

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

NOTE 6- RETIREMENT PLANS (continued)

The fiduciary net position at June 30, 2022 is as follows:

Investment income (loss)	\$ 11,365
Employer contributions	2,000,000
Benefits paid	(979,503)
Administrative expenses	<u>(28,292)</u>
Net change in total pension liability	1,003,570
Total fiduciary net position at beginning of the year	<u>5,405,567</u>
Total fiduciary net position at the end of the year	<u><u>\$ 6,409,137</u></u>
District's net pension liability (total liability less net position)	<u><u>\$ 8,042,776</u></u>
Plan fiduciary net position as a % of the total liability	44%
Actuarially determined contributions	\$ 823,915
Actual contributions	<u>(2,000,000)</u>
Contribution (excess) deficiency	<u><u>\$ (1,176,085)</u></u>

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2022:

Actuarial valuation date	June 30, 2022
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-2021

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2022

NOTE 6- RETIREMENT PLANS (continued)

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, 2022, there are 186 participants in the plan, 84 deferred vested participants and 102 retired participants and beneficiaries. There are no participating employees.

Contributions: The recommended contribution for the 2022 plan year is \$823,915 (assuming contributions will be deposited throughout the plan year).

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 \$1,247,000 and a 1% decrease in the discount rate from 3.0% would increase the net pension liability by approximately \$1,494,000.

NOTE 7 - 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, 2022, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

JWT & Associates, LLP

Advisory Assurance Tax

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller General of the United States, the financial statements of West Contra Costa Healthcare District (the District), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated **November 9, 2022**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JWT & Associates, LLP

Fresno, California
November 9, 2022

West Contra Costa Healthcare District

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

I. Summary of Auditor's Results

Type of auditor's report issued:

Unmodified

Internal Control over financial reporting:

Material weakness identified?

yes

no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

yes

no

Noncompliance material to financial statements noted?

yes

no

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings

None reported

III. Prior Year Audit Findings and Questioned Costs

None reported