

Audited Financial Statements

WEST CONTRA COSTA  
HEALTHCARE DISTRICT

June 30, 2024 and 2023

JWT & Associates, LLP  
Advisory Assurance Tax

# West Contra Costa Healthcare District

## Audited Financial Statements

June 30, 2024

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# **JWT & Associates, LLP**

## **Advisory Assurance Tax**

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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, 2024 and 2023, 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, 2024 and 2023, 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 January 14, 2025, 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  
January 14, 2025

# West Contra Costa Healthcare District

## Statement of Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 15,934,907	\$ 10,680,593
Assets limited as to use	3,115,200	3,117,100
Other receivables	-	191,591
Total current assets	<u>19,050,107</u>	<u>13,989,284</u>
Assets limited as to use, less current portion	2,287,893	2,276,580
Other assets	449,742	476,197
Total assets	<u>\$ 21,787,742</u>	<u>\$ 16,742,061</u>
<b>Liabilities and net position</b>		
Current liabilities		
Current maturities of debt borrowings	\$ 1,450,000	\$ 1,395,000
Accounts payable and accrued expenses	1,957,159	909,507
Pension liability, current portion	1,000,000	1,000,000
Other liabilities, current portion	291,335	291,335
Total current liabilities	<u>4,698,494</u>	<u>3,595,842</u>
Debt borrowings, net of current maturities	46,540,250	48,365,852
Net long-term pension liability	2,274,375	5,516,387
Other liabilities, net of current	868,079	1,159,414
Total liabilities	<u>54,381,198</u>	<u>58,637,495</u>
Net position		
Unrestricted	<u>(32,593,456)</u>	<u>(41,895,434)</u>
Total net position	<u>(32,593,456)</u>	<u>(41,895,434)</u>
Total liabilities and net position	<u>\$ 21,787,742</u>	<u>\$ 16,742,061</u>

*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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Operating revenues</b>		
Operating revenue	\$ 9,885	\$ 12,474
Total operating revenue	<u>9,885</u>	<u>12,474</u>
<b>Operating expenses</b>		
Community Benefit Expense	2,035,334	500,000
Professional fees	700,229	697,309
Depreciation and amortization	26,455	26,456
Other operating expenses	4,479	9,305
Total operating expenses	<u>2,766,497</u>	<u>1,233,070</u>
Operating loss	<u>(2,756,612)</u>	<u>(1,220,596)</u>
<b>Nonoperating revenues (expenses)</b>		
District tax revenue	11,584,131	11,265,792
Investment income	578,944	268,063
Interest expense	(1,346,497)	(1,346,497)
Net pension plan gain (expense)	1,242,012	(721,816)
Total nonoperating revenues (expenses)	<u>12,058,590</u>	<u>9,465,542</u>
Change in net position	<u>9,301,978</u>	<u>8,244,946</u>
Net position at beginning of the year	<u>(41,895,434)</u>	<u>(50,140,380)</u>
Net position at end of the year	<u><u>\$ (32,593,456)</u></u>	<u><u>\$ (41,895,434)</u></u>

*See accompanying notes to the financial statements*

# West Contra Costa Healthcare District

## Statements of Cash Flows

For the Year Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Cash received from operations	\$ 201,476	\$ 100,186
Cash payments to suppliers and contractors	(1,692,390)	(1,838,172)
Net cash used in operating activities	<u>(1,490,914)</u>	<u>(1,737,986)</u>
<b>Cash flows from noncapital financing activities</b>		
Net change in other liability	(291,335)	(291,334)
Principal payments on debt borrowings	(1,770,602)	(1,955,603)
Interest payments on debt borrowings	(1,346,497)	(1,346,497)
Net change in pension liability	(3,242,012)	(1,278,184)
Parcel tax revenues levied for debt service	3,768,064	3,664,515
Ad valorem and parcel tax revenues to support operations	7,816,067	7,601,277
Net cash provided by noncapital financing activities	<u>\$ 4,933,685</u>	<u>\$ 6,394,174</u>
<b>Cash flows from investing activities</b>		
Net investment gain	578,944	268,063
Net change in assets whose use is limited	(9,413)	(81,971)
Net pension gain (expense)	1,242,012	(721,816)
Net cash provided by (used in) investing activities	<u>1,811,543</u>	<u>(535,724)</u>
Net change in cash and cash equivalents	<u>5,254,314</u>	<u>4,120,464</u>
Cash and cash equivalents, beginning of year	10,680,593	6,560,129
Cash and cash equivalents, end of year	<u><u>\$ 15,934,907</u></u>	<u><u>\$ 10,680,593</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Loss from operations	\$ (2,756,612)	\$ (1,220,596)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	26,455	26,456
Changes in operating assets and liabilities:		
Other receivables	191,591	87,712
Accounts payable	<u>1,047,652</u>	<u>(631,558)</u>
Net cash used in operating activities	<u>\$ (1,490,914)</u>	<u>\$ (1,737,986)</u>
<b>Cash disclosures</b>		
Cash payments of interest	<u>\$ 1,722,100</u>	<u>\$ 1,862,187</u>

*See accompanying notes to the financial statements*

# West Contra Costa Healthcare District

## Management's Discussion and Analysis

June 30, 2024

### 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, 2024, 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 continue 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 3, 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, 2024 and 2023. The District plans to accelerate payment and pay the full unfunded pension liability at June 30, 2024 of \$3,274,375 in November 2024. Additional contributions will be paid to the Successor Pension Plan as required to meet future funding shortfalls. All participants are expected to receive their full benefit.
- The California Nurses Association (CNA) agreed to be paid \$2,500,000 over the course of ten years without interest (\$250,000 annually) for an obligation incurred pursuant to the Memorandum of Understanding between the District and CNA dated June 14, 2011. Annual payments have been made pursuant to this agreement as stated above. The District plans to accelerate payment and pay the full amount outstanding at June 30, 2024 of \$1,000,000 in November 2024.
- The Local 39 Pension claim was agreed to 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 District plans to accelerate payment and pay the full amount outstanding at June 30, 2024 of \$159,414 in November 2024.

# West Contra Costa Healthcare District

## Management's Discussion and Analysis

June 30, 2024

### **Bankruptcy (continued)**

All other payments have been paid as agreed.

### **Debt Obligation and Refinance 2023**

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 the community by using its limited available funds to fund programs that provide for the healthcare needs identified and prioritized by Contra Costa County for the western portion of the county based on that area's Healthcare Needs Assessment. During the fiscal year ended June 30, 2024, the District focused on programs that improved the wellness and healthcare for west Contra Costa County youth. The District provided \$2M during the fiscal year ended June 30, 2024, to fund these healthcare services.

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, 2021, 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

## Notes to Financial Statements

June 30, 2024

### 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 2016. In September 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, 2019.

**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, 2024

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

**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 years ended June 30, 2024 and 2023, was \$26,455 and \$26,456, respectively.

**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, 2024

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

**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, 2024, 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.

**Property taxes** – During the year ended June 30, 2024, the district received approximately 86% 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.

**Subsequent events** – District management has evaluated events subsequent to June 30, 2024, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 14, 2025, the date these financial statements were available to be issued.

### NOTE 2 - INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

The District regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The District has various sources of liquidity at its disposal as itemized in the table presented below. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the District considers all expenditures related to its ongoing activities of providing health care services as well as the conduct of services undertaken to support those activities, to be general expenditures.

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 2 - INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The District strives to maintain liquid financial assets sufficient to cover at least 30 days of expenditures. The District's policy is that excess cash on hand is invested in investment instruments with liquidity requirements to enable District usage of those assets within a short time period.

The following table reflects the District's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	2024	2023
Cash and cash equivalents	\$ 15,934,907	\$ 10,680,593
Assets limited as to use	5,403,093	5,393,680
Other receivables	-	191,591
Total financial assets	21,338,000	16,265,864
Less reduction of financial assets not available for general expenses	(5,403,093)	(5,393,680)
Total financial assets available for one year of general expenses	\$ 15,934,907	\$ 10,872,184

In addition to financial assets available to meet general expenditures over the next 12-month period, the District operates a balanced budget and anticipates collecting revenue to cover general expenditures not covered by assets limited as to use and donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the District's cash flow and shows positive cash generated by operations for fiscal years 2024 and 2023.

### NOTE 3 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE

As of June 30, 2024, 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 \$21,338,000. 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, 2024

### NOTE 3 - 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, 2024 and 2023, is set forth in the following table. Investments are stated at fair value.

	2024	2023
Held by Trustee		
US Government Securities and Repurchase Agreements	\$ 5,403,093	\$ 5,393,680
Total	<u>\$ 5,403,093</u>	<u>\$ 5,393,680</u>

### NOTE 4 - INVESTMENTS

The District's investment balances, and average maturities were as follows at June 30, 2024 and 2023:

2024				
	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Government investment funds	\$ 1,308,972	\$ 1,308,972	\$ -	\$ -
Money market and savings accounts	20,029,028	20,029,028	-	-
Total investments	<u>\$ 21,338,000</u>	<u>\$ 21,338,000</u>	<u>\$ -</u>	<u>\$ -</u>

  

2023				
	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Government investment funds	\$ 3,067,301	\$ 3,067,301	\$ -	\$ -
Money market and savings accounts	13,006,972	13,006,972	-	-
Total investments	<u>\$ 16,074,273</u>	<u>\$ 16,074,273</u>	<u>\$ -</u>	<u>\$ -</u>

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.



# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 4 – INVESTMENTS (continued)

Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were \$578,944 and \$268,063 for the years ended June 30, 2024 and 2023, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's exposure to interest rate risk is minimal as 100% of their investments have a maturity of less than one year. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

**Credit Risk:** Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District's investments in such obligations are in U.S. government funds and money market accounts. The District believes that there is minimal credit risk with these obligations at this time.

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments are generally held by banks, investment companies or government agencies. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investments are held as follows: governmental agencies 6% and banks 94%. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

**Investment Hierarchy:** The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The District's investments are solely measured by Level 1 inputs and does not have any investments that are measured using Level 2 or 3 inputs.

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 5-DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended June 30, 2024 and 2023 is as follows:

	<u>06/30/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/24</u>
<b>Bonds payable</b>				
Certificates of Participation - Series 2021	\$ 43,000,000	\$ -	\$(1,395,000)	\$ 41,605,000
	43,000,000	-	(1,395,000)	41,605,000
Bond premium	6,760,852	-	(375,602)	6,385,250
	<u>\$ 49,760,852</u>	<u>\$ -</u>	<u>\$(1,770,602)</u>	<u>\$ 47,990,250</u>
	<u>06/30/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/23</u>
<b>Bonds payable</b>				
Certificates of Participation - Series 2021	\$ 44,580,000	\$ -	\$(1,580,000)	\$ 43,000,000
	44,580,000	-	(1,580,000)	43,000,000
Bond premium	7,136,455	-	(375,603)	6,760,852
	<u>\$ 51,716,455</u>	<u>\$ -</u>	<u>\$(1,955,603)</u>	<u>\$ 49,760,852</u>

The terms and due dates of the District's debt borrowings at June 30, 2024, are as follows:

- 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 2024 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 proceeds of the 2012 COP bond issuance was used to pay off two outstanding bonds, the 2018 Certificates of Participation and 2019 Certificates of Participation. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement at June 30, 2024.

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 5-DEBT BORROWINGS (continued)

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

Year Ending June 30	Debt Borrowings	
	Principal	Interest
2025	1,450,000	1,665,200
2026	1,510,000	1,606,000
2027	1,570,000	1,544,400
2028	1,630,000	1,472,250
2029	1,715,000	1,388,625
Thereafter	33,730,000	9,624,525
	<u>\$41,605,000</u>	<u>\$17,301,000</u>

### NOTE 6 - OTHER LONG-TERM LIABILITIES

The District filed for Chapter 9 Bankruptcy on October 20, 2016, and on June 25, 2021, exited Bankruptcy. Pursuant to the bankruptcy agreement, the District is required to pay certain liabilities as determined by the court. The District is in compliance with all requirements of the bankruptcy agreement and all required payments have been made to date. The remaining amount owed for bankruptcy obligations at June 30, 2024 is \$1,159,414, of which \$291,335 is due in the year ended June 30, 2025. This liability is shown as other current and long-term liability. The District intends to continue to be in compliance with all requirements of the bankruptcy agreement and to make all required payments until the amount owed is satisfied.

### 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.

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 6- RETIREMENT PLANS (continued)

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 169 ex-District employees participating in the plan.

For the year ended June 30, 2024, the District recognized a pension related gain under the Plan of \$1,242,012. At June 30, 2024, 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 year ended June 30, 2024:

Interest cost	\$ 414,314
Expected return on assets	(246,003)
Amortization of liability gains and losses	(1,241,111)
Amortization of assumption changes	-
Amortization of investment gains and losses	19,717
Administrative expenses	24,011
	<u>\$ (1,029,072)</u>

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 6- RETIREMENT PLANS (continued)

The net pension liability at June 30, 2024 is as follows:

Interest on total pension liability	\$ 414,314
Liability (gain) loss	(1,241,111)
Assumption change	-
Benefit payments	<u>(1,029,098)</u>
Net change in total pension liability	(1,855,895)
Total pension liability at beginning of the year	<u>14,321,201</u>
Total pension liability at the end of the year	<u><u>\$ 12,465,306</u></u>

The fiduciary net position at June 30, 2024 is as follows:

Investment income (loss)	\$ 439,226
Employer contributions	2,000,000
Benefits paid	(1,029,098)
Administrative expenses	<u>(24,011)</u>
Net change in total pension liability	1,386,117
Total fiduciary net position at beginning of the year	<u>7,804,814</u>
Total fiduciary net position at the end of the year	<u><u>\$ 9,190,931</u></u>
District's net pension liability (total liability less net position)	<u><u>\$ 3,274,375</u></u>
Plan fiduciary net position as a % of the total liability	74%
Actuarially determined contributions	\$ 432,061
Actual contributions	<u>(2,000,000)</u>
Contribution (excess) deficiency	<u><u>\$ (1,567,939)</u></u>

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 6- 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, 2024:

Actuarial valuation date                      June 30, 2024

#### **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

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, 2024, there are 169 participants in the plan, 74 deferred vested participants and 95 retired participants and beneficiaries. There are no participating employees.

**Contributions:** The recommended contribution for the 2024 plan year is \$432,061 (assuming contributions will be deposited throughout the plan year).

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2024

### NOTE 6- 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 \$977,150 and a 1% decrease in the discount rate from 3.0% would increase the net pension liability by approximately \$1,137,020.

### 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, 2024, 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**

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

### **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, 2024, 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 January 14, 2025.

#### **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  
January 14, 2025

# West Contra Costa Healthcare District

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### I. Summary of Auditor's Results

Type of auditor's report issued:	Unmodified	
Internal Control over financial reporting:		
Material weakness identified?	<u>  </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  </u> yes	<u>  X  </u> no
Noncompliance material to financial statements noted?	<u>  </u> yes	<u>  X  </u> no

### II. Current Year Audit Findings and Questioned Costs

#### *Financial Statement Findings*

None reported

### III. Prior Year Audit Findings and Questioned Costs

None reported