Washington Township Health Care District

Annual Financial Report
June 30, 2023 and 2022

Washington Township Health Care District
Index
June 30, 2023 and 2022

Report of Independent Auditors

To the Board of Directors of Washington Township Health Care District

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the Washington Township Health Care District (the "District") as of and for the years ended June 30, 2023 and 2022, including the related notes, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of the District as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages from 3 through 13 and the required supplementary information on page 60 through 65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
January 30, 2024

Overview of the Financial Statements

The annual financial report consists of Management's Discussion and Analysis, financial statements and notes to those statements and required supplementary information. These statements are organized to present the Washington Township Health Care District (the District), the Washington Hospital Healthcare Foundation (the Foundation), the Warm Springs Health Center (Warm Springs), and the WHHS & UCSF Health Cancer Services Joint Venture, LLC (JV-Oncology) as discrete financial entities, operating as a financial whole. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's, Foundation's, Warm Springs', and JV-Oncology's financial statements.

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

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

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

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

The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Warm Springs was established to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District. JV-Oncology was established to provide radiation oncology services at the District and is the beginning phase of a larger ambulatory cancer services affiliation between the District and University of California, San Francisco (UCSF) which are committed to providing the preeminent regional cancer program in the south east Bay Area.

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

In fiscal year 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective for financial statements for periods beginning after June 15, 2022. This Statement requires recognition of subscription asset and a corresponding liability to be recognized on the statement of net position for any SBITA arrangements the District has with software vendors. In accordance with GASB Statement No. 96, the financial statements as of and for the year ended June 30, 2022 have been restated to reflect the new standard's impact.

Washington Township Health Care District

District Financial Highlights

- The District generated an operating loss of $39.3 million, an operating gain of $5.1 million, and an operating loss of $31.0 million for fiscal years 2023, 2022 and 2021, respectively. When non-operating income and special items are included, the District's activities resulted in a $41.0 million, $4.6 million, and $27.4 million decrease in net position for fiscal years 2023, 2022, and 2021, respectively. Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) funding recognized in fiscal years 2023, 2022, and 2021 totaled $0.6 million, $1.4, and $4.1million, respectively. The funding of $4.1 million recognized in fiscal year 2021 includes $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021.

- Major items that impacted the District's operating results for fiscal year 2023, fiscal year 2022 and fiscal year 2021, included:

  - In fiscal years 2023 and 2022, the District, along with all other healthcare providers, continued to be impacted by the COVID-19 pandemic, however, volumes recovered to pre-pandemic levels.

  - The District continues to experience volume improvements. Gross inpatient revenues for fiscal year 2023 increased by 0.2 percent ($2.7 million) compared to fiscal year 2022 and gross outpatient revenues in fiscal year 2023 increased by 3.7 percent ($39.5 million) compared to fiscal year 2022. Gross inpatient revenues in fiscal year 2022 increased by 1.1 percent ($14.3 million) compared to fiscal year 2021 and gross outpatient revenues in fiscal year 2022 increased by 21.9 percent ($191.7 million) compared to fiscal year 2021.

  - Admissions in fiscal year 2023 increased by 8.9 percent from the fiscal year 2022 level, and the average length of stay decreased by 3.9 percent, resulting in a 2.7 percent (1,493) increase in adult and pediatric patient days. Admissions in fiscal year 2022 increased by 4.1 percent from the fiscal year 2021 level, and the average length of stay decreased by 2.9 percent, resulting in a 3.0 percent (1,648) increase in adult and pediatric patient days. The decrease in length of stay was attributable to the reduction in COVID-19 cases, which tended to have higher acuities and longer lengths of stay and on-going operational improvement initiatives that focuses on reducing excess days.

  - Inpatient surgeries, outpatient surgeries, and outpatient cardiac catheterizations in fiscal year 2023 decreased by 1.2 percent (21 cases), 6.5 percent (193 cases), and 23.3 percent (274 cases), respectively, when compared to fiscal year 2022. Inpatient surgeries in fiscal year 2022 decreased by 5.8 percent (108 cases) when compared to fiscal year 2021 while outpatient surgeries and outpatient cardiac catheterizations for fiscal year 2022 increased by 21.8 percent (530 cases) and 4 percent (53 cases), respectively, when compared to fiscal year 2021.

  - Visits at WTMF decreased by 3,498 (1.7 percent) from 202,294 in fiscal year 2022 to 198,796 in fiscal year 2023, and increased by 4,036 (2.0 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, over 30,200 telehealth visits in fiscal year 2022, and over 25,000 telehealth visits in fiscal year 2023. WTMF also operates a COVID-19 Vaccine and Testing Clinic. Since beginning operations in fiscal year 2021, the clinic has provided approximately 112,000 COVID-19 vaccines and tests to the community.

- Total operating expenses in fiscal year 2023 increased by 13.6 percent ($79.3 million), in total, with increases in salary and wages, employee benefits, and professional services accounting for a combined increase of $69.8 million as compared to fiscal year 2022. Total operating expenses in fiscal year 2022 increased by 3.5 percent ($19.5 million), in total, with increases in salary and supply expenses accounting for a combined increase of $30.2 million, which were partially offset by a decrease in benefit expenses of $13.8 million as compared to fiscal year 2021.

New Activities

In February 2023, the District and UCSF formed a new joint venture, WHHS & UCSF Health Cancer Services Joint Venture, LLC (JV-Oncology), to jointly provide radiation oncology services at the Hospital. The District and UCSF share the vision of combining their strengths to become the leading cancer services program in the region providing world-class care to oncology patients closer to their homes. The radiation oncology joint venture is the beginning phase of a larger ambulatory cancer services affiliation between the District and UCSF. Through the evolution of this joint venture in cancer care, the District and UCSF are committed to providing the preeminent regional cancer program in the south east Bay Area. The District is the majority member with 51 percent of the interest, with UCSF as the minority member with 49 percent. The joint venture is included as a discretely presented component unit in the District's financial statements.

Analysis of the District's Net Position – Fiscal Year 2023

- In fiscal year 2023, total assets decreased $70.3 million, from $1.1 billion at June 30, 2022 to $1.0 billion at June 30, 2023. Total available cash and investments decreased $10.4 million, from $277.9 million to $267.5 million. Net capital assets decreased $25.0 million, from $637.1 million to $612.0 million. Total assets, total available cash and investments, and net capital assets in fiscal year 2022 decreased by $24.9 million, $27.7 million, and $42.1 million, respectively, when compared to fiscal year 2021.

- In March 2020, the District and UCSF, completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF have formed a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District is the majority partner with 51 percent of the interest, with UCSF as the minority investor with 49 percent. The investment in the joint venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2023 and June 30, 2022. The joint venture is included as a discretely presented component unit in the District's financial statements.

- In fiscal year 2023, total liabilities increased $68.7 million, from $741.4 million at June 30, 2022 to $810.1 million at June 30, 2023 primarily due to the increase in net pension liability that was recognized in fiscal year 2023 as a result of the decline in investment performance. In fiscal year 2022, total liabilities decreased $37.1 million, from $778.5 million at June 30, 2021 to $741.4 million at June 30, 2022 due to the repayment of $41.5 million of the $59.0 million Medicare Advance Payments Loan received in fiscal year 2020 under the CARES Act.

- In addition, total long-term liabilities of $605.3 million at June 30, 2021 increased by $5.0 million to $610.3 million at June 30, 2022, and it further increased $68.1 million to $678.4 million at June 30,

2023. This increase in fiscal year 2023 was primarily due to the increase in net pension liability that was recognized in fiscal year 2023 as a result of the decline in investment performance.

- Total net position of $264.4 million at June 30, 2023 was $41.0 million less than the net position of $305.4 million at June 30, 2022, and total net position at June 30, 2022 was $4.6 million less than the net position of $310.0 million at June 30, 2021.

Table 1 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2023, 2022 and 2021:

(in thousands)	**2023**	**2022**	**2021***
Assets			
Current assets	$ 163,377	$ 154,903	$ 176,332
Long-term investment and restricted funds	216,763	236,919	234,220
Capital assets, net	612,011	637,054	677,327
Prepaid pension asset	-	36,970	5,161
Other assets	44,268	40,888	36,745
Total assets	1,036,419	1,106,734	1,129,785
Deferred outflows of resources	72,273	22,441	29,186
Total assets and deferred outflows of resources	$ 1,108,692	$ 1,129,175	$ 1,158,971
Liabilities and Net Position			
Current liabilities	$ 131,705	$ 131,053	$ 173,286
Net pension liability	69,065	-	-
Net postemployment medical benefits (OPEB)	42,548	37,676	40,419
Long-term lease and SBITA liabilities	15,886	8,476	9,320
Long-term debt	543,256	556,767	549,533
Other long-term liabilities	7,601	7,414	5,987
Total liabilities	810,061	741,386	778,545
Deferred inflows of resources	34,250	82,412	70,465
Net position			
Net investment in capital assets	63,618	92,959	122,886
Restricted − expendable	29,722	28,817	30,005
Restricted for minority interest	1,641	3,345	4,528
Unrestricted	169,400	180,256	152,542
Total net position	264,381	305,377	309,961
Total liabilities, net position and deferred inflows of resources	$ 1,108,692	$ 1,129,175	$ 1,158,971

**Does not reflect adoption of GASB 96*

Table 2 provides a summary of total available cash and investments as of June 30, 2023, 2022 and 2021:

(in thousands)	2023	2022	2021
Cash and cash equivalents and short-term investments	$ 50,763	$ 40,962	$ 71,281
Board-designated for capital and debt	176,628	198,857	215,307
Workers' compensation fund	8,921	8,912	9,428
Unexpended capital bond funds, excluding amounts required for current liabilities	31,155	29,108	9,443
Restricted funds	59	42	42
Total available cash and investments	$ 267,526	$ 277,881	$ 305,501

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Net Capital Assets

Net capital assets, decreased $40.2 million, from $677.3 million at June 30, 2021 to $637.1 million at June 30, 2022. It again decreased $25.1 million, to $612.0 million at June 30, 2023. This decrease resulted from an increase in accumulated depreciation exceeding the net capital additions. Net capital additions amounted to $17.6 million and $12.7 million in fiscal year 2023 and 2022, respectively. Net accumulated depreciation amounted to $52.4 million and $50.4 million in fiscal year 2023 and 2022, respectively. The majority of net capital additions includes purchases of equipment, constructions in building and land improvements.

Debt Administration

As part of the obligations under the bond indentures for the 2015A, 2017A, 2017B, 2019A, and 2020A Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The Hospital's long-term debt service coverage ratio was 2.56 to 1.0, 4.44 to 1.0, and 2.73 to 1.0 for the years ended June 30, 2023, 2022 and 2021, respectively. In its report issued August 22, 2023, Moody's assigned their rating of these bonds at Baa3, with a stable outlook.

Revenue and Expense Analysis for the District

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2023, 2022 and 2021:

(in thousands)	2023	2022	2021*
Operating revenues			
Net patient service revenues	$ 596,975	$ 575,825	$ 522,079
Other	27,132	13,438	11,534
Total operating revenues	624,107	589,263	533,613
Operating expenses			
Salaries and wages	285,560	263,643	240,958
Employee benefits	101,788	61,275	75,075
Supplies	81,308	77,982	70,407
Professional fees	79,058	71,683	68,998
Purchased services	46,599	43,617	42,245
Depreciation	52,398	50,403	52,116
Insurance	3,782	3,038	2,265
Other operating expenses	12,933	12,512	12,573
Total operating expenses	663,426	584,153	564,637
Operating (loss) income	(39,319)	5,110	(31,024)
Nonoperating revenues and expenses			
Federal grant revenue	550	1,410	4,069
Other nonoperating revenues and expenses, net	(345)	(10,594)	(2,471)
Total nonoperating revenues and expenses	205	(9,184)	1,598
Decrease in net position before minority interest and restricted funds	(39,114)	(4,074)	(29,426)
Additional minority interest capital received	-	500	551
Minority interest distributions	(2,049)	(1,684)	(611)
Contributions used for capital expenditures	167	674	2,054
Decrease in net position	(40,996)	(4,584)	(27,432)
Net position			
Beginning of year	305,377	309,961	337,393
End of year	$ 264,381	$ 305,377	$ 309,961

**Does not reflect adoption of GASB 96*

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 70.9 percent, 71.0 percent, and 71.0 percent of the District's gross revenues in fiscal years 2023, 2022, and 2021, respectively. Commercial preferred provider organization (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27.6 percent, 27.4 percent, and 27.0 percent of gross revenues in fiscal years 2023, 2022 and 2021, respectively, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased $53.7 million (10.3 percent), from $522.1 million in fiscal year 2021 to $575.8 million in fiscal year 2022 and also increased $21.2 million (3.7 percent), from $575.8 million in fiscal year 2022 to $597.0 million in fiscal year 2023. Net patient revenues in fiscal year 2022 reflected efforts to resume normal operations. In fiscal year 2023, patient service volumes have recovered to pre-COVID-19 pandemic levels.

Inpatient Business Activity

The District's gross inpatient revenue increased by $14.3 million (1.1 percent), from $1.361 billion in fiscal year 2021 to $1.375 billion in fiscal year 2022 and further increased by $2.7 million (0.2 percent), from $1.375 billion in fiscal year 2022 to $1.378 billion in fiscal year 2023.

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

	2023 Days	2022 Days	% Change 2023 v 2022	2021 Days	% Change 2022 v 2021
Specialty					
Medical/surgical	45,931	44,650	2.9%	42,495	5.1%
Critical care	5,667	6,346	-10.7%	7,295	-13.0%
Special care nursery	1,328	1,061	25.2%	883	20.2%
Pediatrics	438	215	103.7%	130	65.4%
Obstetrics	4,371	3,970	10.1%	3,791	4.7%
Subtotal adult and pediatric patient days	57,735	56,242	2.7%	54,594	3.0%
Newborn	3,035	2,880	5.4%	2,697	6.8%
Total patient days	60,770	59,122	2.8%	57,291	3.2%

Admissions increased by 386 (4.1 percent) from 9,353 in fiscal year 2021 to 9,739 in fiscal year 2022 and increased 864 (8.9 percent) to 10,603 in fiscal year 2023. The average length of stay decreased 2.9 percent, from 5.82 in fiscal year 2021 to 5.65 in fiscal year 2022 and further decreased 0.22 percent, from 5.65 to 5.43 days in fiscal year 2023. Adult and pediatric patient days increased by 1,648 (3.0 percent) from fiscal year 2021 and also increased 1,493 (2.7 percent) from fiscal year 2022, as indicated in Table 4 above. The decrease in the length of stay was attributable to a fewer number of COVID-19 cases seen during the two fiscal years, which generally have a higher acuity and longer length of stay and due to on-going operational improvement initiatives that focuses on reducing excess days in fiscal year 2023.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.594 in fiscal year 2022, as compared to 1.632 in fiscal year 2021 and further decreased to 1.542 in fiscal year 2023. The Medicare case mix index decreased to 1.770 in fiscal year 2022, as compared to 1.828 in fiscal year 2021, and further decreased to 1.734 in fiscal year 2023.

Inpatient surgeries slightly decreased by 21 (1.2 percent), from 1,731 in fiscal year 2022 to 1,710 in fiscal year 2023. It also decreased by 108 (5.9 percent), from 1,839 in fiscal year 2021 to 1,731 in fiscal year 2022. The most significant factor in this decrease was the migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2023, 11.0 percent of joint procedures were classified as inpatient. In fiscal year 2022, it was 9.0 percent and in fiscal year 2021, it was 20.0 percent.

Deliveries increased by 62 (4.5 percent), from 1,380 in fiscal year 2021 to 1,442 in fiscal year 2022, and further increased by 66 (4.6 percent) to 1,508 in fiscal year 2023.

Outpatient Business Activity

The District's gross outpatient revenue increased by $191.7 million (21.9 percent), from $876.8 million in fiscal year 2021 to $1.07 billion in fiscal year 2022. It further increased by $39.5 million (3.7 percent), from $1.07 billion in fiscal year 2022 to $1.11 billion in fiscal year 2023. A major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits decreased by 754 (1.4 percent) from 54,370 in fiscal year 2021 to 53,616 in fiscal year 2022 but increased by 5,081 (9.5 percent) to 58,697 in fiscal year 2023. Fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU). The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020.

Non-Emergency Outpatient visits increased by 5,084 (5.9 percent) from 86,486 in fiscal year 2021 to 91,570 in fiscal year 2022 and increased further by 14,278 (15.6 percent) to 105,848 in fiscal year 2023.

Outpatient surgeries performed at the Hospital in fiscal year 2022 increased by 530 (21.8 percent), from 2,433 in fiscal year 2021 to 2,963 in fiscal year 2022. In fiscal year 2023, it decreased by 193 (6.5 percent) to 2,770. Outpatient catheterization lab cases decreased by 274 (23.3 percent) year-over-year, from 1,121 in fiscal year 2021 to 1,174 in fiscal year 2022 and then to 900 in fiscal year 2023.

Visits at WTMF decreased by 3,498 (1.7 percent) from 202,294 in fiscal year 2022 to 198,796 in fiscal year 2023, and increased by 4,036 (2.0 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, over 30,200 telehealth visits in fiscal year 2022, and over 25,000 telehealth visits in fiscal year 2023. WTMF also operates a COVID-19 Vaccine and Testing Clinic. Since beginning operations in fiscal year 2021, the clinic has provided approximately 112,000 COVID-19 vaccines and tests to the community.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 75.83 percent, 74.72, and 74.69 percent for fiscal year 2023, 2022, and 2021, respectively. The increase resulted primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $4.0 million, $4.6 million, and $2.6 million in foregone charges related to charity care for patient services during fiscal years 2023, 2022, and 2021, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased from $38.0 million in fiscal year 2021 to $40.6 million in fiscal year 2022 to $36.4 million in fiscal year 2023.

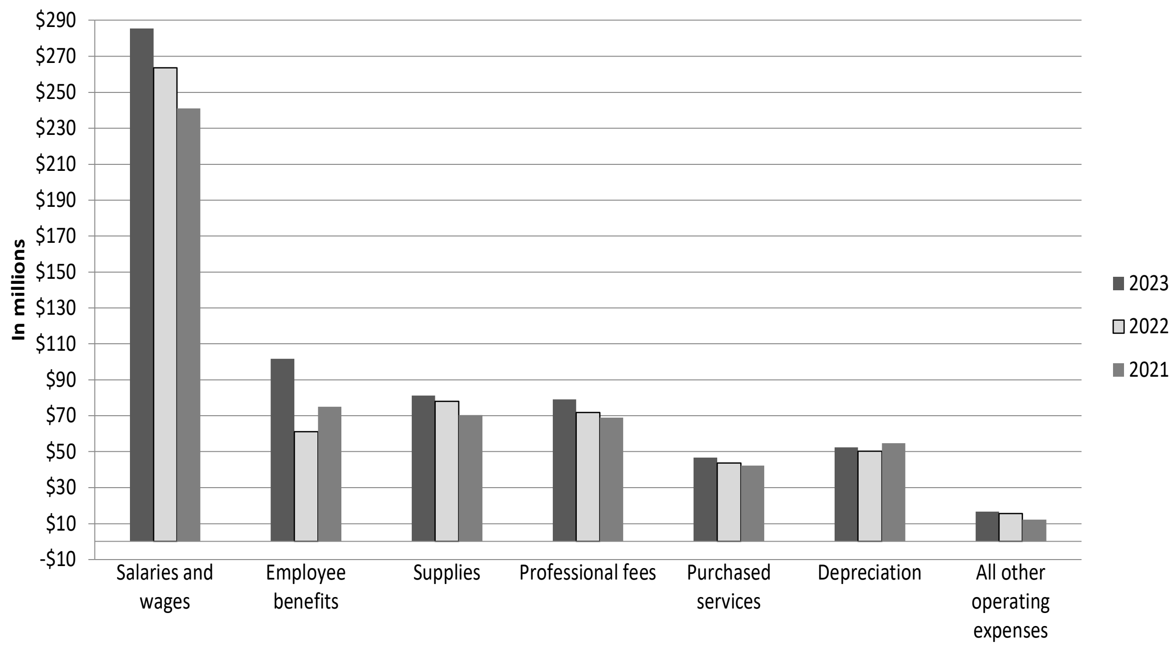
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was estimated at $78.0 million in 2023 compared to $66.0 million in 2022, and to $68.0 million in 2021. Uncompensated services with an estimated total cost of more than $159.0 million in fiscal year 2023, $139.0 million in fiscal year 2022, and $148.0 million were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.95 percent in fiscal year 2021, 1.68 percent in fiscal year 2022, and 1.45 percent in fiscal year 2023.

Operating Expenses

Total operating expenses were $663.4 million, $584.2 million and $565.0 million for fiscal years 2023, 2022, and 2021, respectively, the components of which are summarized in the graph below:



Total operating expenses increased by $79.2 million (13.6 percent) from fiscal year 2022 to fiscal year 2023, with the largest dollar increase attributable to salaries and wages, and the next largest dollar increase attributable to employee benefits.

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

Salaries and Benefits

- Salaries and wages increased by $21.9 million (8.3 percent) in fiscal year 2023 and by $22.7 million (9.4 percent) in fiscal year 2022. As of June 30, 2023, approximately 65.2 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs and increases provided to non-represented employees. The District considers the increases under the MOUs to be in line with the current local wage environment. In addition, the nationwide shortage of health care workers and inflationary pressures contributed to higher cost of labor and increased overtime in fiscal year 2023.

- The impact of the COVID-19 Supplemental Paid Sick Leave Program (COVID Pay) enacted by the state of California in fiscal year 2021 and extended through fiscal year 2022 was also a factor in the increase during these two fiscal years.

- District-wide full-time equivalent employees (FTEs) were 1,934, 1,851, and 1,782 FTEs at June 30, 2023, 2022, and 2021, respectively.

- Employee benefits increased by $40.5 million (66.1 percent) in fiscal year 2023. The largest component of this increase was pension expense which increased by $20.0 million. Pension expense increased due to poor investment and financial market performance on the related asset portfolio during the first half of the fiscal year and rising health care benefit costs. Meanwhile, significant investment gains were recognized in fiscal year 2022, which is the reason there was a $13.5 million decrease in benefit expense during that fiscal year as compared to fiscal year 2021.

Other Operating Expenses

- The increase in professional services, purchased services, and supplies expenses in fiscal years 2023 and 2022 are related to inflationary pressures that have generally driven up the costs and supplies and services.

- Depreciation expense increased by $2.0 million (4.0 percent) and decreased by $1.7 million (3.3 percent) in fiscal year 2023 and 2022, respectively.

- The change in other operating expenses were not significant.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, increased by $9.4 million in fiscal year 2023 and decreased by $10.8 million in fiscal year 2022. The most significant changes in non-operating activity include:

- With the slight improvement in the economy during the last two quarters of fiscal year 2023, unrealized losses on investments decreased by $7.2 million. In fiscal year 2022, unrealized losses on investments increased $6.4 million.

- Federal grant revenue amounted to $0.6 million, $1.4 million, and $4.1 million in fiscal year 2023, 2022, and 2021, respectively and continues to decrease as several Federal COVID-19 Relief programs wound down.

Economic Factors Expected to Affect the District's 2023 Operations

The Board of Directors of the District approved the fiscal year 2024 operating budget at their June 2023 meeting. The operating budget was developed after a review of internal and external forces, key volume indicators and trends. It was based on the best information available during a time of significant uncertainty regarding deteriorating worldwide macro-economic conditions. The budget focuses on the District's continued road to recovery from the impacts of the COVID-19 pandemic, adaptation to a new normal and the implementation of growth strategies meant to secure strong performance for the District for years to come. The budget incorporates the District's current Institutional Agenda as well as economic factors, such as estimated population growth and unemployment rates.

Downward pressures on reimbursement are expected to continue. In estimating net revenues for fiscal year 2024, the District has attempted to incorporate the continued effects of the changes in reimbursement from government, commercial and third party payors, based on the available information.

Likewise, the future state of the Bay Area economy, which is also difficult to predict, could have a significant impact on the District's operations. Additional legislation at either the State or Federal level may affect the accuracy of many of the assumptions included in the budget estimate.

The fiscal year 2024 budget anticipates an increase in operating revenues combined with an increase in expenditures from the fiscal year 2023 level, primarily related to salaries and wages and supplies expenses. Salaries and wages are expected to increase as the number of full-time employees grow related to expanded services, as well as the increase in salary rates, and supply costs are expected to increase due to the increased volume, inflation and supply shortages. Insurance expenses are also anticipated to increase as the insurance market continues to tighten in fiscal year 2024, and software licenses are expected to grow as we continue to invest in technology for operational improvement. All other expense categories are expected to increase modestly in fiscal year 2023.

The District continues to explore and cultivate opportunities to improve its financial performance in both the short- and the long-term that should result in positive results of operations. This includes operational improvement initiatives and key strategic investments in cancer care, level II adult trauma, Warm Springs Health Center and Morris Hyman Critical Care Pavilion.

Washington Township Health Care District
Statements of Net Position
June 30, 2023 and 2022

(in thousands)	District 2023	District 2022	Foundation 2023	Foundation 2022	Warm Springs 2023	Warm Springs 2022	JV-Oncology 2023
Assets							
Current assets							
Cash and cash equivalents	$ 19,618	$ 11,066	$ 3,872	$ 813	$ 4,914	$ 5,811	$ 2,795
Short-term investments	31,145	29,896	426	423	-	-	-
Short-term investments held by District on behalf of Foundation	-	-	979	964	-	-	-
Patient accounts receivable, less allowance for estimated uncollectibles of $28,846 and $36,129 in 2023 and 2022, respectively	79,528	90,483	-	-	-	-	1,704
Contributions receivable, net	-	-	137	729	-	-	-
Supplies	4,660	4,438	-	-	-	-	-
Other receivables	22,255	11,117	-	-	-	-	2,956
Prepaid expenses and other	6,171	7,903	73	42	-	-	56
Total current assets	163,377	154,903	5,487	2,971	4,914	5,811	7,511
Long-term investment and restricted funds							
Board-designated for capital, debt and workers' compensation	185,549	207,769	-	-	-	-	-
Held by trustee	31,155	29,108	-	-	-	-	-
Restricted funds	59	42	-	-	-	-	-
Capital assets, net	612,011	637,054	-	-	23,542	22,774	6,078
Other assets							
Prepaid pension costs	-	36,970	-	-	-	-	-
Contributions receivable, net	-	-	2,133	1,641	-	-	-
Other noncurrent assets	44,268	40,888	-	-	-	-	-
Total assets	1,036,419	1,106,734	7,620	4,612	28,456	28,585	13,589
Deferred outflows of resources							
Deferred outflows of resources − Goodwill	1,344	2,016	-	-	-	-	-
Deferred outflows of resources − Postemployment medical benefits (OPEB)	10,919	7,905	-	-	-	-	-
Deferred outflows of resources − Pension	60,010	12,520	-	-	-	-	-
Total deferred outflows	72,273	22,441	-	-	-	-	-
Total assets and deferred outflows of resources	$ 1,108,692	$ 1,129,175	$ 7,620	$ 4,612	$ 28,456	$ 28,585	$ 13,589

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

Washington Township Health Care District
Statements of Net Position
June 30, 2023 and 2022

(in thousands)	District 2023	District 2022	Foundation 2023	Foundation 2022	Warm Springs 2023	Warm Springs 2022	JV-Oncology 2023
Liabilities and Net Position							
Current liabilities							
Current portion of long-term debt	$ 11,340	$ 10,953	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued expenses	38,828	26,298	-	-	273	144	1,618
Due to Foundation	979	964	-	-	-	-	-
Due to third party payors and unearned revenue	4,597	19,817	-	-	-	-	-
Accrued liabilities							
Payroll related	12,338	11,311	-	-	-	-	-
Vacation	21,434	21,822	-	-	-	-	-
Health benefits	5,567	3,439	-	-	-	-	-
Interest	10,476	10,536	-	-	-	-	47
Other	26,146	25,913	-	-	-	-	203
Total current liabilities	131,705	131,053	-	-	273	144	1,868
Long-term liabilities							
Workers' compensation claims	7,601	7,414	-	-	-	-	-
Net postemployment medical benefits (OPEB)	42,548	37,676	-	-	-	-	-
Long-term lease and SBITA liabilities	15,886	8,476	-	-	-	-	2,394
Net Pension Liability	69,065	-	-	-	-	-	-
Long-term debt, net of current maturities	201,106	211,172	-	-	-	-	-
Long-term debt, general obligation bonds	342,150	345,595	-	-	-	-	-
Total long-term liabilities	678,356	610,333	-	-	-	-	2,394
Total liabilities	810,061	741,386	-	-	273	144	4,262
Deferred inflows of resources							
Deferred inflows of resources − Postemployment medical benefits (OPEB)	9,017	13,964	-	-	-	-	-
Deferred inflows of resources − Pension	1,845	46,269	-	-	-	-	-
Deferred inflows of resources − Lease obligations	23,388	22,179	-	-	-	-	-
Total deferred inflows	34,250	82,412	-	-	-	-	-
Net position							
Net investment in capital assets	63,618	92,959	-	-	12,006	11,615	3,434
Restricted − expendable	29,722	28,817	7,435	4,548	-	-	-
Restricted for minority interest − nonexpendable	1,641	3,345	-	-	13,810	13,936	4,568
Unrestricted	169,400	180,256	185	64	2,367	2,890	1,325
Total net position	264,381	305,377	7,620	4,612	28,183	28,441	9,326
Total liabilities, deferred inflows of resources and net position	$ 1,108,692	$ 1,129,175	$ 7,620	$ 4,612	$ 28,456	$ 28,585	$ 13,589

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

Washington Township Health Care District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	District		Foundation		Warm Springs		JV-Oncology
(in thousands)	2023	2022	2023	2022	2023	2022	2023
Operating revenues							
Net patient service revenues	$ 596,975	$ 575,825	$ -	$ -	$ -	$ -	$ 4,657
Other	27,132	13,438	-	-	-	-	-
Contributions	-	-	3,856	2,746	-	-	-
Contributed services	-	-	1,037	696	-	-	-
Total operating revenues	624,107	589,263	4,893	3,442	-	-	4,657
Operating expenses							
Salaries and wages	285,560	263,643	-	-	-	-	-
Employee benefits	101,788	61,275	-	-	-	-	-
Supplies	81,308	77,982	-	-	-	-	4
Professional services	79,058	71,683	-	-	-	-	206
Purchased services	46,599	43,617	-	-	207	100	1,366
Depreciation	52,398	50,403	-	-	-	-	324
Insurance	3,782	3,038	-	-	18	14	13
Donations	-	-	654	1,062	-	-	-
Other operating expenses	12,933	12,512	1,283	724	33	163	58
Total operating expenses	663,426	584,153	1,937	1,786	258	277	1,972
Operating (loss) income	(39,319)	5,110	2,956	1,656	(258)	(277)	2,685
Non-operating revenues and expenses							
Federal grant revenue	550	1,410	-	-	-	-	-
Investment income	4,635	2,574	52	8	-	-	-
Net decrease in the fair value of investments	(1,771)	(9,264)	-	-	-	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(22,121)	(21,866)	-	-	-	-	(47)
Property tax revenue	18,194	17,298	-	-	-	-	-
Other non-operating income	718	664	-	-	-	-	-
Total non-operating (expenses) and revenues, net	205	(9,184)	52	8	-	-	(47)
(Decrease) increase in net position before other changes	(39,114)	(4,074)	3,008	1,664	(258)	(277)	2,638
Minority interest – Additional contributions from	-	500	-	-	-	-	-
Minority interest – Distributions to	(2,049)	(1,684)	-	-	-	-	-
Contributions used for capital expenditures	167	674	-	-	-	-	-
Capital contributions to joint venture formation	-	-	-	-	-	28,718	6,688
(Decrease) increase in net position after other changes	(40,996)	(4,584)	3,008	1,664	(258)	28,441	9,326
Net position							
Beginning of year	305,377	309,961	4,612	2,948	28,441	-	-
End of year	$ 264,381	$ 305,377	$ 7,620	$ 4,612	$ 28,183	$ 28,441	$ 9,326

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

Washington Township Health Care District
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

(in thousands)	District 2023	District 2022
Cash flows from operating activities		
Cash received from patient service activities	$ 607,930	$ 569,995
Other cash receipts	27,132	13,438
Cash payments to suppliers	(214,743)	(244,385)
Cash payments to employees and employee benefit programs	(368,810)	(343,627)
Net cash provided by (used in) operating activities	51,509	(4,579)
Cash flows from noncapital financing activities		
Donation from Foundation to District	469	356
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC (WOSC, LLC)	-	500
Net assets distributed to minority shareholders in WOSC, LLC	(2,049)	(1,684)
Federal grant receipts	550	1,410
Net cash (used in) provided by noncapital financing activities	(1,030)	582
Cash flows from capital and related financing activities		
Purchases of capital assets	(17,564)	(12,665)
Payments on leases	(6,805)	(2,789)
Rental receipts	4,893	4,227
Donation from Foundation to District	167	674
Principal paid on debt	(15,931)	(11,565)
Interest paid on debt	(25,359)	(23,933)
Proceeds from debt issuance, net of issuance costs	35	20,122
Proceeds from property taxes levied by the County	19,391	18,103
Net cash used in capital and related financing activities	(41,173)	(7,826)
Cash flows from investing activities		
Purchases of investments	(144,232)	(183,468)
Sales of investments	139,113	162,942
Investment income	4,130	2,558
Purchase of interest in equity investments	-	(2,805)
Other non-operating income	235	2,965
Net cash used in investing activities	(754)	(17,808)
Net increase (decrease) in cash and cash equivalents	8,552	(29,631)
Cash and cash equivalents		
Beginning of year	11,066	40,697
End of year	$ 19,618	$ 11,066
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating (loss) income	$ (39,319)	$ 5,110
Gain on disposal of fixed asset	2,280	-
Depreciation	54,602	50,403
Provision for doubtful accounts	36,060	40,918
Amortization of goodwill	672	672
Pension funding	(5,925)	(6,675)
Postemployment medical benefits (OPEB) funding	(2,475)	(4,882)
Net change in deferred outflows and inflows	23,499	(4,975)
Changes in assets and liabilities		
Accounts receivable	(25,105)	(46,748)
Supplies, prepaid expenses, and other current assets	(7,010)	(7,271)
Other assets	20,592	7,912
Due to Foundation	15	(127)
Due from/to third party payors	(22,226)	(41,851)
Accounts payable and accrued expenses	11,501	207
Payroll, vacation, and health accrued liabilities	2,767	(2,849)
Other liabilities	1,581	5,577
Net cash provided by (used in) operating activities	$ 51,509	$ (4,579)
Noncash transactions		
Accounts payable and accrued expenses for property and aquipment purchases	$ 290	$ 1,122
Capital assets acquired through leases	16,099	-
Capital assets acquired through SBITA's	934	1,872
Capital assets acquired via debt	-	66

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

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2022 and 2021[1]

(in thousands)	Pension and OPEB Trust Funds 2022	2021
Assets		
Cash and cash equivalents	$ 2,336	$ 5,155
Investments at fair value		
Mutual funds		
Fixed income funds	106,398	150,754
Domestic equity funds	140,744	156,479
International equity funds	89,877	119,200
Balanced real asset funds	76,306	-
Commodity funds	1,324	33,422
Real estate funds	1,351	29,199
Infrastructure funds	450	10,206
Total investments	416,450	499,260
Total assets	$ 418,786	$ 504,415
Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	$ -	$ -
Total liabilities	-	-
Net position		
Restricted for		
Pensions	395,367	480,456
OPEB	23,419	23,959
Total liabilities and net position	$ 418,786	$ 504,415

1 Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

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

Washington Township Health Care District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2022 and 2021[1]

(in thousands)	Pension and OPEB Trust Funds Years ended 2022	2021
Additions		
Contributions		
Members	$ 2,180	$ 2,140
Employers	11,400	11,700
Total contributions	13,580	13,840
Investment earnings		
Net (decrease) increase in fair value of investments	(84,746)	46,940
Interest, dividends, and other	9,656	17,064
Total investment (loss) income	(75,090)	64,004
Less: Investment costs:		
Investment activity costs	529	238
Net investment (loss) income	(75,619)	63,766
Total (deductions) additions	(62,039)	77,606
Deductions		
Benefits paid to participants or beneficiaries	22,859	21,045
Administrative expense	346	281
Other disbursements	385	-
Total deductions	23,590	21,326
Net (decrease) increase in fiduciary net position	(85,629)	56,280
Net position		
Beginning	504,415	448,135
Ending	$ 418,786	$ 504,415

1 Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

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

1. Organization and Summary of Significant Accounting Policies

Organization

District

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

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

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

In fiscal year 2022, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2023, DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the District's financial statements.

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

Foundation

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

Warm Springs

Warm Springs Health Center Partnership, LLC (Warm Springs) was established in October 2021 and is a California limited liability corporation for federal and state tax purposes. Warm Springs is a joint venture between Washington Hospital Healthcare Systems (WHHS) and the University of California at San Francisco (UCSF). This joint venture was established to handle the management, design and construction of the building that these two entities own through a Tenants In Common Agreement, and to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District.

JV-Oncology

WHHS & UCSF Health Cancer Services Joint Venture, LLC (JV-Oncology) was established in February 2023 to jointly provide radiation oncology services at the Hospital. The District and UCSF share the vision of combining their strengths to become the leading cancer services program in the region providing world-class care to oncology patients closer to their homes. The radiation oncology joint venture is the beginning phase of a larger ambulatory cancer services affiliation between the District and UCSF. Through the evolution of this joint venture in cancer care, the District and UCSF are committed to providing the preeminent regional cancer program in the south east Bay Area.

The District's holding of a majority equity interest in Warm Springs and JV-Oncology does not meet the definition of an investment and the holding of the majority equity interest results in the District being financially accountable for the organizations. Warm Springs and JV-Oncology do not meet the criteria for blending, and therefore are discretely presented component units in the District's financial statements.

Accounting Standards

District

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The District follows accounting principles issued by the Government Accounting Standards Board (GASB).

Foundation

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

Warm Springs and JV-Oncology

As the District's officials appoint a controlling majority of the members of the Warm Springs and JV-Oncology's governing body, these two organizations are considered governmental. As such, Warm Springs' and JV-Oncology's financial statements are reported under GASB requirements.

Fiduciary Component Units

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The District's most significant estimates relate to patient accounts receivable allowances, amounts due to third-party payors, self-insurance liabilities and employee benefit costs. Estimates related to employee benefit costs include actuarial estimates of pension and OPEB obligations.

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

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

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

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

Capital Assets
Capital assets are recorded at cost. District assets with an original cost of $500 or more are considered capital assets. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method.

Depreciable lives by property classification are as follows:

Land improvements	2–25 years
Buildings	10–40 years
Right-to-use lease and subscription-based IT arrangement assets	5–17 years
Fixed and moveable equipment	3–20 years

Deferred Inflows and Outflows of Resources
In addition to assets, liabilities and net position, the statements of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow represents a consumption or use of net position, applicable to a future period that will not be recognized as an outflow (expense) until that future period. Similarly, a deferred inflow represents

an acquisition of net position, applicable to a future period that will not be recognized as an inflow (revenue) until that future period. The District has deferred outflows of resources related to goodwill (described further under Business Combinations and Goodwill below), and both deferred inflows and deferred outflows of resources related to pension and other postemployment medical benefits (OPEB) both of which are described further under Note 9, Employee Benefit Plans. The District also records deferred inflows related to leases.

Net Position
Net position is composed of the following categories:

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

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

Restricted for Minority Interest - Nonexpendable
The District is involved in several joint ventures with outside entities in which it maintains majority ownership interest. As of June 30, 2023, the minority interest in these joint ventures includes (in thousands):

Washington Outpatient Surgery Center	$	4,423
Peninsula Surgical Partnership and Peninsula Surgery Center		(2,782)
Restricted for minority interest − nonexpendable	$	1,641

Unrestricted
Net position that is neither restricted nor included in net investment in capital assets. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

When an expense is incurred where both restricted and unrestricted net positions are available for use, the restricted net position is applied first.

Business Combinations and Goodwill
The goodwill is associated with the July 2010 purchase of a controlling interest in the WOSC and was assigned a life of fifteen years. Other operating expenses for fiscal years 2023 and 2022 each include annual expense of $0.7 million for amortization of this goodwill.

Within the statements of net position, unamortized goodwill is reflected in deferred outflows of resources – goodwill.

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

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

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

The District is a member of and participates in a professional and general liability and also directors' and officers' liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

The District's BETA professional and general liability insured program is on a "claims-made" basis, with a deductible and $40.0 million limits. The District converted coverage for these liabilities from occurrence-based to claims-made on July 1, 2004. The District records actuarially-determined liabilities related to this coverage for 1) deductible amounts for currently open claims, 2) tail liability (based on claims associated with occurrences subsequent to July 1, 2004), and 3) unreported claims from occurrences prior to July 1, 2004 (subject to the deductible limit). The accrued liabilities are recorded at the expected, undiscounted amounts.

Concentration of Credit Risk
District
Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash equivalents and patient accounts receivable.

The District invests its cash and cash equivalents in highly rated financial instruments including insured deposits and the Local Agency Investment Fund (LAIF). All of the District's investments, including assets held by trustees, are collateralized and/or are held by the District, or its agent, in the District's name. Other than U.S. Treasury obligations, LAIF funds, and money market mutual funds, there is no significant concentration in one investment or group of similar investments.

The District's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the District's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Medicare (15.1 percent), Medicare HMO (11.3 percent) and Blue Cross Prudent Buyer (10.5 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2023. The District maintains an allowance for doubtful accounts based on the expected collectability of patient accounts receivable.

Statements of Revenues, Expenses, and Changes in Net Position
For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral

or incidental transactions, which include federal grant revenues, property tax revenues, interest expense, investment income, changes in unrealized gains and losses, rental income and bond issuance costs are reported as non-operating revenues and expenses.

Net Patient Service Revenues
Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Reimbursement from third-party payors under various methodologies is based on the level of care provided. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, increased net patient service revenues by approximately $9.0 million in fiscal year 2023 and approximately $6.0 million in fiscal year 2022.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change.

Charity Care
The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenues. The District subsidizes the cost of treating patients who are on governmental assistance, where reimbursement is below cost.

Other Revenues
Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program and the Quality Incentive Pool (QIP) program. Amounts recorded for the QIP program were $9.5 million and $3.8 million in fiscal year 2023 and fiscal year 2022, respectively.

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

Impairment of Long-Lived Assets
The District is required to evaluate material events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no material impairment losses in fiscal years 2023 and 2022.

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

DEVCO, WTMF and Foundation
DEVCO, WTMF and the Foundation are California non-profit corporations; exempt from federal and state income tax as a 501(c) (3) organization.

PSP, PSC, WOSC, Warm Springs and JV-Oncology
These entities are all California limited liability corporations and are subject to state tax but are treated as pass-through entities for federal income tax purposes.

Property Tax Revenue
The District receives property taxes that are assessed by Alameda County for the service of the general obligation bond principal and interest payments. The District records these revenues as non-operating revenues.

Contributions used for Capital Items
Donations received that are restricted as to use, and have been used, for the purchase of capital items are reported as other changes to net position.

New Accounting Pronouncements
Pending Adoption
In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, effective for financial statements beginning after June 15, 2023 (fiscal year 2024 for the District). This statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. As GASB Statement No. 100 is based on unknown possible future events, management is unable to evaluate the effect of this standard on the District's financial statements.

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

Adopted
In fiscal year 2023, the District adopted GASB Statement No. 96*, Subscription-Based Information Technology Arrangements (SBITAs)*, effective for the District's fiscal year beginning July 1, 2022. This statement provides guidance on the accounting for contracts that convey the right to use another party's information technology software, as specified in the contract for a period of time.

The effects of adopting GASB Statement No. 96 in the District's financial statements for the year ended June 30, 2022, were as follows:

(in thousands)

Statement of Net Position	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Assets			
Non current assets			
Capital assets, net	$ 635,182	$ 1,872	$ 637,054
Total assets	1,104,862	1,872	1,106,734
Total assets and deferred outflows of resources	$ 1,127,303	$ 1,872	$ 1,129,175
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Accrued liabilities	72,412	609	73,021
Total current liabilities	130,444	609	131,053
Long-term liabilities			
Long-term lease and SBITA liabilities	7,322	1,154	8,476
Total long-term liabilities	609,179	1,154	610,333
Total liabilities	739,623	1,763	741,386
Net position			
Net investment in capital assets	92,850	109	92,959
Unrestricted	180,256	-	180,256
Total net position	305,268	109	305,377
Total liabilities, deferred inflows of resources and net position	$ 1,127,303	$ 1,872	$ 1,129,175

(in thousands)

Statement of Revenues, Expenses and Change in Net Position	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Operating expenses			
Depreciation	$ 49,972	$ 431	$ 50,403
Other operating expenses	13,113	(601)	12,512
Total operating expenses	584,323	(170)	584,153
Operating income	4,940	170	5,110
Non-operating revenues and expenses			
Interest expense	(21,927)	61	(21,866)
Total non-operating revenues and expenses	(9,123)	(61)	(9,184)
Net position			
(Decrease) increase in net position	(4,693)	109	(4,584)
End of year	$ 305,268	$ 109	$ 305,377

(in thousands)

Statement of Cash Flows	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Cash flows from operating activities			
Cash payments to suppliers	$ (246,749)	$ 2,364	$ (244,385)
Net cash (used in) provided by operating activities	(6,943)	2,364	(4,579)
Cash flows from capital and related financing activities			
Purchase of capital assets	(10,301)	(2,364)	(12,665)
Net cash used in capital and related financing activities	(5,462)	(2,364)	(7,826)
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	4,940	170	5,110
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	49,972	431	50,403
Other liabilities	3,814	1,763	5,577
Net cash (used in) provided by operating activities	$ (6,943)	$ 2,364	$ (4,579)
Noncash Transactions			
Capital assets acquired through SBITAs	$ -	$ 1,872	$ 1,872

2. Patient Revenues

Patient revenues consist of the following:

(in thousands)	2023	2022
Gross patient charges		
Routine inpatient services	$ 420,962	$ 411,656
Ancillary inpatient services	957,051	963,638
Outpatient services	1,108,024	1,068,497
	2,486,037	2,443,791
Less: Charity care	(4,003)	(4,604)
Gross patient service revenues	2,482,034	2,439,187
Deductions from gross patient service revenues		
Contractual allowances for statutory and negotiated rates	1,848,999	1,822,444
Provision for doubtful accounts	36,060	40,918
	1,885,059	1,863,362
Net patient service revenues	$ 596,975	$ 575,825

The District has agreements with third-party payors that provide for payments to the District at amounts that differ from established rates. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District also receives Medicare Disproportionate Share (DSH) reimbursements for services provided to a disproportionate percentage of low-income patients. The Medicare program pays hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the District is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory are paid based upon prospectively determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been finalized for all fiscal years through June 30, 2019. Inpatient services provided to Medi-Cal program beneficiaries are reimbursed under an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. Outpatient services provided to Medi-Cal beneficiaries are reimbursed according to a state fee schedule.

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

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

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

There is ongoing uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates, which could result in decreases in Medicare reimbursements. The State budget contains proposed health care budget cuts that may affect reimbursements for Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The District participates in several State and Federal supplemental payment programs that allow it and other governmental agencies to draw down unspent Medi-Cal funds, up to the Federal upper payment limit. The primary mechanism used for drawing down these funds is intergovernmental transfers, whereby Districts transfer funds to the State, who then transmits the funds to the Federal government to draw down the Federal matching funds. In fiscal years 2023 and 2022, the District recognized \$20.6 million and \$13.4 million, respectively, in supplemental funding obtained through these programs, including the following:

(in thousands)	**2023**	**2022**
Hospital Quality Assurance Fee	$ 5,126	$ 4,128
Rate Range	4,000	3,000
Public Hospital Redesign and Incentives in Medi-Cal Program	9,497	3,840
AB915 Public Hospital Outpatient Services Supplemental Reimbursement Program	1,145	1,008
AB113 Medi-Cal Fee-for-Service Payment Supplement	842	1,473
Total gross patient revenues	$ 20,610	$ 13,449

In fiscal year 2020, the State announced that they were recalculating amounts paid to all District Hospitals under the Public Hospital Outpatient Services Supplemental Reimbursement Program from 2003 to 2017 due to an error in the State's original calculations. It is anticipated that these recalculations may result in recoupment of amounts previously recorded, however the State has not yet finalized its analysis. At June 30, 2023 and 2022, the District had recorded a reserve of $2.5 million and $2.3 million, respectively, based on the District's preliminary calculations of the potential recoupment amount.

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

(in thousands)	**2023**	**2022**
Medicare and Medicare HMO	$ 1,269,819	$ 1,264,821
Medi-Cal and Medi-Cal HMO	493,071	470,301
Commercial PPO, HMO and others	686,727	668,075
Private pay	36,420	40,594
Total gross patient revenues	$ 2,486,037	$ 2,443,791

3. Related-Party Transactions

One of the District board members is an officer of the District's primary banking institution. As of June 30, 2023 and June 30, 2022, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents $19.6 million and $11.1 million, Board-designated for capital and workers compensation $144.0 million and $143.9 million. Banking and investment fees paid were $0.7 million for fiscal year 2023 and $0.6 million for fiscal year 2022.

4. Fair Value

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

These levels are as follows:

Level 1 — Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities. The District has no Level 1 assets or liabilities.

Level 2 — Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 — Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.

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

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

The fair value of the District's investment assets, measured on a recurring basis at June 30, 2023, is reflected in the following table:

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2023
District				
U.S. Treasuries	$ 71,213	$ -	$ -	$ 71,213
U.S. Agencies	18,418	-	-	18,418
Corporate and municipal bonds	51,894	-	-	51,894
Local Agency Investment Fund (LAIF)	-	-	42,979 [1]	42,979
Money market and mutual funds	-	-	63,404	63,404
Total Investments - District	$ 141,525	$ -	$ 106,383	$ 247,908

[1] Amount includes funds held on behalf of the Foundation.

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

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2022
District				
U.S. Treasuries	$ 64,384	$ -	$ -	$ 64,384
U.S. Agencies	19,639	-	-	19,639
Corporate and municipal bonds	55,818	-	-	55,818
Local Agency Investment Fund (LAIF)	-	-	71,534 [1]	71,534
Money market and mutual funds	-	-	55,440	55,440
Total Investments - District	$ 139,841	$ -	$ 126,974	$ 266,815

[1] Amount includes funds held on behalf of the Foundation.

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

Fixed income funds consist of government securities and corporate bonds. Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flow models and other pricing modes. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach.

Investments valued at NAV are State of California Local Agency Investment Fund that include funds designated for operations and for Board-designated purposes which are highly liquid and for which there are no unfunded commitments. Excluding invested amounts related to bond proceeds, amounts may be withdrawn with 1 to 2 days' notice, depending on the amount. For bond proceeds invested in the commingled funds, withdrawals are subject to a delay of up to 30 days, depending on the timing of the request.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument therefore changes in assumptions could significantly affect these estimates.

Since the fair value has been estimated as of June 30, 2023 and as of June 30, 2022, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be different.

5. Long-Term Investment and Restricted Funds

District
As of June 30, 2023 and 2022, investment and restricted funds, at fair value, have been set aside as follows:

(in thousands)	**2023**	**2022**
Long-term investment and restricted funds		
Board-designated for capital and debt	$ 178,095	$ 199,979
Workers' compensation fund	8,921	8,912
Funds held by trustee under bond indenture	60,833	57,882
Restricted funds	59	42
Total funds	247,908	266,815
Short-term investments – required for current liabilities	(31,145)	(29,896)
Total long-term investment and restricted funds	$ 216,763	$ 236,919

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy, for assets that are Board-designated for capital, limits investments made by each investment manager to have an average maturity of not more than five years.

The District's investment policy permits the following investments:

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

As of June 30, 2023 the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 71,213	$ 4,400	$ 63,119	$ 3,694	$ -
U.S. Government agencies	18,418	1,749	10,445	2,150	4,074
Corporate and municipal bonds	51,894	6,863	43,088	1,944	-
LAIF (State Pool Demand Deposits)	42,979	42,979	-	-	-
Money market and mutual funds	63,404	63,060	343	-	-
Total investments	$ 247,908	$ 119,051	$ 116,995	$ 7,788	$ 4,074

As of June 30, 2022, the District had the following investments with maturities as follows:

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

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

Credit Risk

The District's investment policies are governed by State statutes that require the District to invest in highly rated and secure cash equivalents, and government and corporate debt securities. The District's policy requires that investments in corporate bonds be rated "A-" or its equivalent or better by a nationally recognized rating service under the "prudent man rule" (Civil Code Sect. 2261 et seq.) as long as the investment is deemed prudent and the type of investment is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). Should the rating fall below the required rating, the District's policies provide for a period under which corrective action is to be taken. As of June 30, 2023 and 2022, there were no investments below the required rating.

The District's investments at June 30, 2023 and 2022 are rated as follows:

(in thousands)	Fair Value at June 30 2023	2022	Ratings
Investment type			
U.S. Treasuries	$ 71,213	$ 64,384	AAA
U.S. Government agencies	18,418	19,639	AAA
Corporate & municipal bonds	51,894	55,818	See below
Local agency investment fund	42,979	71,534	Not rated
Money market and mutual funds	63,404	55,440	Not rated
Total Investments	$ 247,908	$ 266,815	
Corporate & municipal bonds rating			
AAA	$ 6,354	$ 4,419	
AA+	3,037	2,570	
AA	6,704	7,974	
AA-	10,549	7,316	
A+	9,495	11,928	
A	9,284	12,569	
A-	6,471	9,042	
Total corporate bonds	$ 51,894	$ 55,818	

6. Capital Assets

The District's capital assets activity for fiscal year 2023 consisted of the following:

(in thousands)	Beginning Balance June 30, 2022	Increase	Decrease	Ending Balance June 30, 2023
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	7,236	13,137	(3,071)	17,301
Total capital assets not being depreciated	34,852	13,137	(3,071)	44,917
Capital assets being depreciated				
Land improvements	16,200	81		16,281
Buildings	791,530	586	(997)	791,119
Right of use asset	18,429	17,034	(4,929)	30,533
Fixed and moveable equipment	409,644	7,550	(18,590)	398,604
Total capital assets being depreciated	1,235,803	25,251	(24,516)	1,236,537
Less: Accumulated depreciation				
Land improvements	(15,609)	(645)		(16,254)
Buildings	(290,637)	(26,373)	157	(316,853)
Right of use asset	(8,243)	(6,184)	2,681	(11,746)
Fixed and movable equipment	(319,112)	(21,402)	15,923	(324,591)
Total accumulated depreciation	(633,601)	(54,603)	18,761	(669,443)
Total capital assets being depreciated, net	602,202	(29,353)	(5,755)	567,094
Total capital assets, net	$ 637,054	$ (16,216)	$ (8,827)	$ 612,011

The District's right of use asset for both fiscal year 2023 and 2022 includes building and equipment leases and subscription based IT arrangement assets (SBITAs). The equipment leases are not material.

At June 30, 2023, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $5.6 million.

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

(in thousands)	2023	2022
Change in accumulated depreciation		
Operating depreciation expense	$ 52,398	$ 50,463
Nonoperating depreciation expense	2,205	2,078
Disposal of fixed assets	(18,761)	(833)
Total increase in accumulated depreciation	$ 35,842	$ 51,708

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

(in thousands)	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	16,668	7,183	(16,615)	7,236
Total capital assets not being depreciated	44,284	7,183	(16,615)	34,852
Capital assets being depreciated				
Land improvements	16,038	162	-	16,200
Buildings	791,184	589	(243)	791,530
Right of use asset	16,065	2,364	-	18,429
Fixed and moveable equipment	391,649	19,017	(1,022)	409,644
Total capital assets being depreciated	1,214,936	22,132	(1,265)	1,235,803
Less: Accumulated depreciation				
Land improvements	(14,967)	(642)	-	(15,609)
Buildings	(263,206)	(27,431)	-	(290,637)
Right of use asset	(5,294)	(2,949)	-	(8,243)
Fixed and movable equipment	(298,426)	(21,519)	833	(319,112)
Total accumulated depreciation	(581,893)	(52,541)	833	(633,601)
Total capital assets being depreciated, net	633,043	(30,409)	(432)	602,202
Total capital assets, net	$ 677,327	$ (23,226)	$ (17,047)	$ 637,054

The District's right of use asset for both fiscal year 2023 and 2022, includes both building and equipment leases and SBITAs. The equipment leases are not material.

7. Credit Facilities

The District entered into an Irrevocable Standby Letter of Credit (LOC) in connection with phase II of the facility master plan construction project that was completed in 2018. In fiscal year 2023, the amount of the letter of credit was $1.5 million. No draws have been made under the LOC.

PSC has an unsecured revolving line of credit with DEVCO for up to $10.0 million expiring in August 2029. As of June 30, 2023, PSC has an outstanding balance of $8.6 million on this line of credit.

WOSC had a short-term $1.0 million revolving line of credit available. No draws have been made under this line of credit.

8. Long-Term Debt

In November 2013, the District issued two series of general obligation bonds (2013 Series A and 2013 Series B), as approved by voters in elections in 2004 and 2012. The combined amount of the two issuances was $145.5 million. The 2013 bonds were issued to provide funds for the construction of a new parking structure and the Hyman Pavilion which will include facilities for emergency care, intensive care and cardiac care services. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

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

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

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

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

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

In July 2019, the District issued refunding and revenue bonds (2019 Series A) to provide new money for future capital expenditures and to refinance the outstanding amounts due on the previously issued 2009 Series A revenue bonds, in order to take advantage of favorable market interest rates. The new money portion of the issuance was $11.0 million. The refunded 2009 Series A revenue bonds’ principal amount of $46.1 million carried an average coupon rate of 6.2 percent and was refunded as part of the $49.4 million 2019 Series A bonds with an average coupon rate of 4.00 percent and an effective interest rate of 3.2 percent. The cash flows required to service the refunded 2009 Series A revenue bonds to maturity would have been $81.6 million, and the cash flows required to service the refunding portion of the 2019 Series A bonds to maturity will be $57.6 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $12.2 million. The refunded 2009 Series A revenue bonds were originally issued to provide funds for the construction of the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also in July 2019, the District issued general obligation refunding bonds (2019 Series) to refinance the outstanding amounts due on previously issued 2009 Series A general obligation bonds, in order to take advantage of favorable market interest rates. The refunded 2009 Series A general obligation bonds' principal amount of $11.8 million carried an average coupon rate of 5.72 percent and was refunded by new debt of $11.1 million with an average coupon rate of 3.15 percent and an effective interest rate of 3.26 percent. The cash flows required to service the outstanding 2009 general obligation bonds to maturity would have been $23.3 million, and the cash flows required to service the 2019 Series refunding general obligation bonds to maturity will be $17.2 million. The economic gain associated with the refunding was $3.4 million. The refunded bonds were originally issued to provide funds for the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2019 Series general obligation bonds will be funded through property tax assessments to residents of the District.

In December 2020, the District issued refunding and revenue bonds (2020 Series A) to provide and to refinance the outstanding amounts due on the previously issued 2010 Series A revenue bonds, in order to take advantage of favorable market interest rates. The refunded 2010 Series A revenue bonds' principal amount of $48.6 million carried an average coupon rate of 5.43 percent and was refunded by the $40.9 million 2020 Series A bonds with an average coupon rate of 3.79 percent and an all-in true interest cost of 2.46 percent. The cash flows required to service the refunded 2010 Series A revenue bonds to maturity would have been $77.3 million, the cash flows required to service the refunding portion of the 2020 Series A bonds to maturity will be $56.2 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $11.3 million. The refunded 2010 Series A revenue bonds were originally issued to provide funds for construction, renovations and expansion of patient care service areas, and additional medical equipment. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

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

System. $405 million of the November 2020 bond authorization remains unissued as of June 30, 2023.

In April 2022, the District issued $20.0 million general obligation bonds (2022 Series) to finance the acquisition and construction of facilities to be used by the District for its public health functions. The repayment of the 2022 Series general obligation bonds will be funded through property tax assessments to residents of the District and are not secured by the revenues from the operations of the Washington Hospital Healthcare System.

In September 2023, the District issued $40.0 million of revenue bonds (2023 Series A) to finance the acquisition, construction, improvement, betterment and equipping of the District's facilities and the cost of issuing the Bonds. The District also issued $125.0 million of the 2023 Election General Obligation Bonds, 2023 Series B. The proceeds will be used to finance a portion of the projects authorized by Measure XX.

The District is also required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2023 and 2022, maintaining debt service coverage ratios of 2.56 to 1.0 and 4.44 to 1.0, respectively. The Hospital is the sole member of the obligated group for these bonds.

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

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

WOSC is party to several multi-year lease agreements for surgical equipment. Amounts related to these obligations are included in current maturities of long-term debt and long-term debt, as appropriate.

In November 2020, PSC entered into a business loan agreement (Loan) to finance construction expenditures related to a surgery center in Redwood City, California. The Loan was guaranteed by PSP and the District. The original amount of the promissory note was $9.4 million at 4.25 percent with a maturity date of December 1, 2031.

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2023 is as follows:

(in thousands)	Beginning Balance June 30, 2022	Additions	Amortization /Other	Repayments	Ending Balance June 30, 2023	Due Within One Year
Bonds payable						
2022A General Obligation Bonds, principal and interest (at 4.00% to 5.00%) payable semiannually	$ 20,000	$ -	$ -	$ -	$ 20,000	$ -
Plus: Issuance premium	451	-	(25)	-	426	-
Total 2022A General Obligation Bonds	20,451	-	(25)	-	20,426	-
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	38,155	-	-	(1,515)	36,640	1,585
Plus: Issuance premiums	3,403	-	(588)	-	2,815	-
Total 2020A Revenue Bonds	41,558	-	(588)	(1,515)	39,455	1,585
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	46,590	-	-	(1,530)	45,060	1,605
Plus: Issuance premiums	2,228	-	(444)	-	1,784	-
Total 2019A Revenue Bonds	48,818	-	(444)	(1,530)	46,844	1,605
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,045	-	-	(75)	10,970	80
Plus: Issuance premiums	51	-	(28)	-	23	-
Total 2019A General Obligation Bonds	11,096	-	(28)	(75)	10,993	80
2017A Revenue Bonds principal and interest (at 3.325% to 5.00%) payable semiannually	34,970	-	-	(740)	34,230	770
Plus: Issuance premiums	692	-	(106)	-	586	
Total 2017A Revenue Bonds	35,662	-	(106)	(740)	34,816	770
2017B Revenue Bonds principal and interest (at 3.00% to 5.00%) payable semiannually	61,915	-	-	(1,350)	60,565	1,420
Plus: Issuance premiums	1,877	-	(312)	-	1,565	-
Total 2017B Revenue Bonds	63,792	-	(312)	(1,350)	62,130	1,420
2016 General Obligation Bonds principal and interest (at 2.00% to 5.00%) payable semiannually	25,000	-	-	(1,275)	23,725	1,320
Plus: Issuance premiums	1,418	-	(283)	-	1,135	-
Total 2016 Revenue Bonds	26,418	-	(283)	(1,275)	24,860	1,320
2015A Revenue Refunding Bonds principal and interest (at 3.25% to 5.00%) payable semiannually	19,690	-	-	(2,080)	17,610	2,180
Plus: Issuance premiums	225	-	(121)	-	104	-
Total 2015A Revenue Bonds	19,915	-	(121)	(2,080)	17,714	2,180
2015B General Obligation Bonds principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,305	-	(50)	-	1,255	-
Total 2015B General Obligation Bonds	146,805	-	(50)	-	146,755	-
2013A General Obligation Bonds principal and interest (at 3.00% to 5.50%) payable semiannually	39,380	-	-	(420)	38,960	420
Plus: Issuance premiums	502	-	(35)	-	467	-
Total 2013A General Obligation Bonds	39,882	-	(35)	(420)	39,427	420
2013B General Obligation Bonds principal and interest (at 4.00% to 5.50%) payable semiannually	102,120	-	-	(1,080)	101,040	1,080
Plus: Issuance premiums	1,675	-	(124)	-	1,551	-
Total 2013B General Obligation Bonds,	103,795	-	(124)	(1,080)	102,591	1,080
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	511	-	-	(118)	393	81
Total WOSC 2020 Loans Payable	511	-	-	(118)	393	81
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	9,018	-	-	(788)	8,230	820
Total PSC 2021 Loan Payable	9,018	-	-	(788)	8,230	820
Lease & Software Subscription Obligations						
principal and interest (at 4.25%) payable monthly	11,063	14,525	-	(5,988)	19,600	3,901
Total lease obligations	11,063	14,525	-	(5,988)	19,600	3,901
Total long-term debt payable	$ 578,784	$ 14,525	$ (2,116)	$ (16,958)	$ 574,235	$ 15,262

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

(in thousands)	Ending Balance June 30, 2021	Additions	Amortization /Other	Repayments	Ending Balance June 30, 2022	Due Within One Year
Bonds payable						
2022A General Obligation Bonds, principal and interest (at 4.00% to 5.00%) payable semiannually	$ -	$ 20,000	$ -	$ -	$ 20,000	$ -
Plus: Issuance premium	-	457	(6)	-	451	
Total 2022A General Obligation Refunding Bonds	-	20,457	(6)	-	20,451	-
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	40,865	-		(2,710)	38,155	1,515
Plus: Issuance premiums	4,036	-	(633)	-	3,403	-
Total 2020A Revenue Refunding Bonds Payable	44,901	-	(633)	(2,710)	41,558	1,515
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	48,045	-	-	(1,455)	46,590	1,530
Plus: Issuance premiums	2,719	-	(491)	-	2,228	-
Total 2019A Revenue Refunding Bonds Payable	50,764	-	(491)	(1,455)	48,818	1,530
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110	-	-	(65)	11,045	75
Plus: Issuance premiums	81	-	(30)	-	51	-
Total 2019A General Obligation Refunding Bonds	11,191	-	(30)	(65)	11,096	75
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	35,685	-	-	(715)	34,970	740
Plus: Issuance premiums	809	-	(117)	-	692	-
Total 2017A Revenue Bonds Payable	36,494	-	(117)	(715)	35,662	740
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	63,205	-	-	(1,290)	61,915	1,350
Plus: Issuance premiums	2,218	-	(341)	-	1,877	-
Total 2017B Revenue Refunding Bonds Payable	65,423	-	(341)	(1,290)	63,792	1,350
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	26,220	-	-	(1,220)	25,000	1,275
Plus: Issuance premiums	1,736	-	(319)	-	1,418	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	27,956	-	(319)	(1,220)	26,418	1,275
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	21,665	-	-	(1,975)	19,690	2,080
Plus: Issuance premiums	389	-	(164)	-	225	-
Total 2015A Revenue Refunding Bonds Payable	22,054	-	(164)	(1,975)	19,915	2,080
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,354	-	(50)	-	1,304	-
Total 2015B General Obligation Bonds Payable	146,854	-	(50)	-	146,805	-
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	39,800	-	-	(420)	39,380	420
Plus: Issuance premiums	539	-	(37)	-	502	-
Total 2013A General Obligation Bonds Payable	40,339	-	(37)	(420)	39,882	420
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	103,200	-	-	(1,080)	102,120	1,080
Plus: Issuance premiums	1,809	-	(134)	-	1,675	-
Total 2013B General Obligation Bonds Payable	105,009	-	(134)	(1,080)	103,795	1,080
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	551	-	-	(40)	511	118
Total WOSC 2020 Loans Payable	551	-	-	(40)	511	118
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	9,400	-	-	(382)	9,018	788
Total PSC 2021 Loan Payable	9,400	-	-	(382)	9,018	788
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	67	-	-	(67)	-	-
Total WOSC 2017 Loan Payable	67	-	-	(67)	-	-
Lease and software subscription obligations principal and interest (at 4.25%) payable monthly	11,634	1,743	-	(2,314)	11,063	1,998
Total lease obligations	11,634	1,743	-	(2,314)	11,063	1,998
Total long-term debt payable	$ 572,637	$ 22,200	$ (2,322)	$ (13,733)	$ 578,784	$ 12,969

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

(in thousands)	Original Issue Amount	Maturity Date	Effective Interest Rate 2023	Effective Interest Rate 2022
Bond issue				
2022A General Obligation Bonds	$ 20,000	8/1/2052	3.91%	4.05%
2020A Revenue Refunding Bonds	40,865	7/1/2038	2.58%	2.51%
2019A Revenue Refunding Bonds	49,445	7/1/2048	3.02%	2.96%
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	3.01%	2.99%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.74%	3.69%
2017A Revenue Bonds	37,655	7/1/2047	4.04%	4.00%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.45%	2.36%
2015A Revenue Bonds	30,290	7/1/2029	3.57%	3.48%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	4.99%	4.96%
2013A General Obligation Bonds	40,500	8/1/2043	4.99%	4.96%

The long-term debt payment requirements as of June 30, 2023, excluding unamortized discounts, premiums on bonds payable, leases and SBITAs are as follows:

(in thousands)	Private Long-Term Debt Principal	Private Long-Term Debt Interest	Public Long-Term Debt Principal	Public Long-Term Debt Interest	Total Long-Term Debt Principal	Total Long-Term Debt Interest
June 30,						
2024	$ 8,462	$ 8,574	$ 2,900	$ 15,072	$ 11,362	$ 23,646
2025	8,898	8,153	1,470	14,977	10,368	23,130
2026	9,327	7,714	1,530	14,909	10,857	22,622
2027	9,732	7,254	1,610	14,830	11,342	22,084
2028	10,206	7,250	2,065	14,750	12,271	21,999
2029 - 2033	57,305	26,185	26,070	71,627	83,375	97,813
2034 - 2038	66,695	13,482	62,990	62,592	129,685	76,074
2039 - 2043	18,770	4,316	121,405	41,649	140,175	45,965
2044 - 2048	12,750	1,448	113,820	9,234	126,570	10,682
2049 - 2053	585	-	6,335	684	6,920	684
Total long-term debt, excluding unamortized discounts and premiums	$ 202,729	$ 84,375	$ 340,195	$ 260,323	$ 542,924	$ 344,698

9. Employee Benefit Plans

Defined Benefit Retirement Plan

The District maintains a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan. Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed

20 years of service, or an employee who attains age 60 with 30 years of service is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

Based on guidance under GASB Statement No. 68 the benefit discount rate is equal to the expected long-term (30 year) return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

The District has flexibility in determining the amount to contribute to the Plan each year. In determining the amount of the annual contribution, the District considers the calculated actuarially determined contribution. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB Statement No. 68. In addition to the District's contributions, under the terms of the California Public Employees' Pension Reform Act (PEPRA), which became effective in January 1, 2013, new employees are required to contribute to the normal cost of their pension benefits. The projected amounts of these employee contributions have been considered in determining the actuarially determined contribution amounts.

Participant data for the Plan, as of the measurement date (December 31 of the prior year) for the indicated fiscal years, is shown in the table below:

	2023	**2022**
Active and suspended	1,598	1,511
Vested terminated	742	723
Retirees and beneficiaries	926	873
Total participants	3,266	3,107

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

(in thousands)	**2023**	**2022**
Pension cost		
Service cost	$ 9,513	$ 10,332
Employee contributions	(2,180)	(2,140)
Interest	30,239	28,992
Expected return on plan assets	(33,190)	(29,739)
Administrative expenses	273	228
Recognition of deferred amounts	15,393	(12,079)
Total pension cost (benefit)	$ 20,048	$ (4,406)

Components of deferred outflows and inflows of resources for the year ended June 30, 2023 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 630	$ (3,634)
Change of assumptions	1,215	(4,524)
Net differences between projected and actual earnings	-	(49,977)
Contributions made subsequent to measurement date	-	(1,875)
Total	$ 1,845	$ (60,010)

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

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

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

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2024	$ 25,451	$ (18,513)	$ 6,938
2025	23,105	(11,259)	11,846
2026	22,107	(6,438)	15,669
2027	21,837	-	21,837
Thereafter	-	-	-
Total deferred outflows and (inflows) of resources - pension	$ 92,500	$ (36,210)	$ 56,290

The following table summarizes changes in net pension liability (prepaid) from July 1, 2022 to June 30, 2023:

(in thousands)	2023	2022
Total pension liability		
Service cost	$ 9,513	$ 10,332
Interest	30,239	28,992
Change in assumptions	-	1,042
Difference between expected and actual experience	4,053	(786)
Benefit payments	(22,859)	(21,045)
Net change in total pension liability	20,946	18,535
Total pension liability (beginning of year)	443,486	424,951
Total pension liability (end of year)	464,432	443,486
Plan fiduciary net position		
Employer contributions	8,100	8,400
Employee contributions	2,180	2,140
Net investment (loss) income	(72,238)	61,077
Benefit payments	(22,858)	(21,045)
Administrative expense	(273)	(228)
Net change in fiduciary net position	(85,089)	50,344
Fiduciary net position (beginning of year)	480,456	430,112
Fiduciary net position (end of year)	395,367	480,456
Net pension liability (prepaid) (end of year)	$ 69,065	$ (36,970)
Fiduciary net position as percent of liability	85.1 %	108.3 %
Covered payroll	$ 210,819	$ 181,577
Net pension liability (prepaid) as percent of covered payroll	32.8 %	20.4 %

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2023 and June 30, 2022 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date		December 31
Actuarial cost method		Entry Age Normal, Level Percent of Pay
Amortization method		Straight Line
Asset valuation method		Fair Value
Economic assumptions (including 3% inflation)		
Projected salary increases		3.00 %
Discount rate		7.00 %
Demographic assumptions		
Mortality table for healthy participants		December 31, 2022 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
Mortality table for disabled participants		December 31, 2022 - Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2021 - Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
Sensitivity of net pension liability at December 31, 2022 to changes in the discount rate, with no other changes -		
1 percent decrease (6.0%)	$	125,657,000
Current discount rate (7.0%)		69,065,000
1 percent increase (8.0%)		21,578,000
Sensitivity of net pension liability at December 31, 2021 to changes in the discount rate, with no other changes -		
1 percent decrease (6.0%)	$	17,345,000
Current discount rate (7.0%)		(36,970,000)
1 percent increase (8.0%)		(82,530,000)

The fair value of the District's pension investments measured as of December 31, 2022, and used for the purpose of the June 30, 2023 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash and Cash Equivalents (Not Leveled)	Balance at Valuation Date
Money market funds	$ -	$ 2,291	$ 2,291
Fixed income funds	99,017	-	99,017
Domestic equity funds	132,889	-	132,889
International equity funds	84,864	-	84,864
Balanced real asset funds	76,306	-	76,306
Total pension assets	$ 393,076	$ 2,291	$ 395,367

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

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

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 4.

The District also has a Deferred Compensation Plan available to employees. Generally, any employee is eligible to voluntarily enter into an agreement with the District to defer current wages at amounts limited by federal law. Effective January 1, 2010, under the terms of the Washington Township Health Care District Employer Matching Contributions Plan (the Matching Plan), the District makes contributions to this plan, matching participant contributions to the Deferred Compensation Plan to a maximum of 1.5 percent of gross earnings for employees with a minimum of 1,000 hours in a benefitted status. Under the Deferred Compensation Plan and the Matching Plan agreements, participants select and manage their own investments in mutual fund options approved by the District. All investment earnings, including market value appreciation and depreciation, are set aside for the benefit of the participants.

Matching contributions made by the District were as follows:

(in thousands)

Contribution Year		**Amount**	**Employee Deductions Being Matched**
Fiscal Year 2024	$	2,388	Calendar year 2022
Fiscal Year 2023		2,293	Calendar year 2021

Defined Benefit Postemployment Medical Plan
Other postemployment benefits are provided by the District through a single employer defined benefit postemployment medical plan, the Washington Township Health Care District Postretirement Medical Plan (the OPEB Plan). The OPEB Plan provides benefits for salaried and non-salaried employees, as approved and/or amended by the Board of Directors of the District, and is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

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

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

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

The District has flexibility in determining the amount to contribute to the OPEB Plan each year. In determining the amount of the annual contribution, the District intends to contribute, at a minimum, the actuarially determined contribution for each year. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB Statement No. 75.

As of the December 31, 2022 and December 31, 2021 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2023	2022
Active	1,507	1,417
Retirees	590	562
Total participants	2,097	1,979

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

(in thousands)	2023	2022
Postemployment medical benefits cost		
Service cost	$ 1,939	$ 1,911
Interest	4,372	4,155
Expected return on plan assets	(1,789)	(1,373)
Administrative expenses	57	53
Recognition of deferred amounts	(2,919)	(4,327)
Total postemployment medical benefits cost	$ 1,660	$ 419

Components of deferred outflows and inflows of resources for the year ended June 30, 2023 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 326	$ (2,465)
Change of assumptions	5,619	(6,552)
Net differences between projected and actual earnings	3,153	-
Contributions made subsequent to measurement date	1,821	-
Total	$ 10,919	$ (9,017)

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

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

Amounts reported as deferred outflows and inflows of resources – postemployment medical benefits (OPEB) will be recognized in OPEB expense as indicated in the following tables:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2024	$ 2,574	$ (5,972)	$ (3,398)
2025	2,402	(1,723)	679
2026	2,394	(881)	1,513
2027	2,079	(605)	1,474
2028	380	(549)	(169)
Thereafter	574	(592)	(18)
Total deferred inflows of resources - postemployment medical benefits (OPEB)	$ 10,403	$ (10,322)	$ 81

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

(in thousands)	2023	2022
Total postemployment medical benefits liability		
Service cost	$ 1,939	$ 1,911
Interest	4,372	4,155
Difference between expected and actual experience	(2,301)	349
Change of assumptions	2,551	(1,217)
Benefit payments	(2,230)	(2,005)
Net change in postemployment medical benefits liability	4,331	3,193
Total postemployment medical benefits liability (beginning of year)	61,635	58,442
Total postemployment medical benefits liability (end of year)	65,966	61,635
Plan fiduciary net position		
Employer contributions	5,531	5,305
Net investment (loss) income	(3,783)	2,689
Benefit payments	(2,231)	(2,005)
Administrative expense	(57)	(53)
Net change in fiduciary net position	(540)	5,936
Fiduciary net position (beginning of year)	23,959	18,023
Fiduciary net position (end of year)	23,419	23,959
Net postemployment medical benefits liability (end of year)	$ 42,547	$ 37,676
Fiduciary net position as percent of liability	35.5 %	38.9 %
Covered employee payroll	$ 210,819	$ 181,577
Net postemployment medical benefits liability as percent of covered employee payroll[1]	20.2 %	20.7 %

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

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2023 and June 30, 2022 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00 %
Discount rate	7.00 %
Demographic assumptions	
Mortality table for healthy participants	December 31, 2022 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2022 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends
Sensitivity of postretirement employee medical benefits liability as of December 31, 2022 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$ 51,705,000
Current discount rate (7.00%)	42,548,000
1 percent increase (8.00%)	34,920,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2022 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$ 34,101,000
Current healthcare cost trend rate	42,548,000
1 percent increase	52,976,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$ 46,385,000
Current discount rate (7.00%)	37,676,000
1 percent increase (8.00%)	30,444,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$ 29,672,000
Current healthcare cost trend rate	37,676,000
1 percent increase	47,587,000

The fair value of the District's OPEB investments measured as of December 31, 2022, and used for the purpose of the June 30, 2023 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash and Cash Equivalents (Not Leveled)	Balance at Valuation Date
Money market funds	$ -	$ 47	$ 47
Fixed income funds	7,381	-	7,381
Domestic equity funds	7,853	-	7,853
International equity funds	5,013	-	5,013
Commodity funds	1,324	-	1,324
Real estate funds	1,351	-	1,351
Infrastructure funds	450	-	450
Total OPEB assets	$ 23,372	$ 47	$ 23,419

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

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

Pension Plan and OPEB Plan Portfolios
Long term (30-year) expected rate of returns are forecasted on a forward-looking basis by each asset class. Then the total portfolio's return is forecasted by combining returns of the asset classes based on the respective Plan's asset allocation targets as well as the asset classes' diversification benefits. The forecasting method takes into consideration current market conditions along with potential future changes such as yield shifts or valuation changes, as well as long term equilibrium return and risk considerations. For example, equity asset class methodology includes two models that focus on variables including expected earnings growth, dividend income and expected inflation to triangulate on a reasonable expected return. Fixed income models rely heavily on the existing yield environment but long term equilibrium rates play a part in the long run expectations that incorporate current expectations of inflation and yield curve normalization. The forecasting methodology combines insights of expected returns for the next immediate period and a long term equilibrium period, to maintain capital markets' long term integrity.

The expected rates of return are presented as geometric means. The details are summarized in the following table:

	Long Term
Total portfolio	7.00 %

Total portfolio asset allocation		**Asset Class Expected Returns**
U.S. Equity	33 %	7.00 %
Non-U.S. Equity	22	7.50
Core fixed income	12	4.80
Opportunistic credit	10	6.50
Real assets	15	8.50
Private credit	8	7.40
Total	100 %	

10. Insurance Plans

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

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

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

Coverage	**Policy Limit**	**Self-insured Retention/ Deductible Per Occurrence**
General		
All risk property	$ 1,000,000,000	$ 100,000
Boiler and machinery insurance	100,000,000	100,000
Hospital professional and general liability	40,000,000	25,000
Directors and officers liability	10,000,000	25,000
Excess workers' compensation	Statutory	1,250,000
Commercial crime	10,000,000	50,000
Automobile insurance	10,000,000	500
Cyber liability	5,000,000	500,000
Cyber excess, including notifications	5,000,000	-
Pollution	2,000,000	50,000

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

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

11. Compensated Absences

District employees earn paid leave at varying rates depending on length of service and job classification. Employees can accumulate up to 640 hours of paid leave. All accumulated unused leave in excess of the maximum accrual amount is paid at the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2023 and 2022, the approximate liability for unpaid compensated absences was $21.4 million and $21.8 million, respectively.

12. Blended Component Unit Information

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2023 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
Condensed statements of net position				
Current assets	$ 146,144	$ 17,233	$ -	$ 163,377
Long-term investment and restricted funds	216,747	16	-	216,763
Capital assets, net	576,945	35,066	-	612,011
Other assets	339,226	5,278	(300,236)	44,268
Total assets	1,279,062	57,593	(300,236)	1,036,419
Deferred outflows of resources	70,929	1,344	-	72,273
Total assets and deferred outflows of resources	$ 1,349,991	$ 58,937	$ (300,236)	$ 1,108,692
Liabilities				
Current liabilities	$ 122,283	$ 309,658	$ (300,236)	131,705
Other non-current liabilities	656,668	21,688	-	678,356
Total liabilities	778,951	331,346	(300,236)	810,061
Deferred inflows of resources	34,250	-	-	34,250
Net position				
Net investment in capital assets	53,679	9,939	-	63,618
Restricted - expendable	29,722	-	-	29,722
Restricted for minority interest	-	1,641	-	1,641
Unrestricted	453,389	(283,989)	-	169,400
Total net position	536,790	(272,409)	-	264,381
Total liabilities, net position and deferred inflows of resources	$ 1,349,991	$ 58,937	$ (300,236)	$ 1,108,692
Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$ 551,307	$ 89,194	$ (16,394)	$ 624,107
Operating expenses	(516,988)	(110,716)	16,676	(611,028)
Depreciation	(45,610)	(6,788)	-	(52,398)
Operating (loss) income	(11,291)	(28,310)	282	(39,319)
Non-operating revenues and expenses, net	2,490	(2,003)	(282)	205
Decrease in net position before minority interest and restricted funds	(8,801)	(30,313)	-	(39,114)
Other, including minority interest	167	(2,049)	-	(1,882)
Decrease in net position	(8,634)	(32,362)	-	(40,996)
Net position				
Beginning of year	545,424	(240,047)	-	305,377
End of year	$ 536,790	$ (272,409)	$ -	$ 264,381
Condensed statements of cash flows				
Net cash provided (used) by				
Operating activities	$ 22,889	$ 28,620	$ -	$ 51,509
Noncapital financing activities	2,063	(3,093)	-	(1,030)
Capital and related financing activities	(16,118)	(25,055)	-	(41,173)
Investing activities	(754)	-	-	(754)
Net increase in cash and cash equivalents	8,080	472	-	8,552
Cash and cash equivalents - beginning of year	5,713	5,353	-	11,066
Cash and cash equivalents - end of year	$ 13,793	$ 5,825	$ -	$ 19,618

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2022 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
Condensed statements of net position				
Current assets	$ 136,425	$ 18,478	$ -	$ 154,903
Long-term investment and restricted funds	236,919	-	-	236,919
Capital assets, net	602,450	34,604	-	637,054
Other assets	344,386	7,402	(273,930)	77,858
Total assets	1,320,180	60,484	(273,930)	1,106,734
Deferred outflows of resources	20,425	2,016	-	22,441
Total assets and deferred outflows of resources	$ 1,340,605	$ 62,500	$ (273,930)	$ 1,129,175
Liabilities				
Current liabilities	$ 118,252	$ 286,731	$ (273,930)	$ 131,053
Other non-current liabilities	594,369	15,964		610,333
Total liabilities	712,621	302,695	(273,930)	741,386
Deferred inflows of resources	82,412	-	-	82,412
Net position				
Net investment in capital assets	77,237	15,722	-	92,959 [1]
Restricted - expendable	28,817	-	-	28,817
Restricted for minority interest	-	3,345	-	3,345
Unrestricted	439,518	(259,262)	-	180,256
Total net position	545,572	(240,195)	-	305,377
Total liabilities, net position and deferred inflows of resources	$ 1,340,605	$ 62,500	$ (273,930)	$ 1,129,175

[1] The fiscal year 2022 amounts for the Hospital and DEVCO have been adjusted to properly reflect classification of $15.7 million of net investment in capital assets in the DEVCO column with an offsetting amount presented as unrestricted net position in the Hospital column, resulting in no change in total net position of either entity.

	Hospital	DEVCO	Eliminations	District
Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$ 522,801	$ 81,627	$ (15,165)	$ 589,263
Operating expenses	(448,287)	(100,749)	15,286	(533,750)
Depreciation	(46,285)	(4,118)	-	(50,403)
Operating income (loss)	28,229	(23,240)	121	5,110
Non-operating revenues and expenses, net	(9,591)	(882)	(121)	(10,594)
Increase (decrease) in net position before minority interest and restricted funds	18,638	(24,122)	-	(5,484)
Other, including minority interest	2,084	(1,184)	-	900
Increase (decrease) in net position	20,722	(25,306)	-	(4,584)
Net position				
Beginning of year	524,850	(214,889)	-	309,961
End of year	$ 545,572	$ (240,195)	$ -	$ 305,377
Condensed statements of cash flows				
Net cash provided (used) by				
Operating activities	$ 22,152	$ (26,610)	$ (121)	$ (4,579)
Noncapital financing activities	(23,912)	24,494	-	582
Capital and related financing activities	(2,504)	(5,443)	121	(7,826)
Investing activities	(21,642)	3,834	-	(17,808)
Net decrease in cash and cash equivalents	(25,906)	(3,725)	-	(29,631)
Cash and cash equivalents - beginning of year	31,619	9,078	-	40,697
Cash and cash equivalents - end of year	$ 5,713	$ 5,353	$ -	$ 11,066

13. Commitments and Contingencies

Lease Commitments

The District has entered into leases for medical clinic facilities and equipment. Lease obligations for fiscal years 2023 and 2022 were $3.7 million and $3.0 million, respectively.

The District's future lease obligations are as follows:

(in thousands)	Principal	Interest
2024	$ 3,610	$ 819
2025	3,277	671
2026	2,215	519
2027	1,959	432
2028	1,388	356
Thereafter	7,491	1,875
Total lease commitments	$ 19,940	$ 4,672

The District is a lessor of buildings under agreements that extend through 2067. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 5 years. Certain of the District's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties. The District measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term. During the years ended June 30, 2023 and 2022, the District recorded $4.5 million and $3.8 million, respectively, in lease revenues.

Subscription-based Information Technology Arrangements

The District has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2027. Some SBITAs include one or more options to renew and may also include options to terminate the subscription. SBITAs do not contain any material incentive paid, material restrictive covenants ore material termination penalties. The District measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the District uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

Future minimum payments on the District's SBITAs are as follows:

(in thousands)	Principal	Interest
2024	$ 671	$ 64
2025	657	35
2026	193	8
2027	87	2
Thereafter	-	-
Total SBITA commitments	$ 1,608	$ 109

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

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

14. The CARES Act

In response to the disruptions that the COVID-19 pandemic caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the CARES Act which made funds available to the District through various provisions of the legislation. For the year ended June 30, 2022 the District received and recognized CARES Act provider relief funding of $1.4 million, as federal grant revenue on the statement of revenues, expenses, and changes in net position. In fiscal year 2023, the District did not receive any provider relief funding.

The District received COVID-19 Grants of $0.6 million in fiscal year 2023 from Federal Emergency Management Agency (FEMA) for two obligated projects. This was recognized as federal grant revenue on the statement of revenues, expenses, and changes in net position.

Under continually evolving regulations related to the after-the-fact justification of funding amounts received, the District is required to provide reporting as to how provider relief funding was used, either to offset pandemic-related expenses or to replace pandemic-related net revenue losses.

Also in fiscal year 2021, the District began the required repayment of $59.0 million in payments received in fiscal year 2020 under the Medicare Accelerated and Advanced Payments Program. As of June 30, 2023, the District has repaid all the $11.3 million remaining amount due that was reflected as liabilities due to third party payors on the statement of net position for fiscal year 2022.

In addition, in fiscal year 2021, WOSC received a $1.6 million Paycheck Protection Program loan for small business. In fiscal year 2022, WOSC submitted for forgiveness of this loan. Forgiveness was subsequently received in August 2022.

Required Supplementary Information

Defined Benefit Retirement Plan

The District's actuarially determined contribution and actual contributions, for this plan year and the nine plan years prior, are presented in the following table:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as % of Covered Payroll
Fiscal Year Ended					
2014	$ 18,500	$ 134,026	$ 115,526	$ 144,445	92.79 %
2015	18,000	22,700	4,700	136,999	16.57 %
2016	17,700	22,100	4,400	142,319	15.53 %
2017	22,300	22,000	(300)	146,438	15.02 %
2018	23,100	22,300	(800)	168,165	13.26 %
2019	23,100	28,875	5,775	165,710	17.43 %
2020	23,100	23,100	-	177,841	12.99 %
2021	23,100	23,100	-	182,973	12.62 %
2022	8,181	6,675	(1,506)	181,577	3.68 %
2023	9,513	8,100	(1,413)	210,819	3.84 %
	$ 186,594	$ 312,976	$ 126,382		

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

The following table summarizes changes in net pension liability from July 1, 2014 to June 30, 2023:

(in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 9,513	$ 10,332	$ 9,548	$ 9,075	$ 8,190	$ 6,500	$ 6,494	$ 5,669	$ 5,434	$ 5,456
Interest	30,239	28,992	27,890	27,395	26,693	24,436	24,263	23,657	21,585	20,223
Difference between expected and actual experience	4,053	(786)	1,001	(703)	(8,586)	15,019	8,244	(13,656)	578	4,395
Change in assumptions	-	1,042	(2,992)	16,421	-	-	-	-	14,522	362
Benefit payments	(22,859)	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)
Net change in total pension liability	20,946	18,535	15,824	34,042	9,967	30,912	8,591	1,910	28,357	18,953
Total pension liability (beginning of year)	443,486	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Total pension liability (end of year) (a)	464,432	443,486	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348
Plan fiduciary net position										
Employer contributions	8,100	8,400	23,100	23,100	23,100	22,300	22,000	27,100	36,200	115,526
Employee contributions	2,180	2,140	1,919	1,655	1,235	980	732	374	139	-
Net investment (loss) income	(72,238)	61,077	47,613	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342
Benefit payments	(22,859)	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)
Administrative expense	(272)	(228)	(226)	(226)	(224)	(252)	(216)	(64)	(65)	(62)
Other	-	-	-	-	-	(1)	(126)	-	-	-
Net change in fiduciary net position	(85,089)	50,344	52,783	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323
Plan fiduciary net position (beginning of year)	480,456	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625
Plan fiduciary net position (end of year) (b)	395,367	480,456	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948
Net pension liability (end of year) (a) - (b)	$ 69,065	$ (36,970)	$ (5,161)	$ 31,798	$ 63,510	$ 42,389	$ 61,754	$ 52,960	$ 66,440	$ 71,400
Plan fiduciary net position as percent of total pension liability	85.13%	108.3%	101.2%	92.2%	83.1%	88.4%	81.5%	83.7%	79.5%	75.8%
Covered payroll	$ 210,819	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438	$ 142,319	$ 136,999	$ 144,445
Net pension liability as percent of covered payroll	32.8%	(20.4)%	(2.8)%	17.9 %	38.3 %	25.2 %	42.2 %	37.2 %	48.5 %	49.4 %
Deferred outflows of resources										
Employer contributions after measurement date	$ 1,875	$ 4,050	$ 5,775	$ 5,775	$ 5,775	$ -	$ -	$ -	$ 5,000	$ 18,500
Fiduciary net position as percent of liability including deferred outflows of resources	85.1 %	109.2 %	102.6 %	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %
Net pension liability as percent of covered payroll including deferred outflows of resources	32.8%	(22.6)%	(6.0)%	14.6 %	34.8 %	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %

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

Discount rate	December 31, 2019 - 2022	7.00%
	December 31, 2012 - 2018	7.50%

Demographic assumptions		
Mortality table for healthy participants	December 31, 2022	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2021	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 base table with two-dimensional projection scale BB projected generationally
	December 31, 2012 - 2013	Internal Revenue Code Section 430(h)(3)(A) using static tables and separate mortality rates for annuitants and non-annuitants
Mortality table for disabled participants	December 31, 2022	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2021	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 disabled mortality tables projected forward

Defined Benefit Post-Employment Medical Plan (OPEB)

The following table summarizes contributions to the OPEB Plan from July 1, 2017 to June 30, 2023:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll [1]	Contributions as % of Covered Employee Payroll [1]
Fiscal Year Ended					
2017	$ 5,099	$ 1,455	$ (3,644)	$ 146,438	0.99%
2018	5,451	5,995	544	168,165	3.56%
2019	6,200	6,400	200	165,710	3.86%
2020	7,400	4,891	(2,509)	177,841	2.75%
2021	7,400	6,046	(1,354)	182,973	3.30%
2022	7,400	5,444	(1,956)	181,577	3.00%
2023	6,000	5,531	(469)	210,819	2.62%
	$ 44,950	$ 35,762	$ (9,188)		

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

Washington Township Health Care District

Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2017 to June 30, 2023, and related ratios:

(in thousands)	2023	2022	2021	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability							
Service cost	$ 1,939	$ 1,911	$ 1,885	$ 1,473	$ 3,049	$ 2,948	$ 3,007
Interest	4,372	4,155	3,948	3,461	2,495	2,457	2,260
Difference between expected and actual experience	(2,300)	349	(555)	(265)	368	-	-
Change of assumptions	2,551	(1,217)	(385)	6,880	(29,183)	3,541	(2,045)
Benefit payments	(2,230)	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Net change in postemployment medical benefits (OPEB) liability	4,332	3,193	2,989	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	61,635	58,442	55,453	45,412	70,252	62,800	60,990
Total postemployment medical benefits (OPEB) liability (end of year)	65,967	61,635	58,442	55,453	45,412	70,252	62,800
Plan fiduciary net position							
Employer contributions	5,531	5,305	5,204	4,808	9,969	1,494	1,412
Net investment income	(3,783)	2,689	1,900	1,510	(270)	-	-
Benefit payments	(2,231)	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(57)	(53)	(52)	(49)	(15)	-	-
Other	-	-	-	1	(2)	-	-
Net change in fiduciary net position	(540)	5,936	5,148	4,762	8,113	-	-
Fiduciary net position (beginning of year)	23,959	18,023	12,875	8,113	-	-	-
Fiduciary net position (end of year)	23,419	23,959	18,023	12,875	8,113	-	-
Net postemployment medical benefits (OPEB) liability (end of year)	$ 42,548	$ 37,676	$ 40,419	$ 42,578	$ 37,299	$ 70,252	$ 62,800
Fiduciary net position as percent of liability	35.5%	38.9%	30.8%	23.2%	17.9%	0.0 %	0.0 %
Covered employee payroll	$ 210,819	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438
NOL as a % of Covered Employee Payroll	20.2%	20.7%	22.1%	23.9%	21.5%	41.8 %	42.9 %
Deferred outflows of resources							
Employer contributions after measurement date	$ 1,821	$ 2,750	$ 2,611	$ 1,769	$ 1,686	$ 4,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	38.3%	43.3 %	35.3 %	26.4 %	21.6 %	6.4 %	0.0 %
Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	19.3%	19.2 %	20.7 %	22.9 %	21.5 %	39.1 %	42.9 %

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

Discount rate	December 31, 2019 - 2022	7.00%
	December 31, 2018	7.50%
	December 31, 2017	3.44%
	December 31, 2016	3.78%
	December 31, 2015	3.57%
Other assumptions		
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends	