



Grossmont Healthcare District



*Financial Statements and
Independent Auditors' Report*

Year Ended June 30, 2020

GROSSMONT HEALTHCARE DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grossmont Healthcare District
La Mesa, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grossmont Healthcare District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grossmont Healthcare District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net OPEB Asset and Related Ratios, Schedule of Contributions-OPEB, Schedule of the District's Proportionate Share of Net Pension Liability, the Schedule of Contributions - Defined Benefit Plan and the Budgetary Comparison Schedule - General Fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison-Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison - Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Carlsbad, California
September 3, 2020

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

As the management of the District, we are providing the readers of the financial statements a narrative "snapshot" and analysis of our financial performance during the fiscal year ended June 30, 2020. This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal year and is an integral part of the accompanying basic financial statements and should be read in connection with those statements.

In 1952, the residents of the area voted to form Grossmont Healthcare District (the District) and establish, build, and operate Grossmont Hospital. Grossmont Hospital has gone through numerous renovations over the years and currently has 524 licensed beds over a sprawling campus setting. Since May 1991, the District has leased Grossmont Hospital under a 30-year agreement to Sharp HealthCare. In June 2014, the voters of the District approved a new thirty (30) year lease of Grossmont Hospital to expire in 2051. See Note A, Reporting Entity, for more information about the lease of Grossmont Hospital.

Financial Highlights

During the fiscal year that ended June 30, 2020, the District:

- Maintained a Moody's AA2 rating on all outstanding general obligation debt
- Developed and implemented a comprehensive management plan for fiscal year 20-21
- Authorized an Emergency Grant Program for Coronavirus relief funding

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position/(Deficit)* and the *Statement of Activities*) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Based Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds; not the District as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with accounting, grantor or related legal requirements; such as using funds for a specific purpose or to meet other statutory requirements. All funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District uses only governmental funds and has no proprietary or fiduciary funds.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements, continued

Fund Based Financial Statements, continued

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. These funds report financial transactions using an accounting method called modified accrual accounting. The General Fund, Building Fund and Debt Service Fund are considered to be major funds. Information for these major funds is presented separately in the *Balance Sheet - Governmental Funds* and in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. The District adopts an annual appropriated budget for the General and Debt Service funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 16 and 18.

Notes to Basic Financial Statements – Notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. *The Notes to Financial Statements* can be found on pages 21-62.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this section presents certain required supplementary information and can be found from pages 64-68 of this report.

Supplementary Information – In addition to the Required Supplementary Information, this section also presents the Debt Service fund budgetary statement. The Supplementary Information can be found on page 70.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements, continued

Fund Based Financial Statements, continued

Net position of the District is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

In the government-wide *Statement of Net Position/(Deficit)* and the *Statement of Activities*, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service payments (principal and interest) unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

Major Fund Analysis

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,411,365, while total fund balance was \$28,061,686. The fund balance of the District's General Fund decreased by \$1,132,443 during the current fiscal year.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements, continued

Major Fund Analysis, continued

The General Fund final expenditures at year-end were \$2,094,949 more than the final budget. This budget to actual variance was primarily due to an unbudgeted additional IGT payment for Grossmont Hospital of \$1,844,000. Actual revenues compared to the final budget were up \$956,262, which was primarily due to the receipt of one-time revenues.

The Building Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures used for the acquisition or construction of major capital facilities funded by Proposition G. The Building Fund will no longer be used beyond the fiscal year ended June 30, 2020 since all project expenditures have been made under Proposition G program.

The Debt Service fund is used to account for the accumulation of resources and the payment of Proposition G general obligation bond principal and interest from District resources, and special assessment bond principal and interest from special assessment levies, when the District is obligated in some manner for the payment.

The Debt Service fund final expenditures at year end were the same as amounts budgeted. Actual revenues were \$1,387,294 in excess of the final budget. This budget to actual variance was primarily due to property tax assessments received in excess of amounts budgeted.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed on the previous page.

Financial Activities & Fiscal Year 2020 Highlights

The District's operating activities are comprised of the following primary segments:

- General Government - This function consists of the general mission of the District as a steward of the public trust to preserve and protect those resources entrusted to its care and to maintain and improve the physical and mental health of its constituents. Additionally, monitoring the health care services provided under contract at Grossmont Hospital to ensure that the Hospital is operated in a manner consistent with the terms of the Lease.
- Community Healthcare Programs - The District administers a grant program, allocating a portion of the District's general annual property tax revenues to health-related programs serving residents of the District throughout Eastern San Diego County.
- Library Operating Expenses - The District operates the Dr. William C. Herrick Community Health Care Library specializing in healthcare and health research media and specialized learning programs.
- Facility Expenses - This segment consists of all campus related buildings and covers operations, maintenance and security. It also includes the James G. Stieringer Conference Center which also serves as a community meeting place with theater-style seating capacity for 65 and a technologically advanced audio/visual presentation system.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Financial Activities & Fiscal Year 2020 Highlights, continued

- Debt Administration - This segment consists of all costs associated with issuing and servicing the long-term debt of the District.
- Contributions to Grossmont Hospital – The District contributes general operating support and Proposition G project support to Grossmont Hospital.

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, unrestricted net position is negative due to the long-term nature of the Proposition G general obligation bonds recorded and the nature of the capital assets they finance. The District's most significant assets are cash, cash equivalents, and investments. The District's cash and investments position increased \$653,524 from FY 2019 to FY 2020. This decrease is due primarily to the spending down of restricted financing and bond money for authorized projects. Accordingly, the District's most significant liability is long-term debt associated with Proposition G. It is important to understand that this long-term debt will be paid over time from the receipt of property tax assessments to be collected through 2040. The District's *Investment in Capital Assets* represents its administrative and library campus and land holdings.

The following table highlights the financial position and net position of the District:

Statements of Net Position/(Deficit)

	FY20	FY19
Assets:		
Cash, cash equivalents and investments	\$ 45,044,070	\$ 44,390,546
Capital assets, net of accumulated depreciation	9,671,771	9,784,266
All other assets	3,403,865	4,176,140
Total assets	58,119,706	58,350,952
Deferred outflows of resources	27,238,140	28,652,385
Liabilities:		
Long-term	282,652,884	286,998,578
Other	11,113,284	10,382,775
Total liabilities	293,766,168	297,381,353
Deferred inflows of resources	249,093	90,814
Net position/(deficit):		
Invested in capital assets	9,671,771	9,784,266
Restricted for debt service	13,020,020	10,034,955
Restricted for capital projects	-	1,096,571
Unrestricted	(231,349,206)	(231,384,622)
Total net position	\$ (208,657,415)	\$ (210,468,830)

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Financial Activities & Fiscal Year 2020 Highlights, continued

The following table highlights the changes in net position of the District:

	FY20	FY19
Revenues:		
Property tax revenue - general purposes	\$ 8,723,024	\$ 8,356,964
Property tax revenue - special assessment	16,639,004	14,757,478
Investment income	666,408	1,036,751
Operating grants and contributions	427,758	726,045
Other	39,784	68,071
Total revenues	26,495,978	24,945,309
Expenses:		
General government	1,797,919	1,996,647
Community healthcare programs	1,631,827	1,328,584
Library operating	367,357	322,756
Facility	381,597	280,450
Debt Administration	12,563,457	12,676,575
Contributions to Grossmont Hospital	7,942,406	2,172,389
Total expenses	24,684,563	18,777,401
Change in net position	1,811,415	6,167,908
Net Position - beginning of year	(210,468,830)	(216,636,738)
Net Position - end of year	\$ (208,657,415)	\$ (210,468,830)

Property taxes are the District's primary source of revenue and are also levied to pay the debt service on the outstanding Proposition G general obligation bonds. Property tax revenues for general purposes increased \$366,060 from FY 2019 to FY 2020 and property tax revenues from special assessments increased \$1,881,526 from FY 2019 to FY 2020. The local real estate market continues to improve and the District's taxable assessed valuations continue to increase.

Contributions to Grossmont Hospital represent:

- Payments made in the amount of \$2,844,000 to support Grossmont Hospital for general operating support or equipment;
- Payments made in the amount of \$1,098,406 to support Grossmont Hospital under the Proposition G program; and,
- Payment made in the amount of \$4,000,000 to support Grossmont Hospital successful application to become a Certified Stroke Center.

Contributions increased \$5,770,017 from FY 2019 to FY 2020 resulting primarily from an increased in general operating support and the one-time \$4,000,000 payment to become a Certified Stroke Center.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Capital Assets

At June 30, 2020 the District had \$12,313,541 in capital assets and \$2,641,770 in accumulated depreciation resulting in \$9,671,771 of net capital assets. A summary of the activity and balances in capital assets is presented below:

	FY20	FY19
Land	\$ 7,072,969	\$ 7,061,501
Buildings	4,707,202	4,707,202
Furniture and equipment	533,370	524,874
Subtotal	12,313,541	12,293,577
Less:		
Accumulated		
Depreciation	(2,641,770)	(2,509,311)
Total	\$ 9,671,771	\$ 9,784,266

See Note E for additional information on Capital Assets.

Debt Administration

Proposition G authorized the issuance of up to \$247,000,000 in general obligation bonds. On August 2, 2007, the District issued Series 2007A in the amount of \$85,627,076. On February 23, 2011, the District issued Series 2011B in the amount of \$136,860,000. On April 28, 2015, the District issued Series 2015C in the amount of \$24,510,000 and Series 2015D (Refunding Bonds) in the amount of \$200,490,000.

All outstanding District general obligation bond debt is Moody's Investors Service rated AA2.

On June 29, 2012 the District entered into an \$18,000,000 tax-exempt lease arrangement (Lease) with a bank (the Lessor) to build Cogeneration equipment for inclusion in the new central energy plant at Grossmont Hospital.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Debt Administration, continued

Changes in long-term liabilities for the period ended June 30, 2020, are as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
General Obligation Bonds					
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -
2007A CAB accrued interest	18,182,509	2,045,289	-	20,227,798	-
2011B CIB's	14,460,000	-	5,000	14,455,000	5,000
2011B unamortized premium	150,305	-	9,965	140,340	-
2015 Series C - CIB's	24,510,000	-	405,000	24,105,000	920,000
2015C unamortized premium	3,469,161	-	439,852	3,029,309	-
2015D Series D - CIB's	198,100,000	-	3,330,000	194,770,000	3,745,000
2015D unamortized premium	7,024,686	-	336,317	6,688,369	-
Total general obligation bonds, net	289,493,737	2,045,289	4,526,134	287,012,892	4,670,000
Other Long-term Debt					
Financing obligation	2,487,002	-	1,225,430	1,261,572	1,261,572
Total long-term liabilities	\$ 291,980,739	\$ 2,045,289	\$ 5,751,564	\$ 288,274,464	\$ 5,931,572

See Note F for additional information on long-term liabilities.

Economic Outlook and Major Initiatives

The District is continuing to maximize and leverage its tax revenues to fund the increasing healthcare services programs and needs within its service area. The Fiscal Year 2021 budget reflects total revenues of \$26,141,958 and total expenses, net of noncash adjustments of \$376,440, of \$23,455,633.

Contacting the District's Financial Management

The District believes in financial transparency and encourages any interested party to contact the District for clarification or additional information regarding this report via the District's website or email address.

Grossmont Healthcare District
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 La Mesa, CA 91942
 (619) 825-5050 Office
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Basic Financial Statements

GROSSMONT HEALTHCARE DISTRICT

Statement of Net Deficit

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 11,794,684
Investments	16,437,850
Property taxes receivable	1,085,437
Other accounts receivable	140,919
Current portion of long term note - lease receivable	1,261,572
Accrued investment interest	188,291
Prepaid expenses and deposits	50,321
Restricted cash and cash equivalents with fiscal agent	14,390,077
Restricted investments with fiscal agent	2,421,459
Total Current Assets	<u>47,770,610</u>
Noncurrent Assets:	
Prepaid bond insurance, net	84,477
Net OPEB asset	592,848
Capital assets:	
Land	7,072,969
Capital assets, net of depreciation	2,598,802
Total capital assets, net of depreciation	<u>9,671,771</u>
Total Noncurrent Assets	<u>10,349,096</u>
Total Assets	<u>58,119,706</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	300,607
Deferred charges on refunding of long-term debt	26,937,533
Total deferred outflows of resources	<u>27,238,140</u>

GROSSMONT HEALTHCARE DISTRICT

Statement of Net Deficit

June 30, 2020

	<u>Governmental Activities</u>
LIABILITIES	
Current Liabilities:	
Accounts and grants payable	\$ 614,344
Current accrued compensated absences	21,329
Current maturities of long-term debt	5,931,572
Liabilities payable from restricted assets:	
Restricted accrued interest	4,546,039
Total Current Liabilities	<u>11,113,284</u>
Noncurrent Liabilities:	
Long-term accrued compensated absences	54,480
General obligation bonds	262,115,094
Capital appreciation bond accrued interest	20,227,798
Net pension liability	255,512
Total Noncurrent Liabilities	<u>282,652,884</u>
Total Liabilities	<u>293,766,168</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	10,161
Deferred inflows - other post employment benefits	238,932
Total deferred inflows of resources	<u>249,093</u>
NET POSITION/(DEFICIT)	
Investment in capital assets	9,671,771
Restricted for debt service	13,020,020
Unrestricted	<u>(231,349,206)</u>
Total Net Position/(Deficit)	<u>\$ (208,657,415)</u>

GROSSMONT HEALTHCARE DISTRICT

Statement of Activities
Year Ended June 30, 2020

Functions/programs	Expenses			Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 1,797,919	\$ 427,758	\$ -	\$ (1,370,161)
Community healthcare programs	1,631,827	-	-	(1,631,827)
Library operating expenses	367,357	-	-	(367,357)
Facility expenses	381,597	-	-	(381,597)
Interest on long-term debt	12,563,457	-	16,639,004	4,075,547
Contributions to Grossmont Hospital	7,942,406	-	-	(7,942,406)
Total Governmental Activities	<u>\$ 24,684,563</u>	<u>\$ 427,758</u>	<u>\$ 16,639,004</u>	<u>(7,617,801)</u>
General Revenues:				
Property taxes, levied for general purposes				8,723,024
Investment earnings				666,408
Other revenue				<u>39,784</u>
Total General Revenues				<u>9,429,216</u>
Change in Net Position				1,811,415
Net Position/(Deficit) - Beginning of Year				<u>(210,468,830)</u>
Net Position/(Deficit) - End of Year				<u>\$ (208,657,415)</u>

See accompanying notes to financial statements.

GROSSMONT HEALTHCARE DISTRICT

Balance Sheet - Governmental Funds

June 30, 2020

	General Fund	Proposition G		Total Governmental Funds
		Building Fund	Debt Service Fund	
ASSETS				
Cash and cash equivalents	\$ 11,794,684	\$ -	\$ -	\$ 11,794,684
Investments	16,437,850	-	-	16,437,850
Property taxes receivable	354,276	-	731,161	1,085,437
Other accounts receivable	140,919	-	-	140,919
Accrued investment interest	164,968	-	23,323	188,291
Prepaid expenses and deposits	50,321	-	-	50,321
Restricted cash and cash equivalents with fiscal agent	-	-	14,390,077	14,390,077
Restricted investments with fiscal agent	-	-	2,421,459	2,421,459
TOTAL ASSETS	\$ 28,943,018	\$ -	\$ 17,566,020	\$ 46,509,038
LIABILITIES				
Accounts and grants payable	\$ 614,344	\$ -	\$ -	\$ 614,344
TOTAL LIABILITIES	614,344	-	-	614,344
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	266,988	-	580,878	847,866
TOTAL DEFERRED INFLOWS OF RESOURCES	266,988	-	580,878	847,866
FUND BALANCES				
Nonspendable:				
Prepaid items	50,321	-	-	50,321
Restricted for:				
Debt service	-	-	16,985,142	16,985,142
Assigned to:				
Board contingency fund	11,600,000	-	-	11,600,000
Unassigned	16,411,365	-	-	16,411,365
Total Fund Balances	28,061,686	-	16,985,142	45,046,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 28,943,018	\$ -	\$ 17,566,020	\$ 46,509,038

See accompanying notes to financial statements.

GROSSMONT HEALTHCARE DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position/(Deficit) June 30, 2020

	<u>Amount</u>
Total fund balances for governmental funds	\$ 45,046,828
Amounts reported for governmental activities in the Statement of Net Position/(Deficit) are different because:	
Capital assets used in governmental funds are not current financial resources; and, therefore, are not reported in governmental funds (net of accumulated depreciation).	9,671,771
Deposits with insurance providers to pay for long-term liabilities are not current financial resources; and, therefore, are not recorded in the governmental funds balance sheet.	84,477
Long term note receivables are not available to finance current financial resources, and, therefore, are not reported in governmental funds.	1,261,572
Interest payable for the general obligation bonds has not been reported in the governmental funds.	(4,546,039)
Pension related debt applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.	
Deferred outflows of resources	\$ 300,607
Deferred inflows of resources	(10,161)
Pension liability	<u>(255,512)</u>
	34,934
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:	
General obligation bonds	\$ (266,785,094)
Financing obligation	(1,261,572)
Capital appreciation bond accrued interest	(20,227,798)
Accrued compensated absences	<u>(75,809)</u>
	(288,350,273)
OPEB related liability/(asset) applicable to the District's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.	
Deferred inflows of resources	\$ (238,932)
OPEB asset	<u>592,848</u>
	353,916
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities.	847,866
Net deferred outflows resulting from the advance refunding of debt are not current financial resources and, therefore, not reported in the governmental funds balance sheet.	<u>26,937,533</u>
Net position/(deficit) of governmental activities.	<u><u>\$ (208,657,415)</u></u>

See accompanying notes to financial statements.

GROSSMONT HEALTHCARE DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Year Ended June 30, 2020

	General Fund	Proposition G		Total Governmental Funds
		Building Fund	Debt Service Fund	
REVENUES:				
Property taxes, levied for general purposes	\$ 8,680,146	\$ -	\$ -	\$ 8,680,146
Property taxes, levied for special assessments	-	-	16,323,693	16,323,693
Investment earnings	666,408	1,835	160,945	829,188
Grant and other income	427,758	-	-	427,758
Contributions from Grossmont Hospital - cogeneration revenue	1,265,214	-	-	1,265,214
Total Revenues	<u>\$ 11,039,526</u>	<u>\$ 1,835</u>	<u>\$ 16,484,638</u>	<u>\$ 27,525,999</u>
EXPENDITURES:				
General government	\$ 1,662,010	\$ -	\$ -	\$ 1,662,010
Community healthcare programs	1,631,827	-	-	1,631,827
Library operating expenses	367,357	-	-	367,357
Facility expenses	381,597	-	-	381,597
Capital outlay	19,964	-	-	19,964
Contributions to Grossmont Hospital	6,844,000	1,098,406	-	7,942,406
Debt Service:				
Principal	1,225,430	-	3,740,000	4,965,430
Interest and fiscal charges	39,784	-	9,999,762	10,039,546
Total Expenditures	<u>12,171,969</u>	<u>1,098,406</u>	<u>13,739,762</u>	<u>27,010,137</u>
NET CHANGES IN FUND BALANCES	(1,132,443)	(1,096,571)	2,744,876	515,862
FUND BALANCES, BEGINNING OF YEAR	29,194,129	1,096,571	14,240,266	44,530,966
FUND BALANCES, END OF YEAR	<u>\$ 28,061,686</u>	<u>\$ -</u>	<u>\$ 16,985,142</u>	<u>\$ 45,046,828</u>

See accompanying notes to financial statements.

GROSSMONT HEALTHCARE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

	<u>Amount</u>
Net change in fund balances - total governmental funds	\$ 515,862
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital asset acquisitions as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:	
Capital assets acquired:	
Capital outlay	\$ 19,964
Depreciation expense	<u>(132,459)</u>
	(112,495)
Interest expense is recognized when paid on the Statement of Revenues, Expenditures and Changes in Fund Balances and is recognized when incurred on the Statement of Activities.	85,783
Interest accrued on the capital appreciation bonds is expensed when incurred in the Statement of Activities.	(2,045,289)
The revenue for the Cogeneration lease agreement between the District and the Corporation is being deferred on the Statement of Activities and is recognized as a current financial resource on the Statement of Revenues, Expenditures and Changes in Fund Balances.	(1,225,430)
Revenues reported as unavailable in the governmental funds and recognized in the Statement of Activities.	197,247
OPEB expense is recognized when paid in the Statement of Revenues, Expenditures and Changes in Fund Balances and recognized when incurred in the Statement of Activities.	75,927
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net position liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	(78,047)
Certain expenses are reported when paid in the Statement of Revenues, Expenditures and Changes in Fund Balances and expensed when incurred in the Statement of Activities:	
Compensated absences	\$ (3,168)
Bond insurance	<u>(6,461)</u>
	(9,629)
The repayment of the principal portion of long-term debt consumes current financial resources of governmental funds. However, these transactions have no effect on net position:	
Principal payments	\$ 4,965,430
Bond premium amortization	786,134
Amortization of deferred amount on refunding	<u>(1,344,078)</u>
	4,407,486
Change in net position of governmental activities	<u>\$ 1,811,415</u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

Grossmont Healthcare District (the District) is a local healthcare district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code of the State of California to provide and operate health care facilities for a specified geographic region of San Diego County. The District's boundaries encompass an area of 750 square miles in eastern San Diego County. Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, and El Cajon, the San Carlos/Del Cerro communities of the City of San Diego, and certain unincorporated areas within San Diego County. The District owns Grossmont Hospital.

Effective May 29, 1991, the District entered into an Affiliation Agreement with Sharp HealthCare (SHARP), a multi-facility health care system located in San Diego County. The affiliation was effected through the creation of a non-profit public benefit corporation, Grossmont Hospital Corporation (the Corporation), of which SHARP is the sole statutory member. In connection with the affiliation, the District entered into a 30-year Transfer and Lease Agreement with the Corporation whereby the District's assets and liabilities, except land, investment funds, debt established pursuant to certain loan agreements and the deferred compensation program, were transferred to the Corporation in exchange for a receivable (the Transfer). In July 1992, the Corporation exercised its option to prepay the receivable. At the end of the Agreement's 30-year term, notwithstanding extensions, the Corporation will transfer back to the District all assets and liabilities pursuant to terms substantially identical to those of the Transfer Agreement.

In June 2014, the voters of the District passed a measure extending the lease an additional 30 years. The Extended Lease Agreement will expire in May 2051.

The District is governed by a five-member at-large elected Board of Directors.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position/(Deficit)* and the *Statement of Activities*) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Government-Wide and Fund Financial Statements, continued

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position of the District is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Government-Wide and Fund Financial Statements, continued

The fund balances reported on the fund statements consist of the following categories:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers or through enabling legislation.

Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s Board of Directors.

Assigned – This classification includes amounts to be used by the District, authorized by the Board of Directors, for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned – This classification includes the residual balance for the District’s general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

In the government-wide statements, the District considers restricted funds to be spent first then unrestricted funds when expenditures are incurred for purposes for which both restricted and unrestricted net position is available. In the governmental funds, when both restricted and unrestricted resources are available for use, expenses are considered to be paid first from restricted resources, and then from unrestricted resources. When committed, assigned or unassigned amounts are available for use, expenses are considered to be paid first from committed, then from assigned, and then unassigned.

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District’s governmental funds are presented after the government-wide financial statements.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide *Statement of Net Position/(Deficit)* and the *Statement of Activities*, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service payments (principal and interest), unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The District reports the following major governmental funds:

The **General Fund** is the primary operating fund. It accounts for and reports all financial resources of the District, except those not accounted for and reported in another fund.

The **Building Fund** is used to account for financial resources that are restricted, committed, or assigned to expenditures used for the acquisition or construction of major capital facilities funded by Proposition G. See Note F for more information on Proposition G.

The **Debt Service Fund** is used to account for the accumulation of resources and the payment of Proposition G general obligation bond principal and interest from District resources, and special assessment bond principal and interest from special assessment levies, when the District is obligated in some manner for the payment.

Amounts reported as program revenues include: (1) fees and charges to customers, applicants, and citizens; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes. Program revenues and expenditures are classified by function. Each function is defined as a major department with a department head and separate budget.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are property tax revenues that are received for general operations and pertain directly to the mission of the District. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal activities of the District.

Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Net Position/(Deficit)* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred charges on refunding of \$26,937,533 relating to the 2015 Series D Refunding Bonds, net of accumulated amortization of \$6,720,739 at June 30, 2020. It is amortized on a straight-line basis over 302 months which represents the shortest period between the remaining outstanding debt and the new debt.
- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the pensions of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred outflow related to pensions for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Deferred Outflows/Inflows of Resources, continued

In addition to liabilities, the *Statement of Net Position/(Deficit)* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that qualify for reporting in this category:

- Deferred inflow from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, which are taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow from pensions and OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the Plans.
- Deferred inflow from pensions and OPEB for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the Plans.
- Deferred inflow from pension and OPEB resulting from the difference in projected and actual earnings on investments of the pension and OPEB plan fiduciary net position. This amount is amortized over five years.

Property Taxes-General Apportionments and Debt Service

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal 1978-79, general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 period. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year. This Proposition 13 limitation on general property taxes does not apply to taxes levied. Each year the District is required to provide the County with its calculation of the required property tax levy to assess for the following year's scheduled bond debt service payments.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Property Taxes-General Apportionments and Debt Service, continued

The District's levy was at \$24.90 per \$100,000 of assessed valuation as of June 30, 2020. There is no allowance for doubtful accounts considered necessary for related property tax receivables due to the fact the receivables are secured by the underlying real property.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at acquisition.

Investments

Investments in debt securities with readily determinable fair values are measured at fair value in the *Statement of Net Position/(Deficit)*. Investments in government investment pools are reported at the fair value per share of the pool's underlying portfolio.

Other Accounts Receivable

Other accounts receivable primarily represents post-employment benefit trust fund reimbursements from the California Public Employees Retirement System (CalPERS).

Other Noncurrent Assets

Prepaid bond insurance of \$84,477, net of amounts defeased, for the 2007A Bonds, at June 30, 2020, is being amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of \$6,461 for the year ended June 30, 2020 is included in the *Statement of Activities* as prepaid bond insurance amortization.

Accounts and Grants Payable

Accounts and grants payable represents amounts committed to vendors for general services and local nonprofit and local government agencies under the District's community healthcare grant program.

Capital Assets

The District's office furniture and equipment and buildings are stated at cost. Depreciation has been provided over the estimated useful lives of three to five years for office furniture and equipment and forty years for buildings using the straight-line method. The District has set the capitalization threshold for reporting capital assets at a cost greater than \$5,000 with an expected life greater than one year. Repairs, maintenance, and minor replacements of property are charged to expense.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Accrued Compensated Absences

A liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

Restricted Assets and Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's CalPERS plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stewardship, Compliance and Accountability

General Budget Policies - The Chief Financial Officer shall prepare and submit the proposed annual budget to the Board for its approval for all governmental funds except the Building Fund. The Board adopts a project-length, multi-year budget for the Building Fund; therefore, no budgetary statement for the Building Fund is included in the accompanying financial statements.

The budget is reviewed during a public meeting and is then legally enacted by means of a budget resolution passed by the Board. Upon final adoption, the budget shall be in effect for the ensuing fiscal year.

Expenditures are controlled at the department level. Transfers between funds require Board authorization and transfers within funds are to be authorized by the Chief Executive Officer or Chief Financial Officer.

Budgets are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting and appropriations lapse at the end of the fiscal year. Budget amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.

New Accounting Pronouncements

- GASB 95 - *Postponement of the Effective Dates of Certain Authority Guidance*, effective during fiscal year 2019-2020 and resulted delaying the implementation requirements for certain Statements and Implementation Guides to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2019.
- GASB 87 - *Leases*, effective for periods beginning after June 15, 2021.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021.
- GASB 92 - *Omnibus 2020*, primarily effective for periods beginning after June 15, 2020.
- GASB 93 - *Replacement of Interbank Offered Rates*, effective for periods beginning after June 15, 2021.
- GASB 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- GASB 96 – *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022.
- GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for fiscal years beginning after June 15, 2021.

Note B. Financing Authorities

The District is a member of the North San Diego County Health Facilities Financing Authority and the San Diego County Health Facilities Financing Authority (the Authorities). The purpose of the Authorities is to provide a financing mechanism for its members. See Note F for more information on the role of the Authorities in the District's bond issuance process.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note C. Proposition G Bond Sales

Bond sale proceeds at the close of the transaction on August 2, 2007, from the Series 2007A Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 426,272
Debt service	1,032,832
Building	85,627,076
	<u>\$ 87,086,180</u>

Bond sale proceeds at the close of the transaction on February 23, 2011, from the Series 2011B Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 332,690
Debt service	1,096,300
Building	136,860,000
	<u>\$ 138,288,990</u>

Bond sale proceeds at the close of the transaction on May 20, 2015, from the Series 2015C Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 132,686
Debt service	1,095,000
Escrow fund	4,050,544
Building	24,510,000
	<u>\$ 29,788,230</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note C. Proposition G Bond Sales, continued

Bond sale proceeds at the close of the transaction on May 20, 2015, from the Series 2015D Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 1,312,068
Escrow fund	211,092,283
	<u>\$ 212,404,351</u>

See Note F for more information on the District's long-term liabilities.

Note D. Cash, Cash Equivalents, and Investments

The primary goals of the District's Investment Policy are to assure compliance with Federal, State, and Local laws governing the investment of funds under the control of the District, protect the principal of investments entrusted, and generate income under the parameters of such policies.

Cash, cash equivalents, and investments are classified in the accompanying financial statements as follows:

Statement of Net Position/(Deficit):

	<u>Amount</u>
Current assets	
Cash and cash equivalents	\$ 11,794,684
Investments	16,437,850
Restricted cash and cash equivalents with fiscal agent	14,390,077
Restricted investments with fiscal agent	2,421,459
Total cash, cash equivalents, and investments	<u>\$ 45,044,070</u>

Cash, cash equivalents, and investments consist of the following:

	<u>Amount</u>
Cash on hand	\$ 132
Deposits with financial institutions	2,522,251
Investments	42,521,687
Total cash, cash equivalents, and investments	<u>\$ 45,044,070</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note D. Cash, Cash Equivalents, and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>	<u>Max. Invest. Per Issuer</u>
Certificates of Deposit	5 Years	None	None
Negotiable Certificates of Deposit	None	20%	\$1,000,000
Local Agency Investment Fund	None	None	None
County Pooled Investment Fund	None	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Sponsored Entities	5 Years	None	None
Money Market Mutual Funds	None	20%	None

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note D. Cash, Cash Equivalents, and Investments, continued

Fair Value Measurements, continued

The District has the following recurring fair value measurements as of June 30, 2020:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Government Sponsored				
Agency security				
FFCB	\$ -	\$ 4,530,465	\$ -	\$ 4,530,465
FHLB	-	5,074,220	-	5,074,220
FHLMC	-	501,780	-	501,780
FNMA	-	2,524,225	-	2,524,225
Negotiable Certificates of Deposit	-	3,807,160	-	3,807,160
Held by fiscal agent:				
U.S. Government Sponsored				
Agency security				
FFCB	-	1,884,562	-	1,884,562
TVA	-	536,897	-	536,897
Subtotal	-	18,859,309	-	18,859,309
Local Agency Investment Fund***				9,272,301
Held by fiscal agent:				
Money market mutual funds***				14,390,077
Total investments				<u>\$ 42,521,687</u>

***Not subject to fair value measurements.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note D. Cash, Cash Equivalents, and Investments, continued

Disclosures Relating to Interest Rate Risk, continued

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations are provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020:

Investment Type		Twelve Months or Less	Thirteen to Twenty-four Months	Twenty-five to Sixty Months	More Than Sixty Months
U.S. Government Sponsored Entities	\$ 15,052,149	\$ 14,481,771	\$ 570,378	\$ -	\$ -
Money Market Mutual Funds	14,390,077	14,390,077	-	-	-
State Pooled Funds	9,272,301	9,272,301	-	-	-
Negotiable Certificates of Deposit	3,807,160	3,029,823	777,337	-	-
	\$ 42,521,687	\$ 41,173,972	\$ 1,347,715	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, or debt agreements, and the actual rating by Moody's Investors Service as of June 30, 2020, for each investment type.

In August 2011, Standard & Poor's downgraded the AAA rating of the United States Government and all federally backed agencies to AA+. The \$15,052,149 of U.S. Government Sponsored Entity securities at June 30, 2020, below are rated AA+ by Standard & Poor's:

Investment Type		Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
U.S. Government Sponsored Entities	\$ 15,052,149	N/A	\$ 15,052,149	\$ -	\$ -
Money Market Mutual Funds	14,390,077	AAA	14,390,077	-	-
State Pooled Funds	9,272,301	N/A	-	-	9,272,301
Negotiable Certificates of Deposit	3,807,160	N/A	-	-	3,807,160
	\$ 42,521,687		\$ 29,442,226	\$ -	\$ 13,079,461

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note D. Cash, Cash Equivalents, and Investments, continued

Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated, by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of June 30, 2020 are below:

<u>Issuer Type</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Government Sponsored Entity	\$ 6,415,028
Federal Home Loan Bank	U.S. Government Sponsored Entity	5,074,220
Federal National Mortgage Association	U.S. Government Sponsored Entity	2,524,225

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, all of District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note E. Capital Assets

The following table presents a summary of the changes in capital assets at June 30, 2020:

	Balance			Balance	
	June 30, 2019	Additions	Deletions	June 30, 2020	
Capital Assets Not Depreciated:					
Land	\$ 7,061,501	\$ 11,468	\$ -	\$ 7,072,969	
Total capital assets not depreciated	7,061,501	11,468	-	7,072,969	
Capital Assets Being Depreciated:					
Buildings	4,707,202	-	-	4,707,202	
Furniture and equipment	524,874	8,496	-	533,370	
Total capital assets being depreciated	5,232,076	8,496	-	5,240,572	
Less Accumulated Depreciation:					
Furniture and equipment	481,126	14,775	-	495,901	
Buildings	2,028,185	117,684	-	2,145,869	
Total	2,509,311	132,459	-	2,641,770	
Total Capital Assets Being Depreciated	2,722,765	(123,963)	-	2,598,802	
Total Capital Assets, Net	\$ 9,784,266	\$ (112,495)	\$ -	\$ 9,671,771	

Depreciation expense of \$132,459 is included in general government on the *Statement of Activities* for the fiscal year ended June 30, 2020.

Note F. Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2020, are as follows:

	Balance			Balance		Due Within
	June 30, 2019	Increases	Decreases	June 30, 2020	One Year	
<u>General Obligation Bonds</u>						
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -	
2007A CAB accrued interest	18,182,509	2,045,289	-	20,227,798	-	
2011B CIB's	14,460,000	-	5,000	14,455,000	5,000	
2011B unamortized premium	150,305	-	9,965	140,340	-	
2015 Series C - CIB's	24,510,000	-	405,000	24,105,000	920,000	
2015C unamortized premium	3,469,161	-	439,852	3,029,309	-	
2015D Series D - CIB's	198,100,000	-	3,330,000	194,770,000	3,745,000	
2015D unamortized premium	7,024,686	-	336,317	6,688,369	-	
Total general obligation bonds, net	289,493,737	2,045,289	4,526,134	287,012,892	4,670,000	
<u>Other Long-term Debt</u>						
Financing obligation	2,487,002	-	1,225,430	1,261,572	1,261,572	
Total long-term liabilities	\$ 291,980,739	\$ 2,045,289	\$ 5,751,564	\$ 288,274,464	\$ 5,931,572	

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

General Obligation Bonds

The District received authorization at an election held on June 6, 2006, by more than two-thirds of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed \$247,000,000 under Proposition G. These bonds will be issued in multiple series as general obligations of the District. The proceeds from the sale of the bonds will be used by the District to (i) improve emergency care in eastern San Diego County, including the completion of the Grossmont Hospital's Emergency and Critical Care Center, (ii) improve seismic safety, (iii) improve access to medical facilities in the event of earthquakes, wildfires or other disasters, (iv) expand cardiac care, (v) increase the number of patient beds and (vi) acquire, construct, repair, and improve certain medical facilities.

Authority for Issuance of the Bonds

In August 2007, Series 2007A general obligation bonds (Series 2007A Bonds) in the amount of \$85,627,076 were sold at a premium of \$2,353,567. The Series 2007A Bonds were sold by the District to the North San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State. The Series A Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

In February 2011, Series 2011B general obligation bonds (Series 2011B Bonds) in the amount of \$136,860,000 were sold at a premium of \$2,113,271. The Series 2011B Bonds were sold by the District to the San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State. The Series B Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

Authority for Issuance of the Bonds, continued

In May 2015, Series 2015C general obligation bonds (Series 2015C Bonds) in the amount of \$24,510,000 were sold at a premium of \$5,278,231. The Series 2015C Bonds were sold directly to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

In May 2015, Series 2015D general obligation refunding bonds (Series 2015D Refunding Bonds) in the amount of \$200,490,000 were sold at a premium of \$8,407,925. The Series 2015D Refunding Bonds were sold direct to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

Security for the Bonds

The Series 2007A, 2011B, 2015C and 2015D Bonds represent general obligations of the District payable from certain *ad valorem* taxes. The Board of Supervisors of the County shall levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal or accreted value of and interest on the 2007A, 2011B, 2015C and 2015D Bonds. The 2007A, 2011B, 2015C and 2015D Bonds are not obligations of the County of San Diego, the Authorities, the State or any of its political subdivisions, other than the District.

Insurance

Payment of the principal or accreted value of, and interest on, the 2007A Bonds are insured by a financial guaranty insurance policy issued by AMBAC Assurance Corporation.

The 2011B, 2015C and 2015D Bonds are uninsured.

The outstanding Proposition G bonded debt is as follows:

On August 2, 2007, the District issued \$85,627,076 of capital appreciation bonds (CAB) and current interest bonds (CIB). Interest on the capital appreciation bonds is compounded each January 15 and July 15, commencing on January 15, 2008, through and including the respective maturity dates. Accrued interest as of June 30, 2020 is \$20,227,798. Interest accrued during the fiscal year ending June 30, 2020 was \$2,045,289.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

The remaining maturity schedule of the 2007A capital appreciation bonds is as follows:

Capital Appreciation Bonds \$23,597,076		
Maturity Date	Yield to Maturity	Principal Amount
2023	4.720%	\$ 1,978,792
2024	4.740%	2,022,431
2025	4.780%	2,055,552
2026	4.800%	2,091,877
2027	4.820%	2,126,355
2028	4.840%	2,156,889
2029	4.860%	2,184,970
2030	4.880%	2,210,462
2031	4.900%	2,233,046
2032	4.910%	2,257,956
2033	4.920%	2,278,746
		<u>\$ 23,597,076</u>

In May 2015, a portion of the 2007A CIB Bonds were defeased by the 2015D Refunding Bonds. See page 43 for more information on the 2015D Refunding Bonds.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

In February 2011, the District issued \$136,860,000 of current interest bonds. In May 2015, a portion of the 2011B Bonds were defeased by the 2015D Refunding Bonds. See page 43 for more information on the 2015D Refunding Bonds.

The remaining maturity schedule of the 2011B current interest bonds is as follows:

Current Interest Bonds \$14,455,000		
Maturity Date July 15	Interest Rate	Principal Amount
2020	4.000%	\$ 5,000
2021	4.250%	5,000
2022	4.500%	5,000
2023	4.750%	5,000
2024	5.000%	5,000
2026	5.000%	785,000
2027	5.000%	1,275,000
2028	5.125%	1,815,000
2029	5.250%	2,400,000
2030	5.375%	3,050,000
2031	5.000%	3,755,000
2034	5.750%	1,350,000
		<u>\$ 14,455,000</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

The remaining maturity schedule of the 2015C current interest bonds is as follows:

Current Interest Bonds \$24,105,000		
Maturity Date	Interest Rate	Principal Amount
2020	5.000%	\$ 920,000
2021	5.000%	1,485,000
2022	5.000%	2,100,000
2023	5.000%	2,780,000
2024	5.000%	3,520,000
2025	5.000%	3,990,000
2026	5.000%	4,425,000
2027	5.000%	4,885,000
		<u>\$ 24,105,000</u>

In May 2015, the District issued \$200,490,000 Refunding General Obligation Bonds, Series 2015D for the purpose for refunding \$52,500,000 of the outstanding balance of the 2007A CIB Bonds and \$122,385,000 of the outstanding 2011B Bonds.

The District refunded the above referenced portions of the 2007A CIB Bonds and 2011B Bonds to reduce its total debt service payments over 25 years by \$28,616,486 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$14,855,150.

The District had \$122,385,000 of defeased debt outstanding at June 30, 2020.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

The remaining maturity schedule of the 2015D current interest bonds is as follows:

Current Interest Bonds \$194,770,000		
Maturity Date July 15	Interest Rate	Principal Amount
2020	5.000%	\$ 3,745,000
2021	5.000%	4,205,000
2022	5.000%	4,695,000
2023	5.000%	1,055,000
2024	5.000%	1,110,000
2025	5.000%	1,505,000
2026	5.000%	1,225,000
2027	5.000%	1,285,000
2028	3.000%	1,350,000
2029	3.125%	1,390,000
2030	3.125%	1,430,000
2031	3.250%	1,475,000
2032	4.000%	6,065,000
2033	4.000%	6,925,000
2034	4.000%	15,030,000
2035	4.000%	18,260,000
2036	4.000%	20,245,000
2037	4.000%	22,365,000
2038	4.000%	24,645,000
2039	4.000%	27,080,000
2040	4.000%	29,685,000
		<u>\$ 194,770,000</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

Debt Service Requirements

Debt service requirements on Proposition G bonded debt as of June 30, 2020, excluding unamortized premiums, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,670,000	\$ 9,906,294	\$ 14,576,294
2022	5,695,000	9,672,844	15,367,844
2023	6,800,000	9,388,131	16,188,131
2024	5,818,792	11,234,365	17,053,157
2025	6,657,432	11,308,737	17,966,169
2026-2029	36,945,642	57,149,183	94,094,825
2030-2033	48,060,210	54,848,265	102,908,475
2034-2038	112,595,000	20,330,000	132,925,000
2039-2041	29,685,000	1,187,400	30,872,400
Totals	<u>\$ 256,927,076</u>	<u>\$ 185,025,219</u>	<u>\$ 441,952,295</u>

Mandatory Sinking Fund Redemption of Refunding Bonds

The 2015D Refunding Bonds maturing on July 15, 2040, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15th of each year, beginning July 15, 2036, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of these bonds to be so redeemed and the dates therefore and the final principal payment redemption date are as indicated in the following table:

<u>Redemption Date</u>	<u>Amount</u>
July-15	
2036	\$ 20,245,000
2037	22,365,000
2038	24,645,000
2039	27,080,000
2040 ¹	29,685,000

¹Final Maturity

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note F. Long-Term Liabilities, continued

Financing Obligation

On June 29, 2012, the District entered into a tax-exempt lease arrangement (Lease) with a bank (the Lessor) to build Cogeneration equipment for inclusion in the planned new central energy plant at the Hospital. The amount borrowed under the Lease was \$18,000,000 with a term of nine (9) years at a fixed annual interest rate of 2.09 percent. Effective June 29, 2012, the District simultaneously entered into a Cogeneration and Energy Equipment Purchase Agreement with the Corporation, whereby the Corporation agrees to make all scheduled lease payments required under the Lease direct to the Lessor. As such, a long-term receivable equal to the outstanding balance is included in the accompanying financial statements.

Proceeds, net of costs of issuance, from the financing were deposited into an escrow account that will be used to pay for the costs of acquiring the equipment and related construction installation costs.

Required monthly payments are paid directly to the Lessor by the Corporation for the full term of the Lease.

Debt Service Requirements

Minimum lease payments as of June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,261,572	\$ 10,467	\$ 1,272,039
Totals	<u>\$ 1,261,572</u>	<u>\$ 10,467</u>	<u>\$ 1,272,039</u>

Liquidity Ratio

The Lessor requires the District to maintain a liquidity ratio (as described in the agreement) calculated on its general operations segment at not less than 1:1 of the difference between the District's annual tax revenues less administrative, library operating and facility expenses to the annual lease payment. The liquidity ratio is calculated for the year ending June 30 of each year under the Lease. The District was in compliance with the liquidity ratio at June 30, 2020.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note G. Fund Balance

Designated Net Position

In addition to the fund balance, \$11,600,000 has been assigned by the Board of Directors for contingency reserves in the General Fund as of June 30, 2020.

Note H. Defined Benefit Pension Plan

General Information:

Plan Description

All qualified permanent and probationary employees are eligible to participate in cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire between the ages of 50 and 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019 measurement date, are summarized as follows:

	<u>Miscellaneous Plan</u>
Hire date	Prior to <u>January 1, 2013</u>
Benefit formula	3% @ 60
Benefit vesting schedule	5 years of service
Benefit payments	Monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%
Required employee contribution rates	8%
Required employer contribution rates:	
Normal cost rate	13.439%
Payment of unfunded liability	\$5,396

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total Plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if Plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions are classified as plan member contributions.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u><u>\$ 255,512</u></u>

The District's net pension liability is measured as its proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

The District's proportionate share of the net pension liability as of the measurement date ended June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.48700%
Proportion - June 30, 2019	0.63800%
Change - Increase (Decrease)	0.15100%

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 146,435	\$ -
Differences between actual and expected experience	17,746	(1,375)
Change in assumptions	12,184	(4,319)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	124,242	-
Net differences between projected and actual earnings on plan investments	-	(4,467)
Total	<u>\$ 300,607</u>	<u>\$ (10,161)</u>

The reported deferred outflows of resources related to expenses subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 88,508
2022	41,899
2023	12,703
2024	901
2025	-
Thereafter	-

For the year ended June 30, 2020, the District recognized pension expense of \$224,485.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2019, measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures was determined using the following actuarial assumptions procedures used to roll forward the total pension liability to June 30, 2019:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund (PERF) cash flows. Using historical returns of all the fund's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note H. Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 696,967
Current Discount Rate	7.15%
Net Pension Liability	\$ 255,512
1% Increase	8.15%
Net Pension Liability	\$ (108,877)

Pension Plan Fiduciary Net Pension

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits

a. General Information about the DPHP Plan:

Plan Description:

The District has established an agent multiple-employer Defined Benefit Postemployment Healthcare Plan (DPHP) that provides post-retirement medical benefits to retirees through the California Public Employees Medical and Hospital Care Act (PEMCHA) which is managed through the California Retiree Benefit Trust (CERBT). The plan provides retiree medical, dental and vision benefits to eligible retirees and their eligible dependents. The plan pays 100 percent of the cost (premiums) for benefits and reimburses covered members for any out-of-pocket costs associated with the benefit plan provisions. Effective March 2013, out-of-pocket costs for active employees was capped at \$2,500 and will remain in effect through post-employment. The plan also pays 100 percent of Long-term Care (LTC) premiums for the CalPERS Comprehensive Plan for an employee and/or their spouse who has applied for and has been accepted into the plan. The Comprehensive Plan provides for lifetime benefits, dollar maximums and built-in inflation protection of 5 percent per year. For employees hired on or prior to November 21, 2014, the plan contribution is capped at \$2,000. Employees hired after November 21, 2014, are not eligible for plan paid LTC benefits at retirement. Benefits are payable for the life of the retiree and spouse coverage continues after the death of the retiree. A separate financial report is not prepared for the plan.

Employees Covered:

As of the June 30, 2019, measurement date, the following current and former employees were covered by the benefit terms under the plan:

	<u>Count</u>
Inactive employees or beneficiaries currently receiving benefits	<u>5</u>
Active employees	<u>5</u>
Total	<u><u>10</u></u>

Contributions

The DPHP and its contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District did not have any cash contributions.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits, continued

b. Net DPHP Liability/(Asset):

The District's net DPHP liability/(asset) was measured as of June 30, 2019, and the total DPHP liability used to calculate the net DPHP liability/(asset) was determined by an actuarial valuation dated June 30, 2019. A summary of the principal assumptions and methods used to determine the total DPHP liability is shown below.

c. Total DPHP Liability:

Actuarial Assumptions

The total DPHP liability at the June 30, 2019, measurement period was determined by an actuarial valuation as of June 30, 2019, the total DPHP liability was based on the following assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Projected Salary Increase	2.75% per annum, in aggregate
Expected long term investment rate of return	7.00%
Healthcare Cost Trend Rates	6.5% HMO/6.5% PPO, decreasing to 6.25%
Pre-retirement Turnover	Derived from CalPERS pension plan
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

The actuarial assumptions used in the June 30, 2019, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of DPHP plan investment expense and inflation) are developed for each major asset class.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits, continued

Actuarial Assumptions, continued

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the DPHP plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>New Strategic Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
CERBT:		
Global Equity	59.00	5.50
Global Debt Securities	25.00	2.35
Inflation assets	5.00	1.50
Commodities	3.00	1.75
REITs	8.00	3.65
Total	<u>100.00</u>	

Discount Rate

The discount rate used to measure the total DPHP liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the DPHP's fiduciary net position was projected to be available to make all projected DPHP payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on DPHP plan investments was applied to all periods of projected benefit payments to determine the total DPHP liability.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits, continued

Discount Rate, continued

d. Changes in the net DPHP Liability/(Asset):

	Total DPHP Liability	Plan DPHP Net Position	Net DPHP Liability (Asset)
Balance at June 30, 2018	\$ 2,387,761	\$ 2,682,159	\$ (294,398)
Changes during the Year:			
Service cost	61,352	-	61,352
Interest on the total DPHP liability	165,604	-	165,604
Differences between actual and expected experience	(212,905)	-	(212,905)
Changes in assumptions	(77,530)	-	(77,530)
Changes in benefit terms	-	-	-
Contribution - employer	-	66,886	(66,886)
Net investment income	-	168,669	(168,669)
Administrative expenses	-	(584)	584
Benefit payments	(166,677)	(166,677)	-
Other Expenses	-	-	-
Net Changes	(230,156)	68,294	(298,450)
Balance at June 30, 2019	\$ 2,157,605	\$ 2,750,453	\$ (592,848)

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits, continued

Sensitivity of the Net DPHP Liability/(Asset) to Changes in the Discount Rate

The following presents the net DPHP liability/(asset) of the District, as well as what the District's net DPHP liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net DPHP Liability/(Asset)	\$ (391,519)	\$ (592,848)	\$ (766,320)

Sensitivity of the Net DPHP Liability to Changes in Health Care Cost Trend Rates

The following presents the net DPHP liability/(asset) of the District, as well as what the District's net DPHP liability/(asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.50% decreasing to 3.50%) or 1-percentage point higher (7.50% decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 3.50%)	Cost Trend Rates (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net DPHP Liability/(Asset)	\$ (683,684)	\$ (592,848)	\$ (310,274)

e. DPHP Expense and Deferred Outflows/Inflows of Resources Related to DPHP:

For the year ended June 30, 2020, the District recognized DPHP expense of \$75,927. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to DPHP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 141,937
Change in assumptions	-	51,687
Differences between projected and actual earnings	-	45,308
Total	\$ -	\$ 238,932

The net difference between projected and actual earnings on plan investments is amortized over a five-year period. The differences between actual and expected experience and change in assumptions are amortized over the expected average remaining service life.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note I. Other Post-Employment Benefits, continued

Sensitivity of the Net DPHP Liability to Changes in Health-Care Cost Trend Rates, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to DPHP will be recognized as DPHP expense as follows:

Year Ending June 30,	Amount
2020	\$ (119,229)
2021	(119,231)
2022	(3,585)
2023	3,113
2024	-
Thereafter	-

f. At June 30, 2020, the District had no outstanding amount of contributions to the DPHP plan required for the year ended June 30, 2020.

Note J. Contributions to Grossmont Hospital Corporation

During the fiscal year, contributions including amounts accrued, to the Corporation were \$7,942,406 consisting of:

	Amount
Proposition G support	\$ 1,098,406
General support	2,844,000
Certified Stroke Center	4,000,000
	<u>\$ 7,942,406</u>

Note K. Commitments and Contingencies

Grant Commitments

The District had grants payable to various agencies under its grant program in the amount of \$614,344 at June 30, 2020.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note K. Commitments and Contingencies, continued

Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

Arbitrage Rebate Liability

The District is required to rebate to the federal government the excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related bonds issued. Rebates are payable every five years or upon the maturity of the bonds, whichever is earlier. At June 30, 2020, the arbitrage rebate liability was \$0.

Coronavirus

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the United States, including California, have declared a state of emergency. The District's operations are heavily dependent on the ability to raise property taxes and assess fees on properties within the District's boundaries. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The District maintains a historically low delinquency rate and has a stable increasing and diversified tax base on which assessments are made. District management is continuing to monitor tax receipt collection data provided by the County and has not experienced any material negative trending in tax receipt collections. Long-term impacts to property tax assessments and related tax receipt collections cannot be made at this time. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. Any of the foregoing events could be harmful to the District and the District cannot anticipate all the ways in which a health epidemic such as COVID-19 could adversely impact it. Although the District is continuing to monitor and assess the effects of the COVID-19 pandemic, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Note L. Risk Management

General Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, worker's compensation, and various other claims.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note L. Risk Management, continued

Coverage limits range up to \$1 billion for all entities. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained by contacting the Special District Risk Management Authority direct via mail at 1112 "I" Street, Suite 300, Sacramento, California 95814.

General, Auto and Public Officials Coverage Under SDRMA Policy

Includes Errors and Omissions with coverage limits of \$5,000,000 with variable deductibles depending of type of claim ranging from \$500 to \$50,000 per occurrence.

Property Loss Coverage Under SDRMA Policy

Replacement cost for property on file with coverage limits of \$1,000,000,000 per occurrence limited tp insured value with a \$1,000 deductible.

Employee Dishonesty Under SDRMA Policy

Total coverage limits of \$1,000,000 per occurrence with a \$0 deductible.

Workers' Compensation Under SDRMA Policy

Total coverage limits of \$5,000,000 per occurrence with a \$0 deductible.

SHARP provides and pays the following insurance for the District:

- Property for hospital assets transferred under the lease and subsequently acquired.
- Directors' and Officers' liability insurance. The limit of liability for the current policy is \$1,000,000, inclusive of defense expenses.

Property Loss Coverage Under SHARP Policy

Replacement cost for property on file with coverage limits of \$1,000,000,000 per occurrence with a \$100,000 deductible.

Boiler and Machinery Coverage Under SHARP Policy

Replacement cost up to \$100,000,000 per occurrence with a \$100,000 deductible.

Earthquake, Flood and Terrorism Coverage Under SHARP Policy

Up to \$10,000,000 for earthquake, \$60,000,000 for flood loss, and \$100,000,000 for terrorism per occurrence. Deductibles are 5 percent of unit value with a \$100,000, \$250,000 and \$200,000 minimum for earthquake, flood and terrorism coverages, respectively.

Seismic Update

Senate Bill 1953 established requirements for earthquake SPC & NPC-2 safety for all acute care hospital buildings in California.

Public Official Personal Liability

Total coverage limits of \$1,000,000 per occurrence with a \$0 deductible.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

Note L. Risk Management, continued

The Hospital's buildings are in compliance with the earthquake retrofit requirements through 2030.

Any costs associated with compliance are covered under the terms of the Extended Lease Agreement with the Corporation.

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note M. Subsequent Event

Events occurring after June 30, 2020 have been evaluated for possible adjustments to the financial statements or disclosed as of September 3, 2020, which is the date the financial statements were available.

Required Supplementary Information

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2020

GROSSMONT HEALTHCARE DISTRICT

Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios

Last Ten Fiscal Years*

	Measurement Date 6/30/2019	Measurement Date 6/30/2018	Measurement Date 6/30/2017
Total Pension Liability:			
Service cost	\$ 61,352	\$ 59,565	\$ 55,668
Interest on total OPEB liability	165,604	160,893	156,675
Differences between expected and actual experience	(212,905)	-	-
Changes in assumptions	(77,530)	-	-
Benefit payments, including refunds	(166,677)	(143,220)	(168,725)
Net Change in Total OPEB Liability	(230,156)	77,238	43,618
Total OPEB Liability - Beginning of Year	2,387,761	2,310,523	2,266,905
Total OPEB Liability - End of Year (a)	2,157,605	2,387,761	2,310,523
Plan Fiduciary Net Position:			
Contributions - employer	66,886	19,539	24,241
Net investment income	168,669	210,983	262,838
Administrative expenses	(584)	(1,395)	(1,337)
Benefit payments	(166,677)	(143,220)	(168,725)
Other expenses	-	(3,437)	-
Net Change in Plan Fiduciary Net Position	68,294	82,470	117,017
Plan Fiduciary Net Position - Beginning of Year	2,682,159	2,599,689	2,482,672
Plan Fiduciary Net Position - End of Year (b)	2,750,453	2,682,159	2,599,689
Net OPEB Liability/(Asset) - Ending (a)-(b)	\$ (592,848)	\$ (294,398)	\$ (289,166)
Plan fiduciary net position as a percentage of the total OPEB liability	127.48%	112.33%	112.52%
Covered - employee payroll	\$ 624,925	\$ 657,147	\$ 552,613
Net OPEB liability as percentage of covered - employee payroll	94.87%	45.49%	52.33%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* Fiscal year 2018 was the first year of implementation; therefore, only three year is shown.

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2020

Schedule of Contributions - OPEB

Last Ten Fiscal Years*

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially determined contributions	\$ -	\$ 34,538	\$ 32,348
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>(66,886)</u>	<u>(32,348)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (32,348)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 640,000	\$ 650,385	\$ 647,147
Contributions as a percentage of covered - employee payroll	5.10%	5.36%	4.99%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	3.00%
Investment rate of return	7.00%
Discount rate	7.00%

* Fiscal year 2018 was the first year of implementation; therefore, only three year is shown.

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2020

Schedule of the District's Proportionate Share of the Net Pension Liability-Defined Benefit Plan

Fiscal Year End	2020	2019	2018	2017	2016	2015
Measurement Period	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00182%	0.00190%	0.00210%	0.00179%	0.01585%	0.00668%
Proportionate share of net pension liability	\$ 255,512	\$ 183,389	\$ 208,704	\$ 155,113	\$ 434,705	\$ 415,578
Covered- employee payroll	\$ 650,385	\$ 647,147	\$ 572,792	\$ 552,613	\$ 542,801	\$ 538,385
Proportionate share of net pension liability as percentage of covered-employee payroll	39.29%	28.34%	18.92%	20.40%	80.74%	77.19%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	75.87%	79.88%	81.14%

Note: Fiscal year 2015 was the first year of implementation, therefore only six years are shown

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2020

Schedule of Contributions-Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 135,240	\$ 124,103	\$ 122,437	\$ 116,858	\$ 94,907	\$ 103,403
Contributions made in relation to the actuarially determined contributions	(135,240)	(124,103)	(122,437)	(116,858)	(520,048)	(103,403)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (425,141)	\$ -
Covered employee payroll	\$ 667,133	\$ 650,385	\$ 647,147	\$ 572,792	\$ 552,613	\$ 542,801
Contributions as a percentage of covered-employee payroll	20.27%	19.08%	18.92%	20.40%	17.17%	17.61%

Notes to Schedule

Valuation Date:	6/30/2019	6/30/2017	6/30/2015	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - GASB 68
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	7.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	Derived using CalPERS' membership data for all funds

Note: Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

GROSSMONT HEALTHCARE DISTRICT

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2020

	Budget Amount		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, JULY 1	\$29,194,129	\$ 29,194,129	\$ 29,194,129	\$ -
RESOURCES (INFLOWS)				
Property taxes	8,103,372	8,103,372	8,680,146	576,774
Investment income	540,000	540,000	666,408	126,408
Cogeneration lease revenue	1,325,892	1,325,892	1,265,214	(60,678)
Grant and other income	114,000	114,000	427,758	313,758
Amount available for appropriations	10,083,264	10,083,264	11,039,526	956,262
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	1,332,791	1,332,791	1,662,010	(329,219)
Community healthcare	1,565,000	1,565,000	1,631,827	(66,827)
Library operating expense	395,858	395,858	367,357	28,501
Facility expense	457,474	457,474	381,597	75,877
Contributions to Grossmont Hospital	5,000,000	5,000,000	6,844,000	(1,844,000)
Capital outlay	-	-	19,964	(19,964)
Debt service:				
Principal	1,284,248	1,284,248	1,225,430	58,818
Interest and fiscal charges	41,649	41,649	39,784	1,865
Total charges to appropriations	10,077,020	10,077,020	12,171,969	(2,094,949)
NET CHANGES IN FUND BALANCE	6,244	6,244	(1,132,443)	(1,138,687)
FUND BALANCE, JUNE 30	\$29,200,373	\$ 29,200,373	\$ 28,061,686	\$ (1,138,687)

Supplementary Information

GROSSMONT HEALTHCARE DISTRICT

Budgetary Comparison Schedule – Debt Service Fund

Year Ended June 30, 2020

	Budget Amount			Variance with Final Budget
	Original	Final	Actual	
FUND BALANCE, JULY 1	\$ 14,240,266	\$ 14,240,266	\$ 14,240,266	\$ -
RESOURCES (INFLOWS)				
Property taxes	14,977,344	14,977,344	16,323,693	1,346,349
Investment income	120,000	120,000	160,945	40,945
Amount available for appropriations	15,097,344	15,097,344	16,484,638	1,387,294
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Debt service:				
Principal	3,740,000	3,740,000	3,740,000	-
Interest and fiscal charges	9,999,762	9,999,762	9,999,762	-
Total charges to appropriations	13,739,762	13,739,762	13,739,762	-
NET CHANGES IN FUND BALANCE	1,357,582	1,357,582	2,744,876	1,387,294
FUND BALANCE, JUNE 30	\$ 15,597,848	\$ 15,597,848	\$ 16,985,142	\$ 1,387,294