



Grossmont Healthcare District



*Financial Statements and
Independent Auditors' Report*

Year Ended June 30, 2021

GROSSMONT HEALTHCARE DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis (Required Supplementary Information).....	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position/(Deficit)	12-13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position/(Deficit).....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to Basic Financial Statements:	20-49
Required Supplementary Information:	
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios	51
Schedule of Contributions-OPEB	52
Schedule of the District's Proportionate Share of the Net Pension Liability-Defined Benefit Plan.....	53
Schedule of Contributions-Defined Benefit Plan	53
Budgetary Comparison Schedule-General Fund	54
Supplementary Information:	
Budgetary Comparison Schedule-Debt Service Fund	55



INDEPENDENT AUDITORS' REPORT

Board of Directors
Grossmont Healthcare District
La Mesa, California

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2021, 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 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), 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

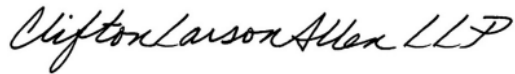
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grossmont Healthcare District's basic financial statements. The Budgetary Comparison-Debt Service Fund is presented for purposes of additional analysis and is not a required part of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

The Budgetary Comparison Schedule – Debt Service Fund is the responsibility of management and was derived from and relates 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.

Board of Directors
Grossmont Healthcare District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the Grossmont Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Grossmont Healthcare District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grossmont Healthcare District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
December 14, 2021

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, 2021. 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, 2021, the District:

- Maintained a Moody's AA2 rating on all outstanding general obligation debt
- Made final payments on the loan to finance cogeneration fully satisfying that obligation
- Funded \$250,000 in various grants for Coronavirus relief
- \$6 million provided to Grossmont Hospital to offset uncompensated Medi-Cal reimbursements, \$3 million from the District plus \$3 million in matching federal funds administered through the State of California

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

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

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.

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 two individual governmental funds. These funds report financial transactions using an accounting method called modified accrual accounting. The General 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.

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.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

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 \$19,847,023, while total fund balance was \$31,526,858. The fund balance of the District's General Fund increased by \$3,465,172 during the current fiscal year.

General Fund expenditures at year-end were \$1,043,128 less than the budget. This budget to actual variance was primarily due to an unbudgeted IGT offset received of \$372,000, budgeting non-cash depreciation not included in actual General Fund expenditures, budgeted but not incurred facility expenses, costs of \$71,000 in technology maintenance budgeted but not incurred, and less scholarships paid than budgeted. Actual revenues compared to the final budget were up \$1,082,354, which was primarily an unbudgeted \$886,981 Affordable Care Act receipt and underbudgeted property tax revenue.

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 close to budget. Actual revenues were \$2,297,114 in excess of the final budget due to property tax assessments received in excess of amounts budgeted.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

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 2021 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.
- 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 \$6,968,300 from FY 2020 to FY 2021. This increase is due to the \$7.1 million total increase to fund balance – revenues exceeding expenditures. 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.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

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

Statements of Net Position/(Deficit)

	As of June 30,:			
	2021	2020	Change	
Cash and Investment - Unrestricted	\$ 31,469,230	\$ 28,232,534	\$ 3,236,696	11.5%
Cash and Investment - Restricted	20,543,140	16,811,536	3,731,604	22.2%
Receivables and Prepaids	1,505,016	2,811,017	(1,306,001)	-46.5%
OPEB Asset	455,694	353,916	101,778	28.8%
Capital Assets	9,546,467	9,671,771	(125,304)	-1.3%
Total Assets	63,519,547	57,880,774	5,638,773	9.7%
Payables and Accrued expenses	404,985	690,153	(285,168)	-41.3%
Long-Term Debt	262,547,490	265,882,970	(3,335,480)	-1.3%
Pension Liability	104,054	(34,934)	138,988	
Total Liabilities	263,056,529	266,538,189	(3,481,660)	-1.3%
Net Deficit	\$ (199,536,982)	\$ (208,657,415)	9,120,433	-4.4%

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

	Total for the Fiscal Year Ended June 30,:			
	2021	2020	Change	
Revenues:				
Property taxes - general purposes	\$ 9,149,032	\$ 8,723,024	\$ 426,008	4.9%
Property taxes - special assessment	18,199,596	16,639,004	1,560,592	9.4%
Operating grants and contributions	886,981	427,758	459,223	107.4%
Investment earnings	105,932	666,408	(560,476)	-84.1%
Other	199,745	39,784	159,961	402.1%
Total Revenues	28,541,286	26,495,978	2,045,308	7.7%
Expenses:				
General Government	2,068,470	1,797,919	270,551	15.0%
Community Healthcare	1,464,791	1,631,827	(167,036)	-10.2%
Library Operations	403,953	367,357	36,596	10.0%
Facilities Expenses	442,432	381,597	60,835	15.9%
Contributions to Grossmont Hospital	2,628,000	7,942,406	(5,314,406)	-66.9%
Debt administration	12,413,207	12,563,457	(150,250)	-1.2%
Total Expenses	19,420,853	24,684,563	(5,263,710)	-21.3%
Change in Net Position	9,120,433	1,811,415	7,309,018	403.5%
Net Position - beginning	(208,657,415)	(210,468,830)	1,811,415	-0.9%
Net Position - ending	\$ (199,536,982)	\$ (208,657,415)	9,120,433	-4.4%

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Property taxes for general purposes increased by \$426,008 and for special assessments by \$1,560,592 primarily due to an increase in assessed property values.

The decline in investment earning was due to market conditions and reinvesting maturing agency investments of LAIF.

Contributions to Grossmont Hospital declined by \$5,314,406 due primarily to one-time payments in the prior year of \$1,098,406 to support Grossmont Hospital under the Proposition G program and \$4,000,000 to support Grossmont Hospital successful application to become a Certified Stroke Center.

Capital Assets

At June 30, 2021 the District had \$12,313,541 in capital assets and \$2,767,074 in accumulated depreciation resulting in \$9,546,467 of net capital assets. A summary of the activity and balances in capital assets is presented in Note E of the Notes to the Financial Statements.

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.

On October 15, 2021, the District's Board will consider approval for refunding the remaining \$14.4 million in outstanding series 2011B bonds for potential net present value savings of \$4.5 million.

All outstanding District general obligation bond debt is rated Aa2 by Moody's Investors Service.

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. The lease was paid in full and the obligation satisfied during the year.

GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)

Changes in long-term liabilities for the period ended June 30, 2021, are as follows:

	Long Term Debt 6/30/21			Balance June 30, 2021	Due Within One Year
	Balance June 30, 2020	Increases	Decreases		
<u>General Obligation Bonds</u>					
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -
2007A CAB accrued interest	20,227,798	2,145,281	-	22,373,079	-
2011B CIB's	14,455,000	-	5,000	14,450,000	5,000
2011B unamortized premium	140,340	-	9,965	130,375	-
2015 Series C - CIB's	24,105,000	-	920,000	23,185,000	1,485,000
2015C unamortized premium	3,029,309	-	439,852	2,589,457	-
2015D Series D - CIB's	194,770,000	-	3,745,000	191,025,000	4,205,000
2015D unamortized premium	6,688,369	-	336,317	6,352,052	-
Total general obligation bonds, net	287,012,892	2,145,281	5,456,134	283,702,039	5,695,000
<u>Direct Borrowings & Placements</u>					
Financing obligation	1,261,572	-	1,261,572	-	-
Total long-term liabilities	<u>\$ 288,274,464</u>	<u>\$ 2,145,281</u>	<u>\$ 6,717,706</u>	<u>\$ 283,702,039</u>	<u>\$ 5,695,000</u>

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 2022 budget reflects total revenues of \$26,077,444 and total expenses of \$23,657,365.

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
9001 Wakarusa Street
La Mesa, CA 91942
(619) 825-5050 Office
(619) 825-5051 Fax
Website: www.grossmonthealthcare.org
Email: info@grossmonthealthcare.org

Basic Financial Statements

GROSSMONT HEALTHCARE DISTRICT

Statement of Net Deficit

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 27,957,590
Investments	3,511,640
Property taxes receivable	1,092,321
Other accounts receivable	191,812
Accrued investment interest	63,039
Prepaid expenses and deposits	79,835
Restricted cash and cash equivalents with fiscal agent	17,739,825
Restricted investments with fiscal agent	<u>2,803,315</u>
Total Current Assets	<u>53,439,377</u>
Noncurrent Assets:	
Prepaid bond insurance, net	78,009
Net OPEB asset	555,422
Capital assets:	
Land	7,072,969
Capital assets, net of depreciation	<u>2,473,498</u>
Total capital assets, net of depreciation	<u>9,546,467</u>
Total Noncurrent Assets	<u>10,179,898</u>
Total Assets	<u>63,619,275</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	236,451
Deferred outflows - OPEB	49,934
Deferred charges on refunding of long-term debt	<u>25,593,457</u>
Total Deferred Outflows of Resources	<u>25,879,842</u>

GROSSMONT HEALTHCARE DISTRICT

Statement of Net Deficit

June 30, 2021

	<u>Governmental Activities</u>
LIABILITIES	
Current Liabilities:	
Accounts and grants payable	\$ 367,349
Current accrued compensated absences	9,409
Current maturities of long-term debt	5,695,000
Liabilities payable from restricted assets:	
Restricted accrued interest	<u>4,438,908</u>
Total Current Liabilities	<u>10,510,666</u>
Noncurrent Liabilities:	
Long-term accrued compensated absences	28,227
General obligation bonds	255,633,960
Capital appreciation bond accrued interest	22,373,079
Net pension liability	<u>338,093</u>
Total Noncurrent Liabilities	<u>278,373,360</u>
Total Liabilities	<u>288,884,026</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	2,411
Deferred inflows - other post employment benefits	<u>149,662</u>
Total deferred inflows of resources	<u>152,073</u>
NET POSITION/(DEFICIT)	
Investment in capital assets	9,546,467
Restricted for Other Post-retirement Employee Benefits	555,422
Restricted for debt service	16,104,232
Unrestricted	<u>(225,743,103)</u>
Total Net Position/(Deficit)	<u>\$ (199,536,982)</u>

GROSSMONT HEALTHCARE DISTRICT

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenues and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental activities:			
General government	\$ 2,068,470	\$ -	\$ (2,068,470)
Community healthcare programs	1,464,791	-	(1,464,791)
Library operating expenses	403,953	-	(403,953)
Facility expenses	442,432	-	(442,432)
Interest on long-term debt	12,413,207	-	(12,413,207)
Contributions to Grossmont Hospital	<u>2,628,000</u>	<u>886,981</u>	<u>(1,741,019)</u>
Total Governmental Activities	<u>\$ 19,420,853</u>	<u>\$ 886,981</u>	<u>(18,533,872)</u>
General Revenues:			
Property taxes, levied for general purposes			9,149,032
Property taxes, levied for debt service			18,199,596
Investment earnings			105,932
Other revenue			<u>199,745</u>
Total General Revenues			<u>27,654,305</u>
Change in Net Position			9,120,433
Net Position/(Deficit) - Beginning of Year			<u>(208,657,415)</u>
Net Position/(Deficit) - End of Year			<u>\$ (199,536,982)</u>

See accompanying notes to financial statements.

GROSSMONT HEALTHCARE DISTRICT

Balance Sheet - Governmental Funds

June 30, 2021

	General Fund	Propositin G Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$27,957,590	\$ -	\$ 27,957,590
Investments	3,511,640	-	3,511,640
Property taxes receivable	336,223	756,098	1,092,321
Other accounts receivable	191,811	-	191,811
Accrued investment interest	56,229	6,810	63,039
Prepaid expenses and deposits	79,835	-	79,835
Restricted cash and cash equivalents with fiscal agent	-	17,739,825	17,739,825
Restricted investments with fiscal agent	-	2,803,315	2,803,315
TOTAL ASSETS	<u>\$32,133,328</u>	<u>\$21,306,048</u>	<u>\$ 53,439,376</u>
LIABILITIES			
Accounts and grants payable	\$ 367,349	\$ -	\$ 367,349
TOTAL LIABILITIES	<u>367,349</u>	<u>-</u>	<u>367,349</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - property taxes	239,121	667,157	906,278
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>239,121</u>	<u>667,157</u>	<u>906,278</u>
FUND BALANCE			
Nonspendable - Prepaid items	79,835	-	79,835
Restricted for debt service	-	20,638,891	20,638,891
Assigned to Board contingency fund	11,600,000	-	11,600,000
Unassigned	19,847,023	-	19,847,023
Total Fund Balances	<u>31,526,858</u>	<u>20,638,891</u>	<u>52,165,749</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$32,133,328</u>	<u>\$21,306,048</u>	<u>\$ 53,439,376</u>

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, 2021

Total fund balances for governmental funds		\$ 52,165,749
Amounts reported for governmental activities in the Statement of Net 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).		9,546,467
Prepaid bond insurance premiums are not current financial resources, and, therefore, are not recorded in the governmental funds balance sheet.		78,009
Interest payable for the general obligation bonds has not been reported in the governmental funds.		(4,438,908)
Pension related liabilities 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 effect only the government-wide statements for governmental activities.		
Deferred outflows of resources	\$ 236,451	
Deferred inflows of resources	(2,411)	
Pension liability	<u>(338,093)</u>	(104,053)
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	\$ (261,328,960)	
Capital appreciation bond accrued interest	(22,373,079)	
Accrued compensated absences	<u>(37,636)</u>	(283,739,675)
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 outflows of resources	\$ 49,934	
Deferred inflows of resources	(149,662)	
OPEB Asset	<u>555,422</u>	455,694
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities.		906,278
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>25,593,457</u>
Net position/(deficit) of governmental activities		<u><u>\$ (199,536,982)</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, 2021

	General Fund	Proposition G Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes, levied for general purposes	\$ 9,176,899	\$ -	\$ 9,176,899
Property taxes, levied for special assessments	-	18,109,116	18,109,116
Investment earnings	105,932	4,202	110,134
Grant and other income	1,065,444	-	1,065,444
Contributions from Grossmont Hospital			
Cogeneration revenue	1,059,833	-	1,059,833
Total Revenues	<u>11,408,108</u>	<u>18,113,318</u>	<u>29,521,426</u>
EXPENDITURES:			
General government	1,853,383		1,853,383
Community healthcare programs	1,464,791		1,464,791
Library operating expenses	403,953		403,953
Facility expenses	317,128		317,128
Contributions to Grossmont Hospital	2,628,000		2,628,000
Debt Service:			
Principal	1,261,572	4,670,000	5,931,572
Interest and fiscal charges	14,109	9,789,569	9,803,678
Total Expenditures	<u>7,942,936</u>	<u>14,459,569</u>	<u>22,402,505</u>
NET CHANGES IN FUND BALANCES	3,465,172	3,653,749	7,118,921
FUND BALANCES, BEGINNING OF YEAR	<u>28,061,686</u>	<u>16,985,142</u>	<u>45,046,828</u>
FUND BALANCES, END OF YEAR	<u>\$ 31,526,858</u>	<u>\$ 20,638,891</u>	<u>\$ 52,165,749</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, 2021

Net change in fund balances - total governmental funds		\$ 7,118,921
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:		
Depreciation expense		(125,304)
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.		
		107,131
Interest accrued on the capital appreciation bonds is expensed when incurred in the Statement of Activities.		
		(2,145,281)
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.		
		(1,261,571)
Revenues reported as unavailable in the governmental funds and recognized in the Statement of Activities.		
		58,411
Pension expenditures 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.		
		(138,987)
OPEB expenditures are recognized when paid in the Statement of Revenues, Expenditures and Changes in Fund Balances and recognized when incurred in the Statement of Activities.		
		101,778
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	\$ 38,173	
Bond insurance	<u>(6,468)</u>	31,705
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	\$5,931,572	
Bond premium amortization	786,134	
Amortization of deferred amount on refunding	<u>(1,344,076)</u>	<u>5,373,630</u>
Change in Net Position of Governmental Activities		<u>\$ 9,120,433</u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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.

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

Government-Wide and Fund 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 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”.

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

Government-Wide and Fund Financial Statements, continued

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

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

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

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.

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 **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, 2021

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 \$25,593,457 relating to the 2015 Series D Refunding Bonds, net of accumulated amortization of \$8,06,815 at June 30, 2021. 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 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.
- Deferred outflow 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.

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 OPEB through the Plans.
- Deferred inflow from 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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

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.

Property Taxes-General Apportionments and Debt Service, continued

The District's levy was at \$24.59 per \$100,000 of assessed valuation as of June 30, 2021. 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 \$78,009, net of amounts defeased, for the 2007A Bonds, at June 30, 2021, is being amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of \$6,468 for the year ended June 30, 2021 is included in the *Statement of Activities* as prepaid bond insurance amortization.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

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.

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.

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

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.

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.

Note C. 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)	
Current assets	
Cash and cash equivalents	\$27,957,590
Investments	3,511,640
Restricted cash and cash equivalents with fiscal agent	17,739,825
Restricted investments with fiscal agent	<u>2,803,315</u>
Total cash, cash equivalents, and investments	<u>\$52,012,370</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

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

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

Statement of Net Position/(Deficit)	
Current assets	
Cash on hand	\$ 92
Deposits with financial institutions	2,485,210
Investments	<u>49,527,068</u>
Total cash, cash equivalents, and investments	<u>\$52,012,370</u>

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	5 Years	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, 2021

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

Fair Value Measurements, continued

The District has the following recurring fair value measurements as of June 30, 2021:

	Quoted Prices <u>Level 1</u>	Observable Inputs <u>Level 2</u>	Unobservable Inputs <u>Level 3</u>	<u>Total</u>
U.S. Government Sponsored				
Agency security				
FHLMC	\$ -	\$ 1,002,530	\$ -	\$ 1,002,530
Negotiable Certificates of Deposit	-	2,509,110	-	2,509,110
Held by fiscal agent:				
U.S. Government Sponsored				
Agency security				
FFCB 0.125 4/27/2023	-	1,122,705	-	1,122,705
FFCB 0.125 5/10/2023	-	1,123,009	-	1,123,009
FFCB 2.6 1/18/2022	-	<u>557,601</u>	-	<u>557,601</u>
Subtotal	<u>\$ -</u>	<u>\$ 6,374,955</u>	<u>\$ -</u>	<u>6,374,955</u>
Local Agency Investment Fund***				25,472,288
Held by fiscal agent:				
Money market mutual funds***				<u>17,739,825</u>
Total investments				<u>\$ 49,527,068</u>

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, 2021

Note C. 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, 2021:

Investment Type		Twelve Months or Less	Thirteen to Twenty-four Months
U.S. Government Sponsored Entities	\$ 3,805,845	\$ 557,601	\$ 3,248,244
Money Market Mutual Funds	17,739,825	17,739,825	-
State Pooled Funds	25,472,288	25,472,288	-
Negotiable Certificates of Deposit	<u>2,509,110</u>	<u>1,510,498</u>	<u>998,612</u>
	<u>\$ 49,527,068</u>	<u>\$ 45,280,212</u>	<u>\$ 4,246,856</u>

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, 2021, for each investment type. Below are rated AA+ by Standard & Poor's:

Investment Type		Ratings as of Year End		
		Minimum Legal Rating	AAA	Not Rated
U.S. Government Sponsored Entities	\$ 3,805,845	N/A	\$ 3,805,845	\$ -
Money Market Mutual Funds	17,739,825	AAA	17,739,825	-
State Pooled Funds	25,472,288	N/A	-	25,472,288
Negotiable Certificates of Deposit	<u>2,509,111</u>	N/A	<u>-</u>	<u>2,509,111</u>
	<u>\$ 49,527,068</u>		<u>\$ 21,545,670</u>	<u>\$ 27,981,398</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note C. 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. As of June 30, 2021, there were no 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.

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, 2021, 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, 2021

Note D. Capital Assets

The following table presents a summary of the changes in capital assets at June 30, 2021:

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Capital Assets Not Depreciated:				
Land	\$ 7,072,969	\$ -	\$ -	\$ 7,072,969
Total capital assets not depreciated	<u>7,072,969</u>	<u>-</u>	<u>-</u>	<u>7,072,969</u>
Capital Assets Being Depreciated:				
Buildings	4,707,202	-	-	4,707,202
Furniture and equipment	<u>533,370</u>	<u>-</u>	<u>-</u>	<u>533,370</u>
Total capital assets being depreciated	<u>5,240,572</u>	<u>-</u>	<u>-</u>	<u>5,240,572</u>
Less Accumulated Depreciation:				
Furniture and equipment	495,901	7,620	-	503,521
Buildings	<u>2,145,869</u>	<u>117,684</u>	<u>-</u>	<u>2,263,553</u>
Total	<u>2,641,770</u>	<u>125,304</u>	<u>-</u>	<u>2,767,074</u>
Total Capital Assets Being Depreciated, net	<u>2,598,802</u>	<u>(125,304)</u>	<u>-</u>	<u>2,473,498</u>
Total Capital Assets, Net	<u>\$ 9,671,771</u>	<u>\$(125,304)</u>	<u>\$ -</u>	<u>\$ 9,546,467</u>

Depreciation expense of \$125,304 is included in general government on the *Statement of Activities* for the fiscal year ended June 30, 2021.

Note E. Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2021, are as follows:

	Long Term Debt 6/30/21			Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>		
<u>General Obligation Bonds</u>					
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -
2007A CAB accrued interest	20,227,798	2,145,281	-	22,373,079	-
2011B CIB's	14,455,000	-	5,000	14,450,000	5,000
2011B unamortized premium	140,340	-	9,965	130,375	-
2015 Series C - CIB's	24,105,000	-	920,000	23,185,000	1,485,000
2015C unamortized premium	3,029,309	-	439,852	2,589,457	-
2015D Series D - CIB's	194,770,000	-	3,745,000	191,025,000	4,205,000
2015D unamortized premium	<u>6,688,369</u>	<u>-</u>	<u>336,317</u>	<u>6,352,052</u>	<u>-</u>
Total general obligation bonds, net	<u>287,012,892</u>	<u>2,145,281</u>	<u>5,456,134</u>	<u>283,702,039</u>	<u>5,695,000</u>
<u>Direct Borrowings & Placements</u>					
Financing obligation	<u>1,261,572</u>	<u>-</u>	<u>1,261,572</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 288,274,464</u>	<u>\$ 2,145,281</u>	<u>\$ 6,717,706</u>	<u>\$ 283,702,039</u>	<u>\$ 5,695,000</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note E. 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.

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note E. Long-Term Liabilities, continued

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, 2021 is \$21,373,079. Interest accrued during the fiscal year ending June 30, 2021 was \$2,145,281.

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

<u>Capital Appreciation Bonds \$23,597,076</u>		
<u>Maturity Date July 15</u>	<u>Yield to Maturity</u>	<u>Principal Amount</u>
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.

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 36 for more information on the 2015D Refunding Bonds.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note E. Long-Term Liabilities, continued

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

Current Interest Bonds \$14,450,000		
Maturity Date July 15	Interest Rate	Principal Amount
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>\$ 14,450,000</u>

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

Current Interest Bonds \$23,185,000		
Maturity Date July 15	Interest Rate	Principal Amount
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>\$ 23,185,000</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 had \$122,385,000 of defeased debt outstanding at June 30, 2021.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note E. Long-Term Liabilities, continued

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

<u>Current Interest Bonds \$191,025,000</u>		
Maturity Date	Interest Rate	Principal Amount
<u>July 15</u>		
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>\$ 191,025,000</u>

Debt Service Requirements

Debt service requirements on Proposition G bonded debt as of June 30, 2021, excluding unamortized premiums, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	7,550,552	11,368,867	18,919,419
2027 - 2031	36,085,552	57,607,566	93,693,118
2032 - 2036	59,629,748	48,712,215	108,314,963
2037 - 2041	124,020,000	15,826,200	139,846,200
Total	<u>\$ 252,257,076</u>	<u>\$ 175,121,925</u>	<u>\$ 427,376,001</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note E. Long-Term Liabilities, continued

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:

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

¹Final Maturity

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 agreed to make all scheduled lease payments required under the Lease direct to the Lessor.

The lease was paid during the year in full and the obligation has been satisfied.

Note F. Fund Balance

Assigned 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, 2021.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note G. 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, 2021, are summarized as follows:

	<u>Miscellaneous Plan</u>
Hire date	Prior to January 1, 2013
Benefit formula	3.0% @ 60
Benefit vesting schedule	5 years 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	\$17,791

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note G. 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. The District's total contribution for the year ended June 30, 2021, was \$109,516.

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

As of June 30, 2021, 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	<u>\$ 338,093</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, 2020, 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, 2019, rolled forward to June 30, 2020, 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.

The District's proportionate share of the net pension liability as of the measurement date ended June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2019	0.00638%
Proportion – June 30, 2020	<u>0.00802%</u>
Change – Increase/(Decrease)	<u>0.00163%</u>

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note G. Defined Benefit Pension Plan, continued

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Contributions made subsequent to measurement period	\$109,516	\$ -
Changes of assumptions	-	2,411
Differences between expected and actual experience	17,423	-
Differences between projected and actual investment earnings	10,044	-
Changes in proportion and difference between employers contribution and proportionate share of contributions	<u>99,468</u>	<u>-</u>
Total	<u>\$236,951</u>	<u>\$ 2,411</u>

The reported deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

<u>Fiscal Year Ending June 30,:</u>	
2022	\$ 63,869
2023	35,740
2024	20,096
2025	4,818
Thereafter	<u>-</u>
	<u>\$124,523</u>

For the year ended June 30, 2021, the District recognized pension expense of \$248,507.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note G. Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2020, measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures was determined using the following actuarial assumptions procedures used to roll forward the total pension liability to June 30, 2020:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5%
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, 2021

Note G. 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, 2021

Note G. 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:

1% Decrease	6.15%
Net Pension Liability	\$815,477
Current Discount Rate	7.15%
Net Pension Liability	\$338,093
1% Increase	8.15%
Net Pension Liability	\$ (56,354)

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, 2021, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note H. 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, 2021, 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, 2021, the District did not have any cash contributions.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note H. Other Post-Employment Benefits, continued

b. Net DPHP Liability/(Asset):

The District's net DPHP liability/(asset) was measured as of June 30, 2020, and the total DPHP liability used to calculate the net DPHP liability/(asset) was determined by an actuarial valuation dated June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. 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, 2020, 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, 2020
Actuarial Cost Method	Entry-Age Normal % of Salary Method
Actuarial Assumptions:	
Discount Rate	7.00%
Payroll Growth	2.75%
Inflation	2.50%
Medical Trend Rates	4.5% to 6.25%

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, 2020, are summarized in the following table:

Asset Class	New Strategic Allocation %	Long-Term Expected Real Rate of Return %
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	100.00 %	

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note H. Other Post-Employment Benefits, continued

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.

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

	<u>Total DPHP Liability</u>	<u>DPHP Net Position</u>	<u>Net DPHP Liability/(Asset)</u>
Balance at June 30, 2020	\$ 2,157,605	\$ 2,750,453	\$ (592,848)
Changes during the Year:			
Service cost	49,226	-	49,226
Interest on total OPEB liability	149,677	-	149,677
Differences between expected and actual experience	(66,061)	-	(66,061)
Changes in assumptions	-	-	-
Contributions - employer		108	(108)
Net investment income		96,658	(96,658)
Administrative expenses		(1,350)	1,350
Benefit payments	(139,527)	(139,527)	-
Other expenses	-	-	-
Net Change	<u>(6,685)</u>	<u>(44,111)</u>	<u>37,426</u>
Balance at June 30, 2021	<u>\$ 2,150,920</u>	<u>\$ 2,706,342</u>	<u>\$ (555,422)</u>

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, 2021

Note H. 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:

	<u>1% Decrease to 6%</u>	<u>Current Rate 7%</u>	<u>1% Increase to 8%</u>
Net DPHP Liability/(Asset)	\$ (359,905)	\$ (555,422)	\$ (724,000)

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 (5.25% decreasing to 3.50%) or 1-percentage point higher (7.25% decreasing to 5.50%) than the current healthcare cost trend rates:

	<u>1% Decrease to 3.5%</u>	<u>Current Ultimate Ultimate Rate 4.5%</u>	<u>1% Increase to 7.25%</u>
Net DPHP Liability/(Asset)	\$ (734,084)	\$ (555,422)	\$ (348,944)

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

For the year ended June 30, 2021, the District recognized DPHP expense of \$(101,670). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to DPHP from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of assumptions	\$ -	\$ 25,844
Differences between expected and actual experience	-	123,818
Net Difference between projected and actual investment earnings	<u>49,934</u>	<u>-</u>
Total	<u>\$ 49,934</u>	<u>\$ 149,662</u>

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

<u>Fiscal Year Ending June 30,:</u>	
2022	\$(114,237)
2023	1,409
2024	8,107
2025	4,993
Thereafter	-

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note H. Other Post-Employment Benefits, continued

f. At June 30, 2021, the District had no outstanding amount of contributions to the DPHP plan required for the year ended June 30, 2021.

Note I. Contributions to Grossmont Hospital Corporation

During the fiscal year, contributions including amounts accrued, to the Corporation were \$2,628,000.

Note J. Commitments and Contingencies

Grant Commitments

The District had grants payable to various agencies under its grant program in the amount of \$328,957 at June 30, 2021.

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, 2021, the arbitrage rebate liability was \$0.

Note K. 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.

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.

GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Note K. Risk Management, continued

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. 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.

Required Supplementary Information

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2021

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

Last Ten Fiscal Years*

	Measurement Date			
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:				
Service cost	\$ 49,226	\$ 61,352	\$ 59,565	\$ 55,668
Interest on total OPEB liability	149,677	165,604	160,893	156,675
Differences between expected and actual experience	(66,061)	(212,905)	-	-
Changes in assumptions	-	(77,530)	-	-
Benefit payments, including refunds	(139,527)	(166,677)	(143,220)	(168,725)
Net Change in Total OPEB Liability	(6,685)	(230,156)	77,238	43,618
Total OPEB Liability - Beginning of Year	2,157,605	2,387,761	2,310,523	2,266,905
Total OPEB Liability - End of Year (a)	2,150,920	2,157,605	2,387,761	2,310,523
Plan Fiduciary Net Position:				
Contributions - employer	108	66,886	19,539	24,241
Net investment income	96,658	168,669	210,983	262,838
Administrative expenses	(1,350)	(584)	(1,395)	(1,337)
Benefit payments	(139,527)	(166,677)	(143,220)	(168,725)
Other expenses	-	-	(3,437)	-
Net Change in Plan Fiduciary Net Position	(44,111)	68,294	82,470	117,017
Plan Fiduciary Net Position - Beginning of Year	2,750,453	2,682,159	2,599,689	2,482,672
Plan Fiduciary Net Position - End of Year (b)	2,706,342	2,750,453	2,682,159	2,599,689
Net OPEB Liability/(Asset) - Ending (a)-(b)	<u>\$ (555,422)</u>	<u>\$ (592,848)</u>	<u>\$ (294,398)</u>	<u>\$ (289,166)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	125.82%	127.48%	112.33%	112.52%
Covered - employee payroll	640,000	650,385	647,147	572,792
Net OPEB liability as percentage of covered - employee payroll	-86.8%	-91.2%	-45.5%	-50.5%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

For measurement period June 30, 2017 there were no changes in assumptions.

For measurement period June 30, 2018 there were no changes in assumptions.

For measurement period June 30, 2019 salary increases was changed to 2.75% plus merit scale and inflation was changed to 2.5%.

For measurement period June 30, 2020 there were no changes in assumptions.

* Fiscal Year 2018 was the first implementation, therefore, only four years are shown.

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2021

Schedule of Contributions - OPEB

Last Ten Fiscal Years*

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contributions	\$ -	\$ -	\$ 34,538	\$ 32,348
Contributions in relation to the actuarially determined contributions	-	-	(66,886)	(32,348)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,348)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 642,110	\$ 640,000	\$ 650,385	\$ 647,147
Contributions as a percentage of covered - employee payroll	0.00%	0.00%	5.36%	4.99%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
----------------	-----------	-----------	-----------	-----------

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	2.50%
Payroll growth	2.75%
Investment rate of return	7.00%
Discount rate	7.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Year Ended June 30, 2021

Schedule of the District's Proportionate Share of the Net Pension Liability-Defined Benefit Plan Last Ten Fiscal Years

Fiscal Year End	2021	2020	2019	2018	2017	2016	2015
Measurement Period	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00802%	0.00638%	0.00190%	0.00210%	0.00179%	0.01585%	0.00668%
Proportionate share of net pension liability	338,093	255,512	183,389	208,704	155,113	434,705	415,578
Covered payroll	667,133	650,385	647,147	572,792	552,613	542,801	538,385
Proportionate share of net pension liability as percentage of covered payroll	50.68%	39.29%	28.34%	18.92%	20.40%	80.74%	77.19%
Plan fiduciary net position as a percentage of the total pension liability	87.40%	75.26%	75.26%	73.31%	75.87%	79.88%	81.14%

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

Schedule of Contributions - Defined Benefit Plan Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 109,516	\$ 135,240	\$ 124,103	\$ 122,437	\$ 116,858	\$ 94,907	\$ 103,403
Contributions made in relation to the actuarially determined contributions	(109,516)	(135,240)	(124,103)	(122,437)	(116,858)	(520,048)	(103,403)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$(425,141)	\$ -
Covered payroll	633,055	667,133	650,385	647,147	572,792	552,613	542,801
Contributions as a percentage of covered payroll	18.12%	20.27%	19.08%	18.92%	20.40%	17.17%	17.61%

Notes to Schedule

Valuation Date:	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
-----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

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	7.0%
Salary increases	Varies by entry age and service
Investment rate of return	7.0%, 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 seven years are shown.

GROSSMONT HEALTHCARE DISTRICT

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2021

	Budget Amount		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, JULY 1	<u>\$ 28,061,686</u>	<u>\$ 28,061,686</u>	<u>\$ 28,061,686</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Property taxes	8,508,540	8,508,540	9,176,899	668,359
Investment income	438,000	438,000	105,932	(332,068)
Cogeneration lease revenue	1,265,214	1,265,214	1,059,833	(205,381)
Grant and other income	<u>114,000</u>	<u>114,000</u>	<u>1,065,444</u>	<u>951,444</u>
Amount available for appropriations	<u>10,325,754</u>	<u>10,325,754</u>	<u>11,408,108</u>	<u>1,082,354</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	2,020,188	2,020,188	1,853,383	166,805
Community healthcare	1,568,200	1,568,200	1,464,791	103,409
Library operating expense	454,592	454,592	403,953	50,639
Facility expense	677,780	677,780	317,128	360,652
Contributions to Grossmont Hospital	3,000,000	3,000,000	2,628,000	372,000
Debt service:				
Principal	1,251,195	1,251,195	1,261,572	(10,377)
Interest and fiscal charges	<u>14,109</u>	<u>14,109</u>	<u>14,109</u>	<u>-</u>
Total charges to appropriations	<u>8,986,064</u>	<u>8,986,064</u>	<u>7,942,936</u>	<u>1,043,128</u>
NET CHANGES IN FUND BALANCE	<u>1,339,690</u>	<u>1,339,690</u>	<u>3,465,172</u>	<u>2,125,482</u>
FUND BALANCE, JUNE 30	<u>\$ 29,401,376</u>	<u>\$ 29,401,376</u>	<u>\$ 31,526,858</u>	<u>\$ 2,125,482</u>

GROSSMONT HEALTHCARE DISTRICT

Budgetary Comparison Schedule – Debt Service Fund

Year Ended June 30, 2021

	Budget Amount		Actual	Variance
	Original	Final		with Final Budget
FUND BALANCE, JULY 1	<u>\$ 16,985,142</u>	<u>\$ 16,985,142</u>	<u>\$ 16,985,142</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Property taxes	15,726,204	15,726,204	18,109,116	2,382,912
Investment income	<u>90,000</u>	<u>90,000</u>	<u>4,202</u>	<u>(85,798)</u>
Amount available for appropriations:	<u>15,816,204</u>	<u>15,816,204</u>	<u>18,113,318</u>	<u>2,297,114</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Debt service:				
Principal	4,670,000	4,670,000	4,670,000	-
Interest and fiscal charges	<u>9,799,569</u>	<u>9,799,569</u>	<u>9,789,569</u>	<u>10,000</u>
Total charges to appropriations	<u>14,469,569</u>	<u>14,469,569</u>	<u>14,459,569</u>	<u>10,000</u>
NET CHANGES IN FUND BALANCE	<u>1,346,635</u>	<u>1,346,635</u>	<u>3,653,749</u>	<u>2,307,114</u>
FUND BALANCE, JUNE 30	<u>\$ 18,331,777</u>	<u>\$ 18,331,777</u>	<u>\$ 20,638,891</u>	<u>\$ 2,307,114</u>