Financial Statements and Independent Auditors' Report

For the Fiscal Year Ended
June 30, 2024

Grossmont Healthcare District

is a public agency that supports community health and wellness programs and services for the residents of San Diego's East County.

Grossmont Healthcare District

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grossmont Healthcare District
La Mesa, California

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grossmont Healthcare District (District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2024, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, budgetary comparison information – general fund, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB asset and related ratios, and schedule of OPEB contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The budgetary comparison schedule – debt service fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information 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 schedule – debt service fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated October 17, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
October 17, 2024

The following management's discussion and analysis provides a narrative overview and analysis of the financial performance of the Grossmont Healthcare District (District) during the fiscal year ended June 30, 2024. Please read this analysis in conjunction with the independent auditor's report and the District's basic financial statements and accompanying notes immediately following this section.

Overview of the Financial Statements

The District presents government-wide financial statements 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. Government-wide financial statements include the Statement of Net Deficit and the Statement of Activities.

Statement of Net Deficit presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position or, in the case of the District, Net Deficit since the long-term debt balance exceeds the amount of assets. The statement of net deficit provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories:

> *Net Investment in Capital Assets* - Capital assets, net of accumulated depreciation and reduced by capital-related outstanding debt.
>
> *Restricted Net Position* - Constraints imposed by creditors, grantors, contributors, laws and regulations of other governments, constitutional provisions, or enabling legislation.
>
> *Unrestricted Net Position* - Does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Assets".

Statement of Activities presents how the District's Net Position changed during the most recent fiscal year. Certain revenues and expenses are reported in the Government-wide Financial Statements as receivables and accrued liabilities for revenues earned and expenses incurred, but not yet received and or paid at fiscal-year end and will result in inflows and outflows of cash in the future. Net Position reflects capital investments as assets, and the Statement of Activities records depreciation expense over the life of the assets.

Following the government-wide financial statements, the District presents governmental funds financial statements which focus on near-term cash flows using the current financial resources measurement focus and the modified-accrual basis of accounting. The District maintains two individual governmental funds:

The *General Fund* is the primary operating fund of the District.

The *Debt Service Fund* is used to account for special assessment property tax revenue and the payment of Proposition G general obligation bond principal and interest.

The District has no proprietary or fiduciary funds. The General Fund and Debt Service Fund are considered to be major funds. Information for these major funds is presented separately.

The District's General Fund is comprised of the following departments:

Community Health Support administers awarding grants, sponsorships, scholarships, and support to Grossmont Hospital, health career students, and to nonprofit organizations sharing the District's mission to maintain and improve the physical and behavioral health needs of the residents of San Diego East County.

Community Health Library operates the Health and Wellness Library providing consumer health resources to East County.

Administrative includes governance, hospital partnership/lease management, finance, accounting, human resources and all internal functions of running the District.

Facilities supports the District's campus related buildings and covers maintenance, security, and risk management.

Balance Sheet - Governmental Funds presents only current financial assets and liabilities.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds presents 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.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Deficit facilitates the comparison between the governmental fund balance and governmental-wide net position.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities facilitates the comparison between the governmental fund revenues and expenditures and governmental-wide revenues and expenses.

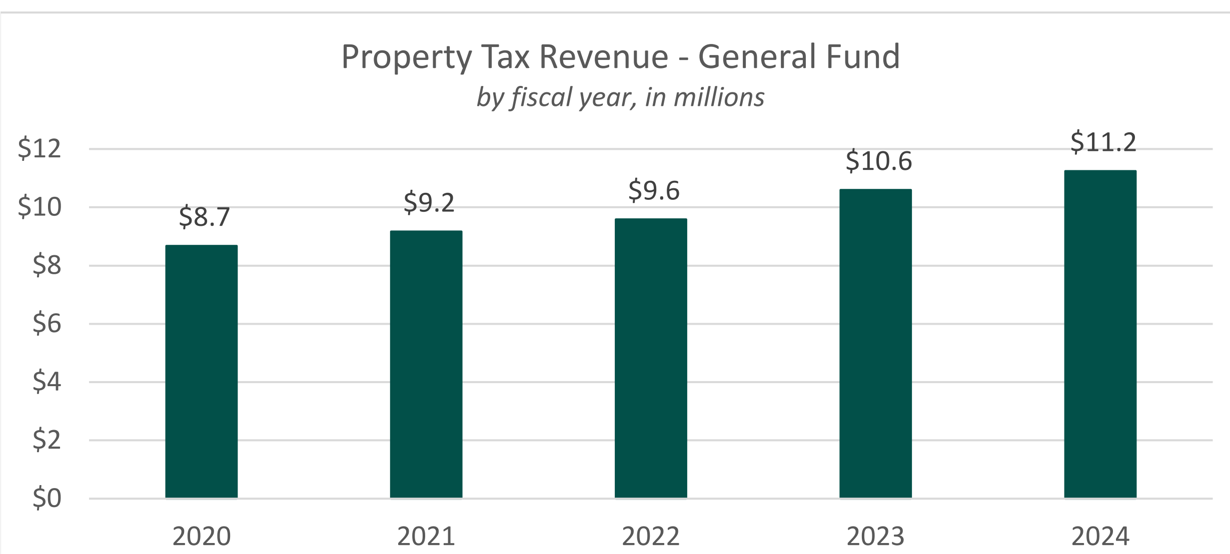
Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements and can be found on pages 19 through 48.

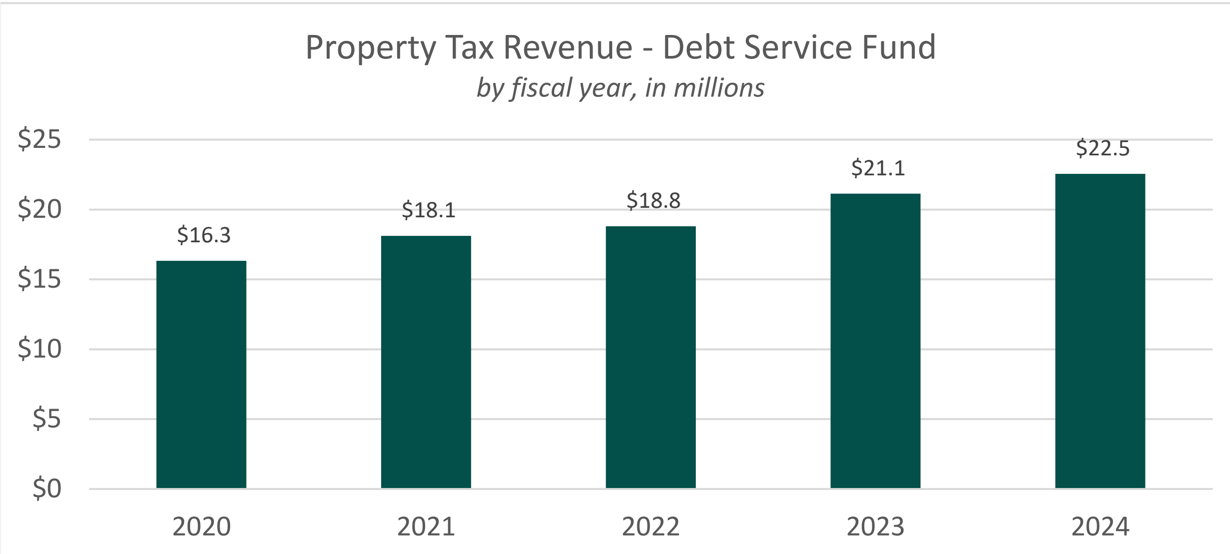
Required Supplementary Information presents certain required supplementary information and can be found from pages 49 through 52 of this report.

Supplementary Information presents the Debt Service fund budgetary statement and can found on page 53.

Financial Highlights

The District's General Fund property tax revenue was $11.2 million, up 6.1% from the previous year, and $22.5 million in property taxes to pay for debt service, up 6.7% from the previous year. The debt service is for bonds issued from 2007 to 2021 and used to finance hospital improvements.





The District's investment earnings were $3.4 million compared to $1.2 million the previous year.

The District paid $16.8 million from restricted property tax revenue to pay debt service.

The District provided support to Sharp Grossmont Hospital and the Grossmont Hospital Foundation as follows:

Intergovernmental Transfer (IGT) program payment for under funded and unfunded Medicaid services	$1,743,692
Sponsorships for fundraising events	67,500

The District provided $1.7 million in community grants, sponsorships, and scholarships.

The District awarded $428k in strategic grants, compared to $53k in the prior year, for initiation of healthcare-related strategic initiatives as follows:

Family Medicine Residency Program (planning)	$200,000
Rural Health Discharge Program (extension)	125,000
Nurse Triage Pilot Program	100,000
Workforce Pipeline Project (remaining funding)	52,500

Financial Analysis on the District

Statement of Net Deficit

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 most significant liability is long-term debt associated with Proposition G. This long-term debt will be paid over time from the receipt of property tax assessments to be collected through 2040. The District's Investment in Capital Assets represents its administrative and library campus and land holdings.

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

	As of June 30:		Change	
	2024	2023		
Cash and Investment - Unrestricted	$ 43,824,497	$ 38,205,191	$ 5,619,306	14.7%
Cash and Investment - Restricted	37,472,207	30,314,431	7,157,776	23.6%
Receivables and Prepaids	665,043	943,955	(278,912)	-29.5%
OPEB Asset	-	699,267	(699,267)	-100.0%
Capital Assets	9,507,914	9,640,566	(132,652)	-1.4%
Deferred Outflows of Resources	23,576,553	23,840,717	(264,164)	-1.1%
Total Assets and Deferred Outflows of Resources	115,046,214	103,644,127	11,402,087	11.0%
Payables and Accrued expenses	13,699,134	13,660,830	38,304	0.3%
Pension and OPEB Liabilities	1,464,957	536,107	928,850	173.3%
Long-Term Debt	259,810,193	267,348,633	(7,538,440)	-2.8%
Deferred Outflows of Resources	250,656	315,246	(64,590)	-20.5%
Total Liabilities	275,224,940	281,860,816	(6,635,876)	-2.4%
Net Deficit	$ (160,178,726)	$ (178,216,689)	18,037,963	-10.1%

The Other Post-Employment Benefit asset (trust assets exceeding actuarily determined liability) from the prior year became an $853k OPEB liability with the most recent actuarial study due to underestimated life expectancies and incomplete data provided to the actuary in prior years.

The District's cash and investments position increased $12.8 million from FY 2023 to FY 2024 due to the growing property tax revenue while decreasing expenditures.

Statement of Activities

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

Statement of Activities

	Total for Fiscal Year Ended June 30:			
	2024	2023	Change	
Revenues:				
Property taxes - general purposes	$ 11,243,604	$ 10,597,257	$ 646,347	6.1%
Property taxes - special assessment	22,544,349	21,132,610	1,411,739	6.7%
Operating grants and contributions	7,500	653,184	(645,684)	-98.9%
Investment earnings / (loss)	3,430,320	1,188,210	2,242,110	188.7%
Other	106,128	152,646	(46,518)	-30.5%
Total Revenues	37,331,901	33,723,907	3,607,994	10.7%
Expenses:				
General Government	2,326,563	2,348,992	(22,429)	-1.0%
Community Healthcare	2,342,918	1,980,977	361,941	18.3%
Library Operations	650,830	545,816	105,014	19.2%
Facilities Expenses	471,659	364,001	107,658	29.6%
Contributions to Grossmont Hospital	1,811,192	2,902,000	(1,090,808)	-37.6%
Debt administration	11,690,776	12,417,718	(726,942)	-5.9%
Total Expenses	19,293,938	20,559,504	(1,265,566)	-6.2%
Change in Net Position	18,037,963	13,164,403	4,873,560	37.0%
Net Position - Beginning	(178,216,689)	(190,319,181)	12,102,492	-6.4%
Prior Period Adjustment	-	(1,061,911)	1,061,911	-100.0%
Net Position - Ending	$ (160,178,726)	$ (178,216,689)	18,037,963	-10.1%

The $2.2 million increase in investment earnings is due to improved market conditions and increasing cash and investment balances.

Grossmont Hospital support decreased by $1.1 million resulting from a $1 million increase in IGT-related payments and a $2 million decrease from the matching grant for the Neurosciences Center concluded in the prior year.

Operating grants and contributions decreased because the District did not receive a federal rebate from the IGT program like it did in previous years.

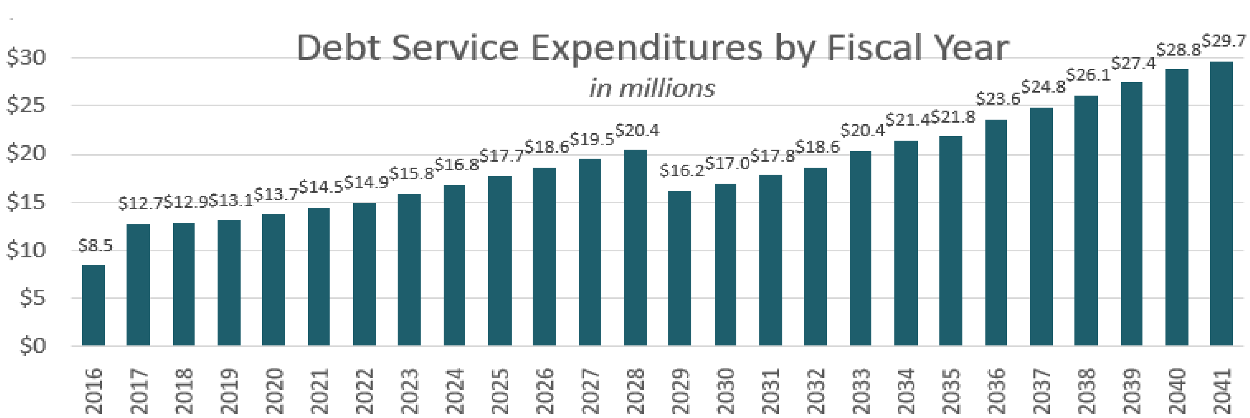
Other variances are less significant and anticipated in the budget.

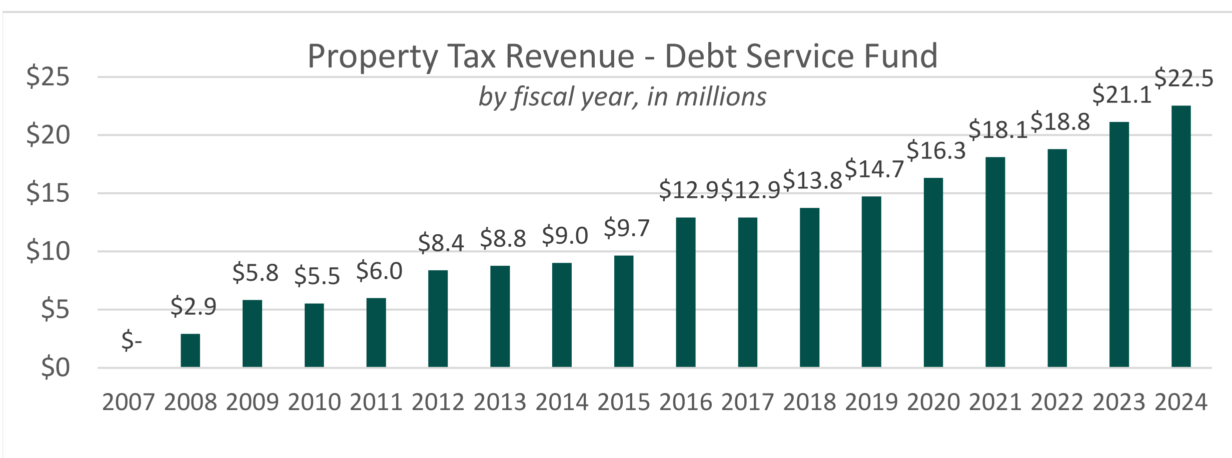
Capital Assets and Debt Administration

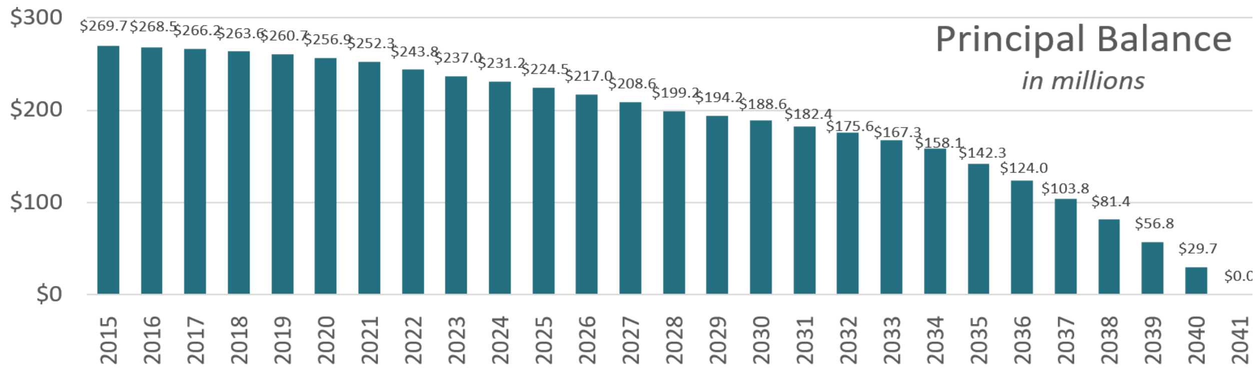
At June 30, 2024 the District had $12.7 million in capital assets and $3.3 million in accumulated depreciation / amortization resulting in $9.5 million of net capital assets. A summary of the activity and balances in capital assets is presented in Note 4 of the Notes to the Financial Statements.

Proposition G authorized the issuance of up to $247 million in general obligation bonds. On August 2, 2007, the District issued Series 2007A in the amount of $85.6 million. On February 23, 2011, the District issued Series 2011B in the amount of $136.9 million. On April 28, 2015, the District issued Series 2015C in the amount of $24.5 million and Series 2015D (Refunding Bonds) in the amount of $200.5 million. On November 22, 2021, the District issued Series 2021E to refund the remaining $14.5 million of Series 2011B bonds.

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







More detail on Long-Term Liabilities is presented in Note 5 of the Notes to the Financial Statements.

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 2025 budget reflects General Fund revenues of $13.2 million and General Fund expenditures of $13.2 million, Debt Service Fund revenues of $24.7 million and Debt Service Fund expenditures of $17.7 million. However, subsequent to adoption of the budget, the District reduced it's Prop G tax rate by 17.1%. A more accurate projection of Debt Service Fund revenues for Fiscal Year 2025 would be $21.3 million.

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.

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Grossmont Healthcare District

Statement of Net Deficit
June 30, 2024

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	$ 43,824,497
Accrued interest receivable	300,489
Property taxes receivable	86,299
Prepaid items	60,742
Total Current Assets	44,272,027
Noncurrent Assets:	
Restricted:	
Cash and investments	37,472,207
Accrued interest receivable	9,375
Property taxes receivable	146,688
Prepaid bond insurance, net	61,450
Capital assets - not being depreciated	7,072,969
Capital assets - being depreciated, net	2,434,945
Total Noncurrent Assets	47,197,634
Total Assets	91,469,661
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	441,328
Related to other post-employment benefits	1,447,670
Related to deferred charges on refunding of long-term debt	21,687,555
Total Deferred Outflows of Resources	23,576,553
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 115,046,214

See Notes to Financial Statements

Grossmont Healthcare District

Statement of Net Deficit
June 30, 2024

	Governmental Activities
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 86,306
Grants payable	609,968
Compensated absences	22,388
Leases payable	4,227
Payable from restricted assets:	
Current portion of bonds payable	6,652,432
Accrued interest expense	6,323,813
Total Current Liabilities	13,699,134
Noncurrent Liabilities:	
Compensated absences	67,165
Leases payable	6,014
Net pension liability	611,994
Net Other Post-Employment Benefits liability	852,963
General obligation bonds	233,815,622
Capital appreciation bond accrued interest expense	25,921,392
Total Noncurrent Liabilities	261,275,150
Total Liabilities	274,974,284
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	102,693
Related to other post-employment benefits	147,963
Total Deferred Inflows of Resources	250,656
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	275,224,940
NET POSITION/(DEFICIT)	
Net investment in capital assets	9,497,673
Restricted for debt service	24,652,025
Unrestricted	(194,328,424)
Total Net Position/(Deficit)	(160,178,726)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/(DEFICIT)	$ 115,046,214

See Notes to Financial Statements

Grossmont Healthcare District

Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Community healthcare programs	$ 2,342,918	$ 7,500	$ (2,335,418)
Contributions to Grossmont Hospital	1,811,192	-	(1,811,192)
Library operating expenses	650,830	-	(650,830)
Facility expenses	471,659	-	(471,659)
General government	2,326,563	-	(2,326,563)
Interest on long-term debt	11,690,776	-	(11,690,776)
Total Governmental Activities	$ 19,293,938	$ 7,500	(19,286,438)

General Revenues:	
Property taxes, levied for general purposes	11,243,604
Property taxes, levied for debt services	22,544,349
Investment earnings	3,430,320
Other revenue	106,128
Total General Revenues	37,324,401
Change in Net Position	18,037,963
Net Position/(Deficit) - Beginning of Year	(178,216,689)
Net Position/(Deficit) - End of Year	$ (160,178,726)

See Notes to Financial Statements

Grossmont Healthcare District

Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Proposition G Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 43,824,497	$ 37,472,207	$ 81,296,704
Property taxes receivable	86,298	146,688	232,986
Accrued interest receivable	300,489	9,375	309,864
Prepaid items	60,742	-	60,742
Total Assets	$ 44,272,026	$ 37,628,270	$ 81,900,296
LIABILITIES			
Accounts payable	$ 86,306	$ -	$ 86,306
Grants payable	609,968	-	609,968
Total Liabilities	696,274	-	696,274
FUND BALANCE			
Nonspendable - prepaid items	60,742	-	60,742
Restricted for debt service	-	37,628,270	37,628,270
Assigned	23,476,000	-	23,476,000
Unassigned	20,039,010	-	20,039,010
Total Fund Balances	43,575,752	37,628,270	81,204,022
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 44,272,026	$ 37,628,270	$ 81,900,296

See Notes to Financial Statements

Grossmont Healthcare District

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Deficit
June 30, 2024

Total fund balances for governmental funds		$ 81,204,022
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)		9,507,914
Prepaid bond insurance premiums are not current financial resources, and, therefore, are not resources in the governmental funds balance		61,450
Interest payable for the general obligation bonds has not been reported in the governmental funds.		(6,323,813)
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 change in these amounts effect only the government-wide statements for governmental activities.		
Deferred outflows of resources	$ 441,328	
Deferred inflows of resources	(102,693)	
Net pension liability	(611,994)	(273,359)
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	$ (240,468,053)	
Capital appreciation bond accrued interest	(25,921,392)	
Leases payable	(10,241)	
Accrued compensated absences	(89,553)	(266,489,239)
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	$ 1,447,670	
Deferred inflows of resources	(147,963)	
Net OPEB Liability	(852,963)	446,744
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.		21,687,555
Net position/(deficit) of governmental activities		$ (160,178,726)

See Notes to Financial Statements

Grossmont Healthcare District

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2024

	General Fund	Proposition G Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes:			
Levied for general purposes	$ 11,243,604	$ -	$ 11,243,604
Levied for debt service	-	22,544,349	22,544,349
Grants and contributions	7,500	-	7,500
Investment earnings	2,061,830	1,368,490	3,430,320
Other income	106,128	-	106,128
Total Revenues	13,419,062	23,912,839	37,331,901
EXPENDITURES:			
Community healthcare programs	2,342,918	-	2,342,918
Contributions to Grossmont Hospital	1,811,192	-	1,811,192
Library operating expenses	650,830	-	650,830
Facility expenses	285,867	-	285,867
Capital outlay	53,140	-	53,140
General government	1,819,976	-	1,819,976
Debt Service:			
Principal payments	-	5,813,792	5,813,792
Interest and fiscal charges	-	10,986,131	10,986,131
Total Expenditures	6,963,923	16,799,923	23,763,846
NET CHANGES IN FUND BALANCE	6,455,139	7,112,916	13,568,055
FUND BALANCES, BEGINNING OF YEAR	37,120,613	30,515,354	67,635,967
FUND BALANCES, END OF YEAR	$ 43,575,752	$ 37,628,270	$ 81,204,022

See 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, 2024

Net change in fund balances - total governmental funds		$ 13,568,055
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital asset acquisitions and leased asset additions as expenditures, however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense.		(125,585)
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.		(258,468)
Interest accrued on the capital appreciation bonds is expensed when incurred in the Statement of Activities.		(133,227)
Revenues reported as unavailable in the governmental funds are recognized in the Statement of Activities.		
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		(196,528)
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.		(274,558)
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	$ (35,502)	
Bond insurance	(5,046)	(40,548)
The repayment of the principal portion of long-term debt consumes current financial resources of governmental funds. However, these transactions have no effect on the net position:		
Principal payments	$ 5,813,792	
Bond premium amortization	1,041,635	
Amortization of deferred amount on refunding	(1,356,605)	5,498,822
Change in Net Position of Governmental Activities		$ 18,037,963

See Notes to Financial Statements

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

Grossmont Healthcare District (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, by division, elected Board of Directors.

B. 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.

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

Net 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.

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.

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

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

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

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.

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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.

D. Deferred Outflows/Inflows of Resource

In addition to assets, the Statement of Net Position/(Deficit) reports 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 relating to the 2015 Series D Refunding and 2021 Series E Bonds. These are amortized on a straight-line basis over the shortest period between the defeased debt and the new debt.
- Total deferred outflows related to pensions which is comprised of changes in employer's contributions and proportionate share of contributions employer's proportion, differences between projected and actual investment earnings, and pension contributions made subsequent to measurement date. See more detail in Note 7D.

In addition to liabilities, the Statement of Net Deficit reports 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 related to pensions for differences between expected and actual experience. See more detail in Note 7D.
- Deferred inflows related to OPEB which is comprised of differences between expected and actual experience, changes in assumptions, and differences between actual and projected and actual return on investments. See more detail in Note 8J.

E. 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.

The District's levy was at $20.38 per $100,000 of assessed valuation as of June 30, 2024. 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.

F. Income Taxes

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

G. Cash and Investments

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at acquisition. Investments in debt securities with readily determinable fair values are measured at fair value in the Statement of Net Deficit. Investments in government investment pools are reported at the fair value per share of the pool's underlying portfolio.

H. Receivable from California Employee Retirement Benefit Trust (CERBT)

CERBT is an irrevocable post-employment benefit trust fund from which the District receives reimbursements for employer-provided retiree health benefits.

I. Prepaid Bond Insurance, Net

Prepaid bond insurance related to the 2007A Bonds is being amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of $5,045 for the year ended June 30, 2024 is included in the Statement of Activities.

J. 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.

K. Grants Payable

Grants payable represents amounts committed to local nonprofit and local government agencies under the District's community healthcare grant and strategic grant program.

L. 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.

M. Leases Payable

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the governmental activities in the government-wide statement of net position. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

N. 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.

O. 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.

P. 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.

Q. Stewardship, Compliance and Accountability

The Chief Administrative Officer shall prepare and submit the proposed annual budget to the Board for its approval for all governmental funds.

The budget is reviewed during public meetings and is then legally enacted by means of a budget adoption 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 Administrative Officer.

Budgets are prepared using a budgetary (cash basis) of accounting. Budget amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.

Note 2 - 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. The North San Diego County Health Facilities Financing Authority was dissolved during the 2022-23 fiscal year. See Note 5C for more information on the role of the Authorities in the District's bond issuance process.

Note 3. Cash, Cash Equivalents, and Investments

The overriding objectives of the District's investment program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

Cash, cash equivalents, and investments are classified in the accompanying financial

	Statement of Net Position/(Deficit)
Assets	
Cash and investments	$ 43,824,497
Restricted cash and cash equivalents for debt service	37,472,207
Total cash, cash equivalents, and investments	$ 81,296,704

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

	Statement of Net Position/(Deficit)
Assets	
Cash on hand	$ 350
Deposits with financial institutions	92,897
Investments	81,203,457
Total cash, cash equivalents, and investments	$ 81,296,704

A. Investments Authorized by CA Government Code and 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.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Max. Invest. Per Issuer
Municipal Securities	5 Years	30%	5%
U.S. Treasuries	5 Years	None	None
Federal Agencies	5 Years	None	30%
Bankers Acceptance	180 Days	40%	5%
Commercial Paper	270 Days	40%	5%
Certificates of Deposit	5 Years	30%	5%
Repurchase Agreements	1 Year	None	None
Local Agency Investment Pools	None	None	None
Corporate Medium Term Notes	5 Years	30%	5%
Asset-Backed, Mortgage-Backed Securities	5 Years	30%	5%
Mutual Funds	None	20%	20%
Supranationals	5 Years	30%	5%

B. 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. The District has the following recurring fair value measurements as of June 30, 2024:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasuries	$ -	$ 9,605,355	$ -	$ 9,605,355
Federal Agencies	-	5,813,195	-	5,813,195
Supranational Obligations	-	340,000	-	340,000
Corporate Medium Term Notes	-	7,312,752	-	7,312,752
Asset-Backed Securities	-	3,054,615	-	3,054,615
Collateralized Mortgage Obligations		1,283,266	-	1,283,266
Investments not subject to categorization:				
Local Agency Investment Fund (LAIF)	-	-	-	4,940,583
California CLASS				4,036,209
Money Market Mutual Funds	-	-	-	44,817,482
Total Investments at Fair Value	$ -	$ 27,409,183	$ -	$ 81,203,457

C. 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 to provide the cash flow and liquidity needed for operations. 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, 2024:

Investment Type	1 Year or Less	1 to 3 Years	3 to 5 Years	Total
U.S. Treasuries	$ 2,934,357	$ 4,358,234	$ 2,312,764	$ 9,605,355
Federal Agencies	1,564,918	3,391,441	856,836	5,813,195
Local Agency Investment Fund	4,940,583	-	-	4,940,583
California CLASS	4,036,209			4,036,209
Supranational	340,000	-	-	340,000
Corporate Medium Term Notes	1,960,760	3,977,722	1,374,270	7,312,752
Asset-Backed Securities	-	1,294,073	1,760,542	3,054,615
Collateralized Mortgage Obligation	-	574,184	709,082	1,283,266
Money Market Mutual Funds	44,817,482	-	-	44,817,482
Total	$ 60,594,309	$ 13,595,654	$ 7,013,494	$ 81,203,457

D. 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, 2024, for each investment type.

Investment Type	Minimum Legal Rating	Not Rated	Aaa / P-1 / S-1	Aa	A	Total
U.S. Treasuries	N/A	$ 9,605,355	$ -	$ -	$ -	$ 9,605,355
Federal Agencies	N/A	-	5,813,195	-	-	5,813,195
California Class	AAAf / S-1	-	4,036,209	-	-	4,036,209
LAIF	NR	4,940,583	-	-	-	4,940,583
Supranationals	Aa	-	340,000	-	-	340,000
Corporate Notes	A	-	306,944	392,597	6,613,211	7,312,752
Asset-Backed Sec.	Aa	-	3,054,615	-	-	3,054,615
Collateralized MO	Aa	-	1,283,266	-	-	1,283,266
MM Mutual Funds	Aaa / P-1	44,817,482	-	-	-	44,817,482
Total		$ 59,363,420	$ 14,834,229	$ 392,597	$ 6,613,211	$ 81,203,457

E. 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, 2024, 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.

F. 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, 2024, all of District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

G. Investment in the California Cooperative Liquid Assets Securities System

The District is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS). California CLASS is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. The fair value of the District's investment in this pool is reported in the accompanying financial statements

H. Investment in 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.

I. Restricted Cash and Investments as of June 30, 2024

Restricted:	
Cash and investments	$ 37,472,207
Accrued interest payable	9,375
Property taxes receivable	146,688
Payable from restricted assets:	
Current portion of bonds payable	(6,652,432)
Accrued interest expense	(6,323,813)
Total Restricted Net Position	$ 24,652,025

Note 4 - Capital Assets

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

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital Assets Not Depreciated:				
Land	$ 7,072,969	$ -	$ -	$ 7,072,969
Total capital assets not depreciated	7,072,969	-	-	7,072,969
Capital Assets Being Depreciated:				
Buildings and improvements	4,707,202	40,533	-	4,747,735
Furniture and equipment	881,410	12,607	-	894,017
Right-to-use assets	63,434	-	-	63,434
Total capital assets being depreciated	5,652,046	53,140	-	5,705,186
Less Accumulated Depreciation:				
Buildings	2,498,917	117,680	-	2,616,597
Furniture and equipment	538,606	55,425	-	594,031
Right-to-use assets	46,926	12,687	-	59,613
Total	3,084,449	185,792	-	3,270,241
Total Capital Assets Being Depreciated, Net	2,567,597	(132,652)	-	2,434,945
Total Capital Assets, Net	$ 9,640,566	$ (132,652)	$ -	$ 9,507,914

Depreciation expense of $185,792 is included in general government on the Statement of Activities for the fiscal year ended June 30, 2024.

Note 5 - Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2024, are as follows:

	Balance 6/30/2023	Increases	Decreases	Balance 6/30/2024	Due Within One Year
Compensated Absences	$ 54,051	$ 129,798	$ 94,296	$ 89,553	$ 22,388
Leases Payable					
Wells Fargo - copiers	2,914	-	2,914	-	-
Wells Fargo - copier	4,294	-	1,694	2,600	1,725
PitneyBowes postage machine	10,098	-	2,457	7,641	2,502
Total Leases Payable	17,306	-	7,065	10,241	4,227
Net Pension Liability	-	817,463	281,356	536,107	-
General Obligation Bonds					
2007 Series A - CABs	23,597,076	-	1,978,792	21,618,284	2,022,432
2015 Series C - CIBs	19,600,000	-	2,780,000	16,820,000	3,520,000
2015C unamortized premium	1,709,752	-	439,853	1,269,899	-
2015 Series D - CIBs	182,125,000	-	1,055,000	181,070,000	1,110,000
2015D unamortized premium	5,679,418	-	336,317	5,343,101	-
2021 Series E - CIBs	11,670,000	-	-	11,670,000	-
2021E unamortized premium	2,942,235	-	265,465	2,676,770	-
Total General Obligation Bonds, net	247,323,481	-	6,855,427	240,468,054	6,652,432
2007A CAB accrued interest	25,788,165	133,227	-	25,921,392	-
Less Current Maturities	(5,834,370)			(6,679,047)	
Total Long-Term Liabilities	$ 267,348,633	$ 1,080,488	$ 7,238,144	$ 260,346,300	$ 6,679,047

CIBs = Current Interest Bonds; CABs = Capital Appreciation Bonds

A. Leases Payable

The District leases equipment under three long-term noncancelable lease agreements. The leases expire at various dates through June 9, 2027. The net present values of the leases payable were determined using an estimated discount rate of 1.8%. Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30,:	Principal	Interest	Total
2025	$ 4,227	$ 154	$ 4,381
2026	3,421	79	3,500
2027	2,593	64	2,657
Totals	$ 10,241	$ 297	$ 10,538

B. 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 were issued in multiple series as general obligations of the District. The proceeds from the sale of the bonds were 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.

C. 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.

In November 2021, Series 2021E general obligation refunding bonds (Series 2021E Refunding Bonds) in the amount of $11,670,000 were sold at a premium of $3,492,929 to refund the remaining Series 2011B bonds. The Series 2021 Refunding Bonds were sold direct to Goldman Sachs & Co. LLC, the underwriter, under the terms of a negotiated sale agreement.

D. Security for the Bonds

The Series 2007A, 2015C, 2015D, 2021E 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, 2015C, 2015D, and 2021E Bonds. The 2007A, 2015C, 2015D, and 2021E Bonds are not obligations of the County of San Diego, the Authorities, the State or any of its political subdivisions, other than the District.

E. 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 2015C, 2015D, and 2021E Bonds are uninsured.

F. Series 2007A Capital Appreciation Bonds

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, 2024, is $25,788,165. Interest accrued during the fiscal year ended June 30, 2024 was $1,124,865. The remaining maturity schedule of the 2007A capital appreciation bonds is as follows:

Capital Appreciation Bonds $21,618,284		
Maturity Date July 15	Yield to Maturity	Principal Amount
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
		$ 21,618,284

In May 2015, a portion of the 2007A CIB Bonds were decreased by the 2015D Refunding Bonds. See page 36 for more information on the 2015D Refunding Bonds.

G. Series 2015C Current Interest Bond

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

Current Interest Bonds $16,820,000		
Maturity Date July 15	Interest Rate	Principal Amount
2024	5.000%	$ 3,520,000
2025	5.000%	3,990,000
2026	5.000%	4,425,000
2027	5.000%	4,885,000
		$ 16,820,000

H. Series 2015D Current Interest Bonds

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 defeased 2011B bonds were retired on November 30, 2021. As of June 30, 2022, all defeased debt has been retired. The remaining maturity schedule of the 2015D current interest bonds is as follows:

Current Interest Bonds $181,70,000		
Maturity Date July 15	Interest Rate	Principal Amount
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
		$ 181,070,000

I. Series 2021E Current Interest Bonds

In November 2021, the District issued $11,670,000 Refunding General Obligation Bonds, Series 2021E for the purpose for refunding the remaining 2011B bonds. The defeased 2011B bonds were retired on November 30, 2021. The remaining maturity schedule of the 2021E current interest bonds is as follows:

Current Interest Bonds $11,670,000		
Maturity Date July 15	Interest Rate	Principal Amount
2026	5.000%	$ 680,000
2027	5.000%	1,075,000
2028	5.000%	1,520,000
2029	5.000%	1,995,000
2030	5.000%	2,520,000
2031	5.000%	3,080,000
2034	5.000%	800,000
		$ 11,670,000

J. Debt Service Requirements

Debt service requirements on Proposition G bonded debt as of June 30, 2024, excluding unamortized premiums, are as follows:

For the Year Ending June 30:	Principal	Interest	Total
2025	$ 6,652,432	$ 11,006,131	$ 17,658,563
2026	7,550,552	11,044,886	18,595,438
2027	8,421,877	11,052,935	19,474,812
2028 - 2032	32,916,721	57,018,068	89,934,789
2033 - 2037	71,861,702	39,286,398	111,148,100
2038 - 2041	103,775,000	5,291,700	109,066,700
Total	$ 231,178,284	$ 134,700,118	$ 365,878,402

K. 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	29,685,000

Note: 2040 is Final Maturity

Note 6 - Net Investment in Capital Assets as of June 30, 2024

Net Investment in Capital Assets:	
Capital assets - not being depreciated	$ 7,072,969
Capital assets - being depreciated, net	2,434,945
Leases payable - current portion	(4,227)
Leases payable - non-current portion	(6,014)
Total Net Investment in Capital Assets	$ 9,497,673

Note 7 - Fund Balance

The Fund Balance in Balance Sheet - Governmental Funds represents assets and deferred outflows less liabilities and deferred inflows and is comprised of $60,742 nonspendable prepaid expenses, $37,628,270 in amounts restricted for debt service, $23,476,000 in reserves as adopted by the District's Board of Directors for administration and operations, future projects, emergencies, and contingencies, and $20,039,010 in unassigned fund balance.

Note 8 - Retirement Plan (Defined Benefit Pension Plan)

A. 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.

B. 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, 2024, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of annual salary	2% to 3%	1% to 2.5%
Required employee contribution rates	8%	7.75%
Required employer contribution rates	17.26%	7.68%

C. 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, 2024, was $88,740.

D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions Benefits Provided

As of June 30, 2024, 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	$ 611,994

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, 2023, 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, 2022, rolled forward to June 30, 2023, 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, 2023 and 2024 was as follows:

	Miscellaneous
Proportion - June 30, 2023	0.01146%
Proportion - June 30, 2024	0.01224%
Change - Increase/(Decrease)	0.00078%

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes in assumptions	$ 36,949	$ -
Differences between expected and actual experience	31,264	4,850
Differences between projected and actual investment earnings	99,087	-
Differences between employer's contributions and proportionate share of contributions and changes in employer's proportion	-	97,843
Change in employer's portion	185,288	-
Pension contributions made subsequent to measurement date	88,740	-
Total	$ 441,328	$ 102,693

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, 2024.

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

Fiscal Year Ending June 30,:	
2025	$ 104,891
2026	59,204
2027	60,064
Thereafter	-
	$ 224,159

For the year ended June 30, 2024, the District recognized pension expense of $285,267.

E. Actuarial Assumptions

The total pension liability in the June 30, 2023, measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures was determined using the following actuarial assumptions procedures used to roll forward the total pension liability to June 30, 2024:

Valuation Date	June 30, 2022	
Measurement Date	June 30, 2023	
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	6.90%	
Inflation	2.30%	
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 probabilities of mortality are based on the *2021 CalPERS Experience Study and Review of Actuarial Assumptions* . Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

(3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.30% thereafter.

F. 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class [1]	Assumed asset allocation	Real return [1,2]
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

[1] An expected inflation of 2.3% used for this period.

[2] Figures are based on the 2021 Asset Liability Management study.

G. Discount Rate

The discount rate used to measure the total pension liability was 6.9%. 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.

H. 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

1% Decrease	5.9%
Net Pension Liability	$ 1,231,967
Current Discount Rate	6.9%
Net Pension Liability	$ 611,994
1% Increase	7.9%
Net Pension Liability	$ 101,703

H. Pension Plan Fiduciary Net Pension

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

I. Payable to the Pension Plan

At June 30, 2024, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

Note 9 - Other Post-Employment Benefits (OPEB)

A. 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. Out-of-pocket costs for active employees are capped at $3,000 per year for each participant/dependent. 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.

B. Employees Covered

As of the June 30, 2024, the following current and former employees were covered by the benefit terms under the plan:

	Count
Inactive plan members currently receiving benefit payments	9
Active plan members	11
Total	20

C. Contributions

The OPEB plan 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, 2024, the District did not have any cash contributions.

D. Net OPEB Liability/(Asset)

The District's net OPEB liability/(asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2023. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

E. Actuarial Assumptions

The total OPEB liability at the June 30, 2023, measurement date was determined by an actuarial valuation as of June 30, 2023, the total OPEB liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal % of Salary Method
Actuarial Assumptions:	
Discount Rate	6.75%
Payroll Growth	2.75%
Inflation	2.50%
Medical Trend Rates	4.00%

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 OPEB plan's target asset allocation as of June 30, 2023, are summarized in the following table:

CERBT - Strategy 1

Asset Class	% of Portfolio	Assumed Gross Return
All Equities	59%	7.545%
All Fixed Income	25%	4.250%
Real Estate Investment Trusts	8%	7.250%
All Commodities	3%	7.545%
Treasury Inflation Protected Assets (TIPs)	5%	3.000%
Total	100%	

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 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 OPEB's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in the Net OPEB Liability/(Asset):

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2022 Measurement Date	$ 1,907,253	$ 2,606,520	$ (699,267)
Service cost	88,303	-	88,303
Interest on Total OPEB Liability / Return on FNP	123,693	180,821	(57,128)
Employer contributions	-	849	(849)
Benefit payments	(269,232)	(269,232)	-
Administrative expenses	-	(766)	766
Experience (gains)/losses	1,324,639	-	1,324,639
Changes in assumptions	196,499	-	196,499
Net Change during FY 2023	1,463,902	(88,328)	1,552,230
Balance at June 30, 2023 Measurement Date	$ 3,371,155	$ 2,518,192	$ 852,963

H. Experience (Gains)/Losses

Experience losses of $1,324,639 are due to including long-term care costs that were omitted from the previous study, retirees outliving life expectancy assumptions, a long-time employee inadvertently omitted from the last study, and health cost costs increasing more than anticipated.

I. Change of Assumptions

The assumed rates of retirement, termination, and mortality were updated to align with the most recent rates used by the CalPERS pension system resulting in the

J. Trend and Interest Rate Sensitivities

The following presents what the Net OPEB Liability would be if it were calculated using a discount rate assumption or a healthcare trend rate assumption one percent higher or lower that the current assumption.

Net OPEB Liability/(Asset) at June 30, 2022 Measurement Date	Discount Rate	Healthcare Trend Rate
1% Decrease in Assumptions	$ 1,150,802	$ 567,086
Current Assumptions	852,963	852,963
1% Increase in Assumptions	597,390	1,187,135

K. Deferred Inflows and Outflows

Changes in Net OPEB Liability arising from certain sources are recognized on a deferral item as of the measurement date and the scheduled future recognition.

	Deferred	
	Inflows	Outflows
Balances at June 30, 2024 Fiscal Year-End		
Differences between expected and actual experience	$ 77,125	$ 1,114,378
Changes in assumptions	70,838	165,308
Differences between projected and actual return on assets	-	167,984
Total	$ 147,963	$ 1,447,670
To be Recognized Fiscal Year Ending June 30,:		
2025	$ 46,081	$ 272,468
2026	32,868	254,263
2027	32,868	368,402
2028	32,868	238,659
2029	3,278	241,452
Thereafter	-	72,426
Total	$ 147,963	$ 1,447,670

At June 30, 2024, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

Note 10 - Contributions to Grossmont Hospital Foundation and Corporation

During the fiscal year, contributions to the Sharp Grossmont Hospital Foundation amounted to $67,500 for sponsorships and a $2,000,000 Inter-Governmental Transfer with an offsetting receipt (rebate) in accordance with provision from the Affordable Care Act in the amount of $256,308 for prior year IGT payments. The total amount of Hospital support, net of the rebate, was $1,811,192 for the fiscal year ended June 30, 2024.

Note 11 - Risk Management

A. 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.

B. General, Auto and Public Officials Coverage Under SDRMA Policy Arbitrage Rebate Liability

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.

C. Property Loss Coverage Under SDRMA Policy

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

D. Employee Dishonesty Under SDRMA Policy

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

E. Workers' Compensation Under SDRMA Policy

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

- 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.

F. 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.

G. Boiler and Machinery Coverage Under SHARP Policy

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

H. 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.

I. Seismic Update

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

J. 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.

K. Adequacy of Protection

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

Note 12 - Commitments and Contingencies

A. Grant Commitments

The District had grants payable to various agencies under its grant program in the amount of $609,968 at June 30, 2024.

During the year, the District committed to four strategic grants: a family medicine residency program, rural health discharge program, nurse triage pilot program, and a workforce pipeline project. The District amended the budget to appropriate $428,000 for these grants. As of June 30, 2024, no amounts have been billed or are due regard

B. 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.

C. 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, 2024, the arbitrage rebate liability was $0.

D. Excluded Leases - Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 – months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Note 14 - Subsequent Events

The District has evaluated subsequent events through October 17, 2024, the date at which the financial statements were available to be issued.

Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fiscal Year End	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Period	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.012%	0.011%	-0.007%	0.008%	0.638%	0.002%	0.002%	0.002%	0.016%	0.007%
Proportionate share of net pension liability	611,994	536,107	(138,142)	338,093	255,512	183,389	208,704	155,113	434,705	415,578
Covered payroll	997,021	847,901	799,151	778,846	607,890	648,489	629,091	545,359	541,650	533,143
Proportionate share of net pension liability as a percentage of covered payroll	61.38%	63.23%	-21.82%	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		85.04%	99.46%	87.47%	89.54%	90.27%	92.88%	91.10%	80.60%	82.50%

Schedule of Contributions - Pension
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 88,740	$149,346	$ 94,048	$109,516	$135,240	$124,103	$122,437	$116,858	$ 94,907	$103,403
Contributions made in relation to the actuarially determined contributions	(88,740)	(149,346)	(94,048)	(109,516)	(135,240)	(124,103)	(122,437)	(116,858)	(520,048)	(103,403)
Contributions deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (425,141)	$ -
Covered payroll		997,021	847,901	799,151	778,846	607,890	648,489	629,091	545,359	541,650
Contribution as a percentage of covered payroll		14.98%	11.09%	13.70%	17.36%	20.42%	18.88%	18.58%	17.40%	19.09%

Notes to Schedule:

Valuation date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	/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	2.3%
Salary increases	Varies by entry age and service
Investment rate of return	6.9%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	Derived using CalPERS' membership data for all funds

Grossmont Healthcare District

June 30, 2024

Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

	Measurement Date						
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:							
Service cost	$ 88,303	$ 85,940	$ 50,580	$ 49,226	$ 61,352	$ 59,565	$ 55,668
Interest on total OPEB liability	123,693	125,289	146,792	149,677	165,604	160,893	156,675
Differences between expected and actual experience	1,324,639	-	(110,679)	(66,061)	(212,905)	-	-
Changes in assumptions	196,499	-	(122,675)	-	(77,530)	-	-
Benefit payments	(269,232)	(234,279)	(184,635)	(139,527)	(166,677)	(143,220)	(168,725)
Net Change in Total OPEB Liability	1,463,902	(23,050)	(220,617)	(6,685)	(230,156)	77,238	43,618
Total OPEB Liability:							
Beginning of Year	1,907,253	1,930,303	2,150,920	2,157,605	2,387,761	2,310,523	2,266,905
End of Year (a)	3,371,155	1,907,253	1,930,303	2,150,920	2,157,605	2,387,761	2,310,523
Plan Fiduciary Net Position:							
Contributions - employer	849	2,502	323	108	66,886	19,539	24,241
Net investment income	180,821	(435,534)	753,666	96,658	168,669	210,983	262,838
Administrative expenses	(766)	(834)	(1,031)	(1,350)	(584)	(1,395)	(1,337)
Benefit payments	(269,232)	(234,279)	(184,635)	(139,527)	(166,677)	(143,220)	(168,725)
Other expenses		-	-	-	-	(3,437)	-
Net Change in Plan Fiduciary Net Position	(88,328)	(668,145)	568,323	(44,111)	68,294	82,470	117,017
Plan Fiduciary Net Position:							
Beginning of Year	2,606,520	3,274,665	2,706,342	2,750,453	2,682,159	2,599,689	2,482,672
End of Year (b)	2,518,192	2,606,520	3,274,665	2,706,342	2,750,453	2,682,159	2,599,689
Net OPEB Liability/(Asset) Ending (a)-(b)	$ 852,963	$ (699,267)	$ (1,344,362)	$ (555,422)	$ (592,848)	$ (294,398)	$ (289,166)
Plan fiduciary net position as a % of the total OPEB liability	74.70%	136.66%	169.65%	125.82%	127.48%	112.33%	112.52%
Covered - employee payroll	847,901	799,151	642,110	640,000	650,385	647,147	572,792
Net OPEB liability as percentage of covered - employee payroll	100.6%	-87.5%	-209.4%	-86.8%	-91.2%	-45.5%	-50.5%

Notes to Schedule:

There were no changes in benefits.

Changes in Assumptions - For measurement period June 30, 2021, assumed Valuation Interested Rate decreased from 7% in the prior year to 6.75%. The assumed Long Term Medical Trend Rate decreased from 4.5% in the prior year to 4%.

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

Schedule of Contributions - OPEB

Last Ten Fiscal Years*

	6/30/2024	6/30/2023	6/30/2022	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)							
	$ -	$ -	$ -	$ -	$ -	$ (32,348)	$ -
Covered - employee payroll							
	$ 997,021	$ 847,901	$ 799,151	$ 778,846	$ 607,890	$ 648,489	$ 629,091
Contribution as a % of covered employee payroll							
	0.00%	0.00%	0.00%	0.00%	0.00%	5.33%	5.14%

Notes to Schedule:

Valuation Date

6/30/2023	6/30/2022	6/30/2021	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	6.75%
Discount rate	6.75%
Trend	4.00%

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

Budgetary Comparison Schedule - General Fund

	Budget Amount			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 37,883,000	$ 37,883,000	$ 38,829,920	$ 946,920
RESOURCES (INFLOWS)				
Property taxes	10,455,000	10,455,000	11,190,921	735,921
Investment earnings	928,000	928,000	1,518,573	590,573
Briercrest lease revenue	95,000	95,000	95,738	738
Grant and other income	-	-	17,890	17,890
Transfer for CERBT	263,000	263,000	268,383	5,383
Amount available for appropriations	11,741,000	11,741,000	13,091,505	1,350,505
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	1,903,000	1,903,000	1,710,714	(192,286)
Community healthcare	2,768,000	3,003,000	2,389,834	(613,166)
Library operating expense	968,000	968,000	650,982	(317,018)
Facilities expense	325,000	325,000	307,622	(17,378)
Capital improvements	2,650,000	2,650,000	51,853	(2,598,147)
Contributions to Grossmont Hospital	3,070,000	3,070,000	2,811,192	(258,808)
Total charges to appropriations	11,684,000	11,919,000	7,922,197	(3,996,803)
NET CHANGES IN FUND BALANCE	57,000	(178,000)	5,169,308	5,347,308
FUND BALANCE, JUNE 30	$ 37,940,000	$ 37,705,000	$ 43,999,228	6,294,228

Budgets and comparisons are prepared on a budgetary (cash) basis.

Budgetary Comparison Schedule - Debt Service Fund

	Budget Amount			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 28,673,000	$ 28,673,000	$ 30,314,431	$ 1,641,431
RESOURCES (INFLOWS)				
Property taxes	20,019,000	20,019,000	22,611,863	2,592,863
Investment earnings	533,000	533,000	1,311,100	778,100
Amount available for appropriations	20,552,000	20,552,000	23,922,963	3,370,963
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Debt service:				
Principal	5,814,000	5,814,000	5,813,792	(208)
Interest and fiscal charges	10,951,000	10,951,000	10,951,396	396
Total charges to appropriations	16,765,000	16,765,000	16,765,188	188
NET CHANGES IN FUND BALANCE	3,787,000	3,787,000	7,157,775	3,370,775
FUND BALANCE, JUNE 30	$ 32,460,000	$ 32,460,000	$ 37,472,206	5,012,206

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Grossmont Healthcare District
La Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grossmont Healthcare District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2024.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Compliance and Other Matters

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

Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
October 17, 2024