



Annual Financial Report

**For the Fiscal Year
Ended**

June 30, 2020

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PENINSULA HEALTH CARE DISTRICT

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Independent Auditor's Report

Board of Directors
Peninsula Health Care District
Burlingame, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Palo Alto, California
December 31, 2020

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

As management of the Peninsula Health Care District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and accompanying notes to the basic financial statements.

The Government-Wide Financial Statements present the financial position of the District using the economic resources measurement focus and the accrual basis of accounting. These statements present governmental activities and business-type activities separately. Also, these statements include all assets and deferred outflows of resources of the District, as well as all liabilities, including long-term debt and deferred inflows or resources.

The Fund Financial Statements include governmental and proprietary funds. The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. A reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences between the two different set of statements. The proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$79,256,210. Of this amount, \$25,032,947 is unrestricted net position.
- The District's total net position decreased by \$750,226, mainly because of additional grants and equipment donated to help COVID-19 relief efforts in the community during the current year.
- The District's current assets decreased by \$4,264,539, primarily due to decrease in cash and investments. The decrease in cash and investments was related to the purchase of 111 & 113 16th Avenue, San Mateo properties.
- The District's current liabilities decreased by \$1,177,694 mostly due to construction related payables.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets, deferred outflows, liabilities and deferred inflows of the District using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector entities. Under the economic resources measurement focus, revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Statement of Net Position reports the District's net position. Net position is the difference between assets, deferred outflows, liabilities and deferred inflows, which is one way to measure the District's financial health, or financial position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through lease revenues (business-type activities). The governmental activities of the District include general government, developing and launching new programs, community grants, and one-time special funding initiatives. The business-type activities of the District include the dental operations of Sonrisas, the PHCD Health & Fitness Center, The Trousdale Assisted Living/Memory Care facility, and the leasing and property development function of the District.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses government and proprietary fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The governmental fund is used to account for the District's basic services and the proprietary fund is used to account for the District's leasing/property activity.

Governmental fund accounting uses a flow of current resources measurement focus and the modified accrual basis of accounting. Modified accrual accounting recognizes revenues when available for current operations, normally those revenues that will be received within 90 days of year end. For the current year, all revenues receivable at year end were collected within the 90-day period resulting in no difference between modified and full accrual in these financial statements. The differences between the governmental fund financial statements and the government-wide financial statements are explained in a reconciliation following the government-wide financial statements.

The governmental fund balance sheet presents information on the District's assets and liabilities, with the difference between the two reported as fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator of the financial health of the District. To assess the overall health of the District, achievement of the District's mission needs to be considered as well.

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

While the balance sheet provides information about the nature and amount of resources and obligations at yearend, the statement of revenues, expenditures, and changes in fund balance presents the results of the District's operations over the course of the fiscal year and information as to how the fund balance changed over the year. This can be used as an indicator of the extent to which the District has successfully recovered its costs through tax revenues.

Proprietary (enterprise) fund accounting uses the full accrual basis of accounting. Proprietary funds are reported in the same way in that all activities are reported in the Statement of net position and the statement of revenues, expenses, and change in net position. The District's enterprise fund is the same as the business-type activities reported in the government-wide financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found following the financial statements in the audited financial statements.

Required and Other Supplementary Information

A budgetary comparison schedule for the general fund is included as required supplementary information following the notes to the basic financial statements. Also included are the required disclosures relating to the District's net pension liability. A budgetary comparison schedule for the leasing fund and a combined budgetary comparison schedule for all funds of the district are included in this report, following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements provide long-term and short-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole.

PENINSULA HEALTH CARE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79,256,210 at the close of the most recent fiscal year.

Condensed Statement of Net Position								
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)	
	2020	2019	2020	2019	2020	2019	\$	%
Current assets	\$ 15,755,084	\$ 14,134,707	\$ 19,147,169	\$25,032,085	\$ 34,902,253	\$ 39,166,792	\$ (4,264,539)	-10.9%
Capital assets	2,794,359	2,814,908	89,988,904	88,555,031	92,783,263	91,369,939	1,413,324	1.5%
Other assets	428,050	432,023	14,697	14,697	442,747	446,720	(3,973)	-0.9%
Total Assets	<u>18,977,493</u>	<u>17,381,638</u>	<u>109,150,770</u>	<u>113,601,813</u>	<u>128,128,263</u>	<u>130,983,451</u>	<u>(2,851,215)</u>	-2.2%
Deferred outflows of resources	<u>178,387</u>	<u>262,970</u>	-	-	<u>178,387</u>	<u>262,970</u>	<u>(84,583)</u>	-32.2%
Current liabilities	109,256	90,903	3,548,234	4,744,281	3,657,490	4,835,184	(1,177,694)	-24.4%
Non-current liabilities	-	-	45,286,626	46,321,261	45,286,626	46,321,261	(1,034,635)	-2.2%
Total Liabilities	<u>109,256</u>	<u>90,903</u>	<u>48,834,860</u>	<u>51,065,542</u>	<u>48,944,116</u>	<u>51,156,445</u>	<u>(2,212,329)</u>	-4.3%
Deferred inflows of resources	<u>106,324</u>	<u>83,540</u>	-	-	<u>106,324</u>	<u>83,540</u>	<u>22,784</u>	27.3%
Net investment in capital assets	2,794,359	2,814,908	43,928,904	41,120,857	46,723,263	43,935,765	2,787,498	6.3%
Restricted	-	-	7,500,000	7,500,000	7,500,000	7,500,000	-	0.0%
Unrestricted	<u>16,145,941</u>	<u>14,655,257</u>	<u>8,887,006</u>	<u>13,915,414</u>	<u>25,032,947</u>	<u>28,570,671</u>	<u>(3,537,724)</u>	-12.4%
Total Net Position	<u>\$ 18,940,300</u>	<u>\$ 17,470,165</u>	<u>\$ 60,315,910</u>	<u>\$62,536,271</u>	<u>\$ 79,256,210</u>	<u>\$ 80,006,436</u>	<u>\$ (750,226)</u>	-0.9%

The largest portion of the District's net position (59.0%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) and resources that are subject to external restrictions on how they may be used, less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$25,032,947 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$1,470,135 from the prior fiscal year for an ending balance of \$18,940,300. The increase in the overall net position of governmental activities is the result of a combination of increased property tax revenue, decreased special board initiatives and decreased transfers to business-type activities. Property taxes increased by \$407,055 due to an increase in property tax collections which are dependent on home values and assessed values.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program Revenues:							
Leasing Revenue	\$ -	\$ -	\$ 2,440,106	\$2,613,275	\$ 2,440,106	\$ 2,613,275	-6.6%
Dental Services Revenue	-	-	1,450,913	1,721,368	1,450,913	1,721,368	-15.7%
The Trousdale Revenue	-	-	8,601,508	3,051,756	8,601,508	3,051,756	100.0%
General Revenues:							
Property Taxes	7,819,985	7,412,930	-	-	7,819,985	7,412,930	5.5%
Other Revenues	3,256	6,064	964,471	571,834	967,727	577,898	67.5%
Investment Income	661,715	1,066,936	16,649	80,535	678,364	1,147,471	-40.9%
Total Revenues	8,484,956	8,485,930	13,473,647	8,038,768	21,958,603	16,524,698	32.9%
Expenses:							
Leasing	-	-	553,534	663,481	553,534	663,481	-16.6%
Dental	-	-	3,165,729	3,252,154	3,165,729	3,252,154	-2.7%
The Trousdale	-	-	11,976,117	5,905,239	11,976,117	5,905,239	100.0%
General Government	1,519,121	1,147,977	-	-	1,519,121	1,147,977	32.3%
Grants	5,494,328	1,925,344	-	-	5,494,328	1,925,344	185.4%
Total Expenses	7,013,449	3,073,321	15,695,380	9,820,874	22,708,829	12,894,195	76.1%
Transfers	(1,372)	(4,325,047)	1,372	4,325,047	-	-	0.0%
Change in Net Position	1,470,135	1,087,562	(2,220,361)	2,542,941	(750,226)	3,630,503	-120.7%
Net Position - Beginning	17,470,165	16,382,603	62,536,271	59,993,330	\$80,006,436	76,375,933	4.8%
Net Position - Ending	<u>\$ 18,940,300</u>	<u>\$17,470,165</u>	<u>\$ 60,315,910</u>	<u>\$62,536,271</u>	<u>\$ 79,256,210</u>	<u>\$80,006,436</u>	-0.9%

Business-type Activities

For the District business-type activities, the results for the current fiscal year were an overall net position decrease to an ending balance of \$60,315,910. The total decrease in net position for business-type activities was \$2,220,361 or 3.6% from the prior fiscal year. The growth, in large part, is attributable to transfers from the

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

MAJOR FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned or assigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has delegated authority to assign resources for particular purposes by the District's Board. At June 30, 2020, the District's governmental funds reported a fund balance of \$15,645,828, an increase of \$1,602,024 in comparison with the prior year. 100% of this amount constitutes assigned fund balance, which is available for spending at the government's discretion but was assigned for future healthcare projects and programs.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As noted earlier in the discussion of business-type activities, the increase for the District results from a combination of transfers from the general fund, collection of rental revenue from tenants of District owned healthcare facilities, and the addition of the Sonrisas operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget

During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$92,783,263 (net of accumulated depreciation). This investment in capital assets includes construction in progress on the assisted living/memory care project. The total increase in capital assets for the current fiscal year of approximately \$1,413,324 was mainly related to the purchase of 111-113 16th Ave., San Mateo properties. Additional details about the District's capital assets can be found in Note 3.

LONG-TERM DEBT

At the end of the current fiscal year, the District had total certificates of participation outstanding of \$46,060,000. Additional details about the District's debt can be found in Note 9.

PENINSULA HEALTH CARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL CONTACT

The financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact: Peninsula Health Care District, 650-697-6900, 1819 Trousdale Drive, Burlingame, CA 94010.

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and investments	\$ 15,411,005	\$ 15,521,434	\$ 30,932,439
Receivables:			
Interest	24,180	59,656	83,836
Rent	-	30,539	30,539
Patient	-	76,345	76,345
Grants	-	189,897	189,897
Tax	303,438	-	303,438
Prepaid items	16,461	144,306	160,767
Restricted cash and investments	-	3,109,757	3,109,757
Restricted cash and investments with fiscal agent	-	422	422
Other assets	-	14,813	14,813
Total Current Assets	<u>15,755,084</u>	<u>19,147,169</u>	<u>34,902,253</u>
Noncurrent Assets:			
Deposits receivable	-	14,697	14,697
Nondepreciable capital assets	2,120,000	13,224,134	15,344,134
Depreciable capital assets, net	674,359	76,764,770	77,439,129
Net pension asset	428,050	-	428,050
Total Noncurrent Assets	<u>3,222,409</u>	<u>90,003,601</u>	<u>93,226,010</u>
Total Assets	<u>18,977,493</u>	<u>109,150,770</u>	<u>128,128,263</u>
Deferred Outflows of Resources			
Pension related	178,387	-	178,387
Liabilities:			
Current Liabilities			
Accounts payable	58,621	959,560	1,018,181
Accrued payroll liabilities	50,635	-	50,635
Interest payable	-	732,592	732,592
Unearned revenues	-	416,162	416,162
Other payable	-	9,920	9,920
Long-term debt, due within one year	-	-	-
Total Current Liabilities	<u>109,256</u>	<u>2,118,234</u>	<u>2,227,490</u>
Noncurrent Liabilities:			
Tenant deposits	-	261,261	261,261
Long-term debt, due after one year	-	46,455,365	46,455,365
Total Noncurrent Liabilities	<u>-</u>	<u>46,716,626</u>	<u>46,716,626</u>
Total Liabilities	<u>109,256</u>	<u>48,834,860</u>	<u>48,944,116</u>
Deferred Inflows of Resources			
Pension related	106,324	-	106,324
Net Position			
Net investment in capital assets	2,794,359	43,928,904	46,723,263
Restricted for:			
Debt service	-	7,500,000	7,500,000
Unrestricted	16,145,941	8,887,006	25,032,947
Total Net Position	<u>\$ 18,940,300</u>	<u>\$ 60,315,910</u>	<u>\$ 79,256,210</u>

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Grants and Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities:						
General government	\$ 1,519,121	\$ -	\$ -	\$ (1,519,121)	\$ -	\$ (1,519,121)
Services:						
Community services	5,494,328	-	-	(5,494,328)	-	(5,494,328)
Total governmental activities	7,013,449	-	-	(7,013,449)	-	(7,013,449)
Business-type Activities:						
Dental services	3,165,729	1,450,913	962,631	-	(752,185)	(752,185)
Leasing	553,534	2,440,106	-	-	1,886,572	1,886,572
Trousdale	10,204,221	8,601,508	-	-	(1,602,713)	(1,602,713)
Interest expense	1,771,896	-	-	-	(1,771,896)	(1,771,896)
Total business-type activities	15,695,380	12,492,527	962,631	-	(2,240,222)	(2,240,222)
Total primary government	\$ 22,708,829	\$ 12,492,527	\$ 962,631	\$ (7,013,449)	\$ (2,240,222)	\$ (9,253,671)
General Revenues:						
Investment earnings				661,715	16,649	678,364
Property taxes				7,819,985	-	7,819,985
Other revenues				3,256	1,840	5,096
Transfers				(1,372)	1,372	-
Total General Revenues and Transfers				8,483,584	19,861	8,503,445
Change in Net Position				1,470,135	(2,220,361)	(750,226)
Net Position, beginning				17,470,165	62,536,271	80,006,436
Net Position, ending				\$ 18,940,300	\$ 60,315,910	\$ 79,256,210

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund
Assets	
Cash and investments	\$ 15,411,005
Receivables:	
Interest receivable	24,180
Tax receivable	303,438
Prepaid items	16,461
Total Assets	\$ 15,755,084
Liabilities	
Accounts payable	\$ 58,621
Accrued payroll liabilities	50,635
Total Liabilities	109,256
Fund Balance	
Assigned	15,645,828
Total Fund Balance	15,645,828
Total Liabilities and Fund Balance	\$ 15,755,084

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balance - Total Governmental Fund		\$ 15,645,828
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the governmental funds because of the following:		
Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.		
Capital assets	\$ 2,909,607	
Less: accumulated depreciation	<u>(115,248)</u>	
		2,794,359
Net pension asset and related deferrals		<u>500,113</u>
Net Position of Governmental Activities		<u><u>\$ 18,940,300</u></u>

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund
Revenues:	
Taxes	\$ 7,819,985
Investment earnings	661,715
Other revenue	3,256
Total Revenues	<u>8,484,956</u>
Expenditures:	
Current:	
General government:	
Administration	916,035
Communications	119,532
Legal fees	75,942
Promotion	600
Financial consultant	34,112
Other	241,012
Community services:	
Community grants	5,494,328
Total Expenditures	<u>6,881,561</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>1,603,395</u>
Other Financing Sources (Uses):	
Transfers out	<u>(1,372)</u>
Net Change in Fund Balance	1,602,023
Fund Balance, Beginning	14,043,805
Fund Balance, Ending	<u>\$ 15,645,828</u>

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balance \$ 1,602,023

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

Capital outlay expenditures added back to fund balances	\$ 3,089	
Depreciation expense not reported in governmental funds	<u>(23,637)</u>	(20,548)

In governmental funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contribution was:

	<u>(111,340)</u>
--	------------------

Change in net position of governmental activities \$ 1,470,135

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	<u>Dental Fund</u>	<u>Leasing Fund</u>	<u>Trousdale Fund</u>	<u>Total</u>
Assets:				
Current Assets:				
Cash and investments	\$ 1,362,054	\$ 6,541,620	\$ 7,617,760	\$ 15,521,434
Accounts receivables:				
Interest	-	57,285	2,371	59,656
Rent and tenant	-	7,568	22,971	30,539
Patient	76,345	-	-	76,345
Grants	189,897	-	-	189,897
Prepaid items	27,906	-	114,502	142,408
Restricted cash and investments	-	-	3,109,757	3,109,757
Restricted cash and investments with fiscal agent	-	422	-	422
Other Assets	1,898	-	14,813	16,711
Total Current Assets	<u>1,658,100</u>	<u>6,606,895</u>	<u>10,882,174</u>	<u>19,147,169</u>
Noncurrent Assets:				
Deposit receivable	14,697	-	-	14,697
Non-depreciable capital assets	-	12,812,438	425,026	13,237,464
Depreciable capital assets, net	1,062,842	4,374,748	71,313,850	76,751,440
Total Noncurrent Assets	<u>1,077,539</u>	<u>17,187,186</u>	<u>71,738,876</u>	<u>90,003,601</u>
Total Assets	<u>2,735,639</u>	<u>23,794,081</u>	<u>82,621,050</u>	<u>109,150,770</u>
Liabilities:				
Current Liabilities:				
Accounts payable and accrued expense	215,227	54,638	689,695	959,560
Interest payable	-	-	732,592	732,592
Unearned revenues	24,804	331,701	59,657	416,162
Social Security Tax Deferral	9,920	-	-	9,920
Long-term debt, due within one year	-	-	1,430,000	1,430,000
Total Current Liabilities	<u>249,951</u>	<u>386,339</u>	<u>2,911,944</u>	<u>3,548,234</u>
Noncurrent Liabilities:				
Tenant deposits	-	261,261	-	261,261
Long-term debt, due after one year	395,365	-	44,630,000	45,025,365
Total Noncurrent Liabilities	<u>395,365</u>	<u>261,261</u>	<u>44,630,000</u>	<u>45,286,626</u>
Total Liabilities	<u>645,316</u>	<u>647,600</u>	<u>47,541,944</u>	<u>48,834,860</u>
Net Position:				
Net investment in capital assets	1,062,842	17,187,186	25,678,876	43,928,904
Restricted for debt service	-	-	7,500,000	7,500,000
Unrestricted	1,027,481	5,959,295	1,900,230	8,887,006
Total Net Position	<u>\$ 2,090,323</u>	<u>\$ 23,146,481</u>	<u>\$ 35,079,106</u>	<u>\$ 60,315,910</u>

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Dental Fund	Leasing Fund	Trousdale Fund	Total
Operating Revenues:				
Lease revenue	\$ -	\$ 2,440,106	\$ -	2,440,106
Trousdale revenue	-	-	8,493,832	8,493,832
Fitness Center revenue	-	-	107,676	107,676
Patient services	1,450,913	-	-	1,450,913
Total Operating Revenues	1,450,913	2,440,106	8,601,508	12,492,527
Operating Expenses:				
Salaries and benefits	2,265,055	-	-	2,265,055
Supplies and other	520,339	-	-	520,339
Legal fees and purchased services	69,380	-	-	69,380
Rental expenses	39,600	218,761	7,356,661	7,615,022
Fitness Center expenses	-	-	292,871	292,871
Other property expenses	-	245,661	-	245,661
Depreciation	271,355	89,112	2,554,689	2,915,156
Total Operating Expenses	3,165,729	553,534	10,204,221	13,923,484
Operating Income (Loss)	(1,714,816)	1,886,572	(1,602,713)	(1,430,957)
Nonoperating Revenue (Expense):				
Grants and contributions	962,631	-	-	962,631
Investment earnings (expense)	2,255	14,394	-	16,649
Other income	1,840	-	-	1,840
Interest expense	-	-	(1,771,896)	(1,771,896)
Total Non-Operating Revenue (Expense)	966,726	14,394	(1,771,896)	(790,776)
Income (Loss) Before Transfers	(748,090)	1,900,966	(3,374,609)	(2,221,733)
Transfers:				
Transfers in (out)	925,000	(1,258,643)	335,015	1,372
Change in Net Position	176,910	642,323	(3,039,594)	(2,220,361)
Net Position, beginning	1,913,413	22,504,158	38,118,700	62,536,271
Net Position, ending	\$ 2,090,323	\$ 23,146,481	\$ 35,079,106	60,315,910

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Dental Fund	Leasing Fund	Trousdale Fund	Total
Cash Flow from Operating Activities:				
Cash received from tenants	\$ -	\$ 2,432,538	\$ -	\$ 2,432,538
Cash received from patients	1,529,484	-	-	1,529,484
Cash received from residents	-	-	8,573,619	8,573,619
Cash paid to suppliers for goods and services	(2,911,256)	(531,158)	(8,785,116)	(12,227,530)
Other income (expense)	1,840	-	(2,721)	(881)
Net Cash Provided (Used For) Operating Activities	(1,379,932)	1,901,380	(214,218)	307,230
Cash Flows from Capital Financing Activities:				
Principal paid on debt	-	-	(1,375,000)	(1,375,000)
Interest paid on debt	-	-	(1,771,896)	(1,771,896)
Purchase of capital assets	(56,826)	(3,941,458)	(389,154)	(4,387,438)
Net Cash Used for Capital Financing Activities	(56,826)	(3,941,458)	(3,536,050)	(7,534,334)
Cash Flows from Noncapital Financing Activities:				
Operating grants	783,039	-	-	783,039
Social Security Tax Deferral	9,920	-	-	9,920
PPP Loan Proceeds	395,365	-	-	395,365
Transfers in (out)	925,000	(1,258,643)	335,015	1,372
Net Cash Provided by Noncapital Financing Activities	2,113,324	(1,258,643)	335,015	1,189,696
Cash Flows from Investing Activities:				
Investment income	2,255	65,729	(16,353)	51,631
Net Cash Provided (Used) By Investing Activities	2,255	65,729	(16,353)	51,631
Net Increase (Decrease) Cash and Cash Equivalents	678,821	(3,232,992)	(3,431,606)	(5,985,777)
Cash and Cash Equivalents at Beginning of Fiscal Year	683,233	9,774,612	11,049,366	21,507,211
Cash and Cash Equivalents at End of Fiscal Year	\$ 1,362,054	\$ 6,541,620	\$ 7,617,760	\$ 15,521,434
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (1,714,816)	\$ 1,886,572	\$ (1,602,713)	(1,430,957)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	271,355	89,112	2,554,689	2,915,156
Other income (expense)	1,840	-	(2,721)	(881)
(Increase) Decrease in operating assets:				
Rent and tenant receivable	-	(7,568)	(6,033)	(13,601)
Patient receivable	82,624	-	-	82,624
Misc receivable	-	-	4,160	4,160
Prepaid items	694	1,773	(29,584)	(27,117)
Increase (Decrease) in operating liabilities:				
Accounts payable	(17,576)	(68,509)	(1,110,160)	(1,196,245)
Unearned revenues	(4,053)	-	(21,856)	(25,909)
Net Cash Provided (Used) by Operating Activities	\$ (1,379,932)	\$ 1,901,380	\$ (214,218)	\$ 307,230

See notes to the financial statement.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Peninsula Health Care District (District) is a political subdivision of the State of California as defined in the *Business and Professions Code*, Section 32000. The mission of the District is to ensure Mills-Peninsula Medical Center provides needed core services, to support programs that share their vision, and to do so in collaboration with other providers and qualified members of the community. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for financial reporting.

The District Board will carry out this mission through:

- Preserving Mills-Peninsula Medical Center as a community asset.
- Achieving measurable improvements in identified health problems in the District.
- Improving availability of and access to health information and services for all residents of the district.
- Ensuring sufficient resources to achieve the Board's vision, mission and strategic initiatives.

Blended Component Unit

The Peninsula Health Care District Financing Corporation (Corporation) was established in fiscal year 2013-14 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of public buildings, works and equipment for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. In addition, the Sonrisas Dental, Inc. (Sonrisas) is included in the financial statements as a component unit reported in as a proprietary fund, because of the financial relationship between the Sonrisas and the District and because the District controls the voting majority of the governing board of Sonrisas. The operations of the Corporation and Sonrisas are accounted for in the District's proprietary funds. The Corporation had no transactions reported on the financial statements.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and proprietary.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. It is the operating fund of the District. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has one enterprise fund:

Leasing Fund - Enterprise funds may be used to account for activity for which a fee is charged to external users for goods or services. The enterprise funds of the District accounts for the financial transactions related to the property leasing operations of the District and dental operations as explained below.

Dental Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The dental fund of the District accounts for the financial transactions related to the dental service operations of the Sonrisas.

The Trousdale Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise fund of the District accounts for the financial transactions related to the assisted living service operations of the District.

Basis of Accounting/Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Net position should be reported as restricted when constraints placed on net position used are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental Funds - All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which are considered to be available if collected within 60 days. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds - Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances cash flow needs of its proprietary funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all investments because investments are comprised of highly rated bonds that can be liquidated into cash equivalents in a short period of time. Cash equivalents also include cash with county treasury and state fund balances for purposes of the statement of cash flows. Restricted investments are not considered cash equivalents because they are restricted by debt covenants to remain invested throughout the life of the loan.

Investments

Investments held at June 30, 2020, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at fiscal year-end.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The District capitalizes purchases exceeding \$5,000. Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Lives of Assets</u>
Leasehold improvements	10-20 years
Dental equipment	5-10 years
Office equipment and furniture	5-10 years

Restricted Assets

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the dental fund, leasing fund and Trousdale fund are charges to customers for sales and services. Patient revenues including reimbursements from third-party payors for dental services, lease revenues and membership fees are considered operating revenues. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Unearned Revenue

Unearned revenue arises when resources are received by the District before revenues are earned. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Unearned revenue of \$416,162 at June 30, 2020 primarily consists of prepaid rent.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Property Tax Revenue

The District has the authority to collect taxes on property within its political subdivision. Taxes are received from the County of San Mateo (County), which has responsibility for their collection. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments due December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. The County remits taxes based on assessed valuations under the Teeter Plan, therefore, taxes receivable, uncollectible, or deferred do not affect the distribution to the District. The County remits all taxes due to the District when due, or within 60 days of year end.

Use of Estimates

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

Paid Time Off

It is the District's policy to permit employees to accumulate a limited amount of earned but unused paid time off (PTO), which will be paid to employees upon separation from service, up to a maximum of 45 days after 10 or more years of service. The PTO liability balance is included in the accrued payroll liabilities in the financial statements.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (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 benefit terms. Investments are reported at fair value.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

New Accounting Pronouncements

The GASB has issued the following accounting pronouncements that will become effective in future fiscal years:

- GASB Statement No. 84 – *Fiduciary Activities.*
- GASB Statement No. 87 – *Leases.*
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of Construction Period.*
- GASB Statement No. 90 – *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 60*
- GASB Statement No. 91 – *Conduit Debt Obligations*
- GASB Statement No. 92 – *Omnibus 2020*
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*
- GASB Statement No.97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The District has not determined the effect of these statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not its use is restricted under the terms of District debt instruments or District agreements.

Statement of Net Position:	
Cash and Investments	\$ 30,932,439
Restricted Cash and Investments	3,109,757
Restricted Cash and Investments with fiscal agent	<u>422</u>
 Total Cash and Investments	 <u><u>\$ 34,042,618</u></u>
 Cash and Investments as of June 30, 2020 consists of the following:	
Cash in Bank	\$ 8,969,350
Investments	<u>25,073,268</u>
 Total Cash and Investments	 <u><u>\$ 34,042,618</u></u>

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. District investments were in the County and State investment pools, Fiduciary Trust, U.S. Bank, Torrey Pines Bank, and City National Bank. The District's policy is to follow the California Government Code.

Investment in County Treasury – The District is a voluntary participant in the San Mateo County Investment Pool. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost basis provided by the County Treasurer for the entire portfolio which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer. The pool is not registered with the SEC.

Investment in the State Investment Pool – 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 District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. The pool is not registered with the SEC.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

The table below identifies the investment types that are authorized for the Peninsula Health Care District (District) by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of 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 Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, and Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposition	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
San Mateo Count Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million
Joint Powers Authority Pools	N/A	None	None

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, and Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
Commercial Paper (A or higher)	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Time Deposits (Unsecured)	None	None	None
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	None	None
San Mateo Count Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million
Certificates of Deposit	None	None	None

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 closer to maturity evenly over time as necessary 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 is provided by the following schedule that shows the distribution of the District's investments by maturity:

	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months
Held in District's Accounts:						
State Investment Pool (LAIF)	\$ 683,256	\$ 683,256	\$ -	\$ -	\$ -	\$ -
San Mateo County Pooled Investment Fund	3,449,608	3,449,608	-	-	-	-
Money Market Mutual Funds	2,609,608	2,609,608	-	-	-	-
U.S. Treasury Obligations	8,848,013	6,979,645	1,868,368	-	-	-
U.S. Agency Securities	1,595,965	1,250,230	345,735	-	-	-
Corporate Bonds	4,022,228	2,225,514	1,108,216	553,875	-	134,623
Municipal Bonds	754,833	754,833	-	-	-	-
Certificates of Deposit	3,109,757	3,109,757	-	-	-	-
	<u>\$ 25,073,268</u>	<u>\$ 21,062,451</u>	<u>\$ 3,322,319</u>	<u>\$ 553,875</u>	<u>\$ -</u>	<u>\$ 134,623</u>

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	AA+	AA
State Investment Pool (LAIF)	\$ 683,256	None	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	3,449,608	None	-	-	-	-
Money Market Funds	2,609,608	None	-	-	-	-
U.S. Treasury Obligations	8,848,013	N/A	8,848,013	-	-	-
U.S. Agency Securities	1,595,965	None	-	1,595,965	-	-
Corporate Bonds	4,022,228	N/A	-	51,608	-	78,693
Municipal Bonds	754,833	None	-	-	754,833	-
Certificates of Deposit	3,109,757	None	-	-	-	-
Total	\$ 25,073,268		\$ 8,848,013	\$ 1,647,573	\$ 754,833	\$ 78,693

Investment Type	Rating as of Fiscal Year End			
	A	A-	BBB+	Not Rated
State Investment Pool (LAIF)	\$ -	\$ -	\$ -	\$ 683,256
San Mateo County Pool	-	-	-	3,449,608
Money Market Funds	-	-	-	2,609,608
U.S. Treasury Obligations	-	-	-	-
U.S. Agency Securities	-	-	-	-
Corporate Bonds	516,368	134,623	3,240,936	-
Municipal Bonds	-	-	-	-
Certificates of Deposit	-	-	-	3,109,757
Total	\$ 516,368	\$ 134,623	\$ 3,240,936	\$ 9,852,229

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in one issuer that represents 5% or more of total District investments (other than U.S. Treasury Obligations and U.S. Agency Securities).

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 percent of the total amount deposited by the public agencies. As of June 30, 2020, \$11,363,402 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Custodial Credit Risk – Investments

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the San Mateo County Investment Pool).

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Fair Value Measurements

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

Investments by Fair Value	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds	\$ 2,609,608	\$ 2,609,608	\$ -	\$ -
U.S. Treasury Obligations	8,848,013	8,848,013	-	-
U.S. Agency Securities	1,595,965	1,595,965	-	-
Corporate Notes	4,022,228	-	4,022,228	-
Municipal Bonds	754,833	754,833	-	-
	<u>\$ 17,830,647</u>	<u>\$ 13,808,419</u>	<u>\$ 4,022,228</u>	<u>\$ -</u>

The State Investment Pool and San Mateo County Pooled Investment Fund are not subject to the fair value measurement because deposits and withdrawals from the pools are made on a \$1 cost basis. In addition, the District's certificates of deposits are non-negotiable certificates of deposits and therefore they were not included within the categorization above.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<i>Governmental Activities:</i>	Balance at July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital Assets, not being depreciated:					
Land	\$ 2,120,000	\$ -	\$ -	\$ -	\$ 2,120,000
Total Capital Assets, not being depreciated	<u>2,120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,120,000</u>
Capital Assets, being depreciated:					
Buildings and improvements	786,519	3,088	-	-	789,607
Total Capital Assets, being depreciated	<u>786,519</u>	<u>3,088</u>	<u>-</u>	<u>-</u>	<u>789,607</u>
Accumulated Depreciation					
Buildings and improvements	(91,611)	(23,637)	-	-	(115,248)
Total Accumulated Depreciation	<u>(91,611)</u>	<u>(23,637)</u>	<u>-</u>	<u>-</u>	<u>(115,248)</u>
Total Capital Assets, being depreciated, net	<u>694,908</u>	<u>(20,549)</u>	<u>-</u>	<u>-</u>	<u>674,359</u>
Total Capital Assets, Net	<u>\$ 2,814,908</u>	<u>\$ (20,549)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,794,359</u>

Depreciation expense of \$23,637 was allocated to general government expense on the statement of activities.

Dental Fund	Balance at June 30, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital Assets, being depreciated:					
Buildings and improvements	\$ 1,042,642	\$ 10,870	\$ -	\$ -	\$ 1,053,512
Equipment	1,145,326	45,956	-	-	1,191,282
Total Capital Assets, being depreciated	<u>2,187,968</u>	<u>56,826</u>	<u>-</u>	<u>-</u>	<u>2,244,794</u>
Accumulated Depreciation					
Buildings and improvements	(381,399)	(122,545)	-	-	(503,944)
Equipment	(529,198)	(148,810)	-	-	(678,008)
Total Accumulated Depreciation	<u>(910,597)</u>	<u>(271,355)</u>	<u>-</u>	<u>-</u>	<u>(1,181,952)</u>
Total Capital Assets, being depreciated, net	<u>1,277,371</u>	<u>(214,529)</u>	<u>-</u>	<u>-</u>	<u>1,062,842</u>
Total Capital Assets, Net	<u>\$ 1,277,371</u>	<u>\$ (214,529)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,062,842</u>

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

	Balance at June 30, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Leasing Fund					
Capital Assets, not being depreciated:					
Land	\$ 10,850,414	\$ 1,962,024	\$ -	\$ -	\$ 12,812,438
Total Capital Assets, not being depreciated	10,850,414	1,962,024	-	-	12,812,438
Capital Assets, being depreciated:					
Buildings and improvements	3,729,066	1,962,024	-	-	5,691,090
Equipment	1,710,776	17,814	-	-	1,728,590
Total Capital Assets, being depreciated	5,439,842	1,979,838	-	-	7,419,680
Accumulated Depreciation					
Buildings and improvements	(1,245,043)	(88,815)	-	-	(1,333,858)
Equipment	(1,710,777)	(297)	-	-	(1,711,074)
Total Accumulated Depreciation	(2,955,820)	(89,112)	-	-	(3,044,932)
Total Capital Assets, being depreciated, net	2,484,022	1,890,726	-	-	4,374,748
Total Capital Assets, Net	\$ 13,334,436	\$ 3,852,750	\$ -	\$ -	\$ 17,187,186
Trousdale Fund					
Capital Assets, not being depreciated:					
Land	\$ 411,696	\$ 13,330	\$ -	\$ -	\$ 425,026
Total Capital Assets, not being depreciated	411,696	13,330	-	-	425,026
Capital Assets, being depreciated:					
Buildings and improvements	74,573,985	303,655	-	-	74,877,640
Equipment	272,565	33,356	-	-	305,921
Total Capital Assets, being depreciated	74,846,550	337,011	-	-	75,183,561
Accumulated Depreciation					
Buildings and improvements	(1,284,457)	(2,497,341)	-	-	(3,781,798)
Equipment	(30,565)	(57,348)	-	-	(87,913)
Total Accumulated Depreciation	(1,315,022)	(2,554,689)	-	-	(3,869,711)
Total Capital Assets, being depreciated, net	73,531,528	(2,217,678)	-	-	71,313,850
Total Capital Assets, Net	\$ 73,943,224	\$ (2,204,348)	\$ -	\$ -	\$ 71,738,876

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

<i>Business-type Activities:</i>	Balance at July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital Assets, not being depreciated:					
Land	\$ 11,262,110	\$ 1,975,354	\$ -	\$ -	\$ 13,237,464
Total Capital Assets, not being depreciated	<u>11,262,110</u>	<u>1,975,354</u>	<u>-</u>	<u>-</u>	<u>13,237,464</u>
Capital Assets, being depreciated:					
Buildings and improvements	79,345,693	2,276,549	-	-	81,622,242
Equipment	3,128,667	97,126	-	-	3,225,793
Total Capital Assets, being depreciated	<u>82,474,360</u>	<u>2,373,675</u>	<u>-</u>	<u>-</u>	<u>84,848,035</u>
Accumulated Depreciation					
Buildings and improvements	(2,910,899)	(2,708,701)	-	-	(5,619,600)
Equipment	(2,270,540)	(206,455)	-	-	(2,476,995)
Total Accumulated Depreciation	<u>(5,181,439)</u>	<u>(2,915,156)</u>	<u>-</u>	<u>-</u>	<u>(8,096,595)</u>
Total Capital Assets, being depreciated, net	<u>77,292,921</u>	<u>(541,481)</u>	<u>-</u>	<u>-</u>	<u>76,751,440</u>
Total Capital Assets, Net	<u>\$ 88,555,031</u>	<u>\$ 1,433,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,988,904</u>

NOTE 4 – FUND BALANCES AND NET POSITION

Net Position

Net position is divided into three captions. These captions apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net position, which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted as to use.

The business type activities net position is restricted by the requirements of the liquidity covenant, as discussed in Note 9, to maintain liquid assets of \$7,500,000.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance classifications may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 5 – LEASE AGREEMENTS

The District transitioned its prior hospital facilities and equipment lease into a Master Agreement with Mills-Peninsula Health Services (MPHS) effective November 1, 2006. This agreement included lease of the hospital facilities, a Construction Ground lease, and rental of additional District land upon which MPHS constructed the new Mills-Peninsula Medical Center and Palo Alto Foundation Clinic. On May 15, 2011 the new hospital was completed and available for use and the 50-year Ground Lease between the District and MPHS became effective.

The lease rate for the District land was set on November 1, 2006 at \$1,500,000/year with a CPI adjustment every 3 years over the term of the Ground Lease. Adjustments were made 9/1/2008, 9/1/2011, 6/1/2014, and 9/1/2017. MPHS has an option to extend the Ground Lease for an additional 25 year period.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

The District leases three additional buildings to various tenants. 1740 Marco Polo is being leased to nine separate parties with various agreement dates and terms. 1720 Marco Polo is being leased to six separate parties with various agreement dates and terms.

The District purchased 111 & 113 16th Avenue in January 2020. The properties are being leased to Community Gatepath effective June 15, 2020 for an annual rent of \$1. The lease term is 10 year.

Expected base rents through the end of the existing lease terms are:

Fiscal Year Ended June 30,	1501 Trousdale	1875 Trousdale	1740 Marco Polo	1720 Marco Polo
2021	\$ 2,140,021	\$ 5,833	\$ 241,237	\$ 143,976
2022	2,174,184	-	62,996	109,677
2023	2,174,184	-	33,257	77,909
2024	2,174,184	-	5,564	-
2025	2,174,184	-	-	-
2026-2030	10,870,920	-	-	-
2031-2035	10,870,920	-	-	-
2036-2040	10,870,920	-	-	-
2041-2045	10,870,920	-	-	-
2046-2050	10,870,920	-	-	-
Thereafter	23,644,252	-	-	-
Total	<u>\$ 88,835,609</u>	<u>\$ 5,833</u>	<u>\$ 343,054</u>	<u>\$ 331,562</u>

NOTE 6 – DEFINITIVE AGREEMENTS

The Definitive Agreements between the District and MPHS became effective on November 1, 2006. Under these agreements, MPHS will construct and equip a new hospital on land leased from the District, and then demolish the existing hospital facility. These agreements also settled litigation initiated in 1997 against MPHS seeking to rescind 1985 lease agreement and related property transfers.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 7 – CONTINGENCIES

Under the Definitive Agreements, the District is obligated as follows:

At the end of the Ground Lease, or upon the District's early termination of the Definitive Agreements (which is only allowed if MPHS commits a "Paramount Default" as defined in Section 5.01.B of the Master Agreement of the Definitive Agreements at any time after MPHS opens the new hospital), the District is obligated to reimburse MPHS for certain items. Depending on the circumstances and timing of the termination of the Ground Lease, these obligations could include the Net Book Value (NBV) of all Post Term Assets (certain equipment and hospital building improvements either specifically approved by the District board in the 25 year period prior to lease end, required by law, or necessitated by uninsured damage to the new hospital), and/or the Fair Market Value (FMV) of the use of certain hospital building improvements and equipment for whatever term of the Ground Lease remained as of the date of termination.

Board Reserve for Contingencies

The Board approved a policy requiring the District to maintain a \$10 million reserve contingency, \$7.5 million of which, is legally required by debt covenants and is reported in the Trousdale Fund as restricted net position. In addition, during the budget process, the Board earmarked \$900,000 in the General fund to support services provided by the Sonrisas Dental fund. Some funds have been earmarked as replacement/maintenance fund to ensure funds are available for periodic replacement of building components or repair major equipment. In the Trousdale Fund, \$1,934,856 has been earmarked for this purpose and in the Leasing Fund, \$1,580,090 has been earmarked for this purpose as well.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The District is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the District is not known.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 8 – RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

All qualified employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay for benefits for any employer rate plan of the miscellaneous plan. Accordingly, rate plans within the miscellaneous pool is not a separate plan. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The District sponsors two rate miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is 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 rate plan provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vest after	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	52
Required employee contribution rates	7.0%	6.5%
Required employer contribution rates	9.923%	7.941%

Contributions

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis of June 30 by CalPERS. 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.

The District's contributions to the Plan for the fiscal year ended was \$47,892.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

As of June 30, 2020, the District reported net a pension asset for its proportionate share of the net pension asset of the Plan of \$428,050.

The District's net pension asset for the Plan is measured as the proportionate share of the net pension asset/liability. The net pension asset of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension asset for the Plan as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2018	0.009660%
Proportion - June 30, 2019	0.011463%
Change - Increase (Decrease)	0.00180%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$15,266. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 47,892	\$ -
Contributions in excess of proportionate share	-	56,183
Change in assumptions	7,236	20,411
Net differences between expected and actual experience	2,303	29,730
Change in proportions	113,472	-
Net differences between projected and actual earnings on pension plan investments	7,484	-
Total	\$ 178,387	\$ 106,324

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

\$47,892 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

For Year Ended June 30,	
2021	\$ (2,334)
2022	33,063
2023	(5,047)
2024	(1,512)
Total	<u>\$ 24,170</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary.

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

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

¹ An expected inflation of 2.00% used for this period.

² An expected inflation of 2.92% used for this period.

PENINSULA HEALTH CARE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	1% Decrease	Current discount rate	1% Increase
	6.15%	7.15%	8.15%
Proportionate share of Net Pension Asset	222,023	428,050	598,111

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net positions is available in the separately issued CalPERS financial reports.

NOTE 9 – LONG-TERM DEBT

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due within one year
Business-type Activities					
Certificates of Participation	\$ 47,435,000	-	\$ (1,375,000)	\$ 46,060,000	\$ 1,430,000
PPP Loan	-	395,365	-	395,365	-
Total Business-type Activities	<u>\$ 47,435,000</u>	<u>-</u>	<u>\$ (1,375,000)</u>	<u>\$ 46,455,365</u>	<u>\$ 1,430,000</u>

Certificates of Participation

During the fiscal year 2013-14, the District entered into a debt agreement with Western Alliance Bank in the amount of \$40,000,000 for the purpose of financing the costs of construction and equipping of a memory care and assisted living facility at 1600 Trousdale Drive, Burlingame, CA.

The District has drawn down the full \$40,000,000 amount allowed under the agreement. The interest rate is 3.91%, with interest payments due every August 1st and February 1st, commencing August 1, 2014. Principal payments are due every February 1st, commencing February 1st, 2017. The loan is under a mark to market hedge agreement. At this time, the prepayment fees are too high to consider a pay down.

During the fiscal year 2015-16 the District entered into a debt agreement with Western Alliance Bank in the amount of \$10,000,000, also for the purpose of financing the costs of construction and equipping of a memory care and assisted living facility at 1600 Trousdale Drive, Burlingame, CA.

PENINSULA HEALTH CARE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

The District has drawn down the full \$10,000,000 amount allowed by the agreement. The interest rate is 3.47% with interest payments due every August 1st and February 1st, commencing February 1, 2018. Principal payments are due every February 1st, commencing February 1st, 2020. There is no ability to prepay the debt until February 1, 2027.

The remaining Certificates of Participation payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,430,000	\$ 1,730,926	\$ 3,160,926
2022	1,490,000	1,675,181	3,165,181
2023	1,545,000	1,617,233	3,162,233
2024	1,605,000	1,557,081	3,162,081
2025	1,670,000	1,494,540	3,164,540
2026-2030	9,395,000	6,444,043	15,839,043
2031-2035	25,000,000	3,588,031	28,588,031
2036-2040	3,925,000	237,088	4,162,088
Totals	<u>\$ 46,060,000</u>	<u>\$ 18,344,123</u>	<u>\$ 64,404,123</u>

The Certificates of Participation are subject to the following covenants:

- The District is to maintain liquid assets in an amount equal to at least \$7,500,000, to be tested semi - annually.
- Beginning for the fiscal year ending June 30, 2020 the District's revenues less expenses, plus depreciation, amortization and interest expense shall equal at least 1.2 times total debt service for such fiscal year.
- The District shall not issue any additional obligations unless the District's revenues less expenses, plus depreciation, amortization and interest expense shall be at least 1.25 times total debt service following such issuance for each fiscal year.
- The District will deposit and maintain deposited, during the term of this agreement, with an affiliate of Western Alliance Bank, a minimum amount of \$3,000,000.

No covenant violations have occurred for the fiscal year ended June 30, 2020.

Paycheck Protection Program

Sonrisas was granted a \$395,365 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Sonrisas is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Sonrisas has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. Sonrisas will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

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Required Supplementary Information

PENINSULA HEALTH CARE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS***

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension asset	0.01069%	0.01146%	0.00966%	0.01058%	0.01774%	0.01488%
Proportionate share of the net pension asset	\$ 428,050	\$ 432,023	\$ 380,795	\$ 367,602	\$ 486,714	\$ 367,646
Covered payroll	\$ 539,821	\$ 411,421	\$ 285,319	\$ 332,610	\$ 270,104	\$ 268,107
Proportionate Share of the net pension asset as a percentage of covered payroll	79.29%	105.01%	133.46%	110.52%	180.20%	137.13%
Plan fiduciary net position as a percentage of total pension asset	75.26%	77.69%	75.39%	75.87%	79.89%	81.15%

*Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown

PENINSULA HEALTH CARE DISTRICT

**SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS***

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	\$ 47,892	\$ 46,411	\$ 39,492	\$ 36,629	\$ 80,628	\$ 31,075
Contributions in relation to the actuarially determined contributions	<u>(47,892)</u>	<u>(46,411)</u>	<u>(39,492)</u>	<u>(36,692)</u>	<u>(36,629)</u>	<u>(32,019)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63)</u>	<u>\$ 43,999</u>	<u>\$ (944)</u>
Covered payroll	\$ 614,787	\$ 539,821	\$ 411,421	\$ 285,319	\$ 332,610	\$ 270,104
Contributions as a percentage of covered payroll	7.79%	8.60%	9.60%	12.84%	24.24%	11.50%

*Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

PENINSULA HEALTH CARE DISTRICT

**BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2020**

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 7,000,000	\$ 7,000,000	\$ 7,819,985	\$ 819,985
Use of money and property	458,200	458,200	661,715	203,515
Other revenue	2,841	2,841	3,256	415
Total Revenues	<u>7,461,041</u>	<u>7,461,041</u>	<u>8,484,956</u>	<u>1,023,915</u>
Expenditures:				
Current:				
General Government:				
Administration and overhead	944,244	944,244	916,035	28,209
Communications	175,000	175,000	119,532	55,468
Legal fees	300,000	300,000	75,942	224,058
Promotion	75,000	75,000	600	74,400
Financial consultant	50,000	50,000	34,112	15,888
Other	1,071,204	1,071,204	241,012	830,192
Community Grants	3,400,000	5,900,000	5,494,328	405,672
Total Expenditures	<u>6,015,448</u>	<u>8,515,448</u>	<u>6,881,561</u>	<u>1,633,887</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>1,445,593</u>	<u>(1,054,407)</u>	<u>1,603,395</u>	<u>2,657,802</u>
Net Change in Fund Balance	<u>\$ 1,445,593</u>	<u>\$ (1,054,407)</u>	<u>1,603,395</u>	<u>\$ 2,657,802</u>
Reconciling items:				
Transfers out			(1,372)	
Fund Balance, Beginning			<u>14,043,805</u>	
Fund Balance, Ending			<u>\$ 15,645,828</u>	