



Annual Financial Report  
June 30, 2021

## 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 (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2021, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Menlo Park, California  
December 28, 2021

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, 2021. 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 \$82,835,786 . Of this amount, \$32,640,153 is unrestricted net position.
- The District's total net position increased by \$3,579,576 , mainly because of additional property tax revenue, funds received from the Paycheck Protection Program, and delays in launching various programs due to COVID restrictions.
- The District's current assets increased by \$4,990,660 , primarily due to increase in cash and investments. The increase in cash and investments were related to property taxes, leasing revenue, and grants and contributions received by the Dental fund.
- The District's current liabilities increased by \$286,848 mostly due to the Paycheck Protection Program loan received by the Dental fund.

#### 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.

*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, fitness center activity, assisted living/memory care facility operations, and dental operations.

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.

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.

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 \$82,835,786 at the close of the most recent fiscal year.

Peninsula Health Care District  
Management's Discussion and Analysis  
June 30, 2021

Condensed Statement of Net Position								
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)	
	2021	2020	2021	2020	2021	2020	\$	%
<b>Assets</b>								
Current assets	\$ 12,696,374	\$ 15,755,084	\$ 27,196,539	\$ 19,147,169	\$ 39,892,913	\$ 34,902,253	\$ 4,990,660	14.3%
Capital assets	2,780,704	2,794,359	87,325,633	89,988,904	90,106,337	92,783,263	(2,676,926)	-2.9%
Internal balances	7,378,540	-	(7,378,540)	-	-	-	-	-100.0%
Other assets	416,097	428,050	14,697	14,697	430,794	442,747	(11,953)	-2.7%
<b>Total assets</b>	<b>23,271,715</b>	<b>18,977,493</b>	<b>107,158,329</b>	<b>109,150,770</b>	<b>130,430,044</b>	<b>128,128,263</b>	<b>2,313,734</b>	<b>1.8%</b>
<b>Deferred Outflows of resources</b>								
	113,765	178,387	-	-	113,765	178,387	(64,622)	-36.2%
<b>Liabilities</b>								
Current liabilities	128,179	109,256	3,816,159	3,548,234	3,944,338	3,657,490	286,848	7.8%
Non-current liabilities	-	-	43,674,023	45,286,626	43,674,023	45,286,626	(1,612,603)	-3.6%
<b>Total Liabilities</b>	<b>128,179</b>	<b>109,256</b>	<b>47,490,182</b>	<b>48,834,860</b>	<b>47,618,361</b>	<b>48,944,116</b>	<b>(1,325,755)</b>	<b>-2.7%</b>
<b>Deferred Inflows of resources</b>								
	89,662	106,324	-	-	89,662	106,324	(16,662)	-15.7%
<b>Net Assets</b>								
<b>Net Investment in capital assets</b>								
Restricted	-	2,794,359	42,695,633	43,928,904	42,695,633	46,723,263	(4,027,630)	-8.6%
Unrestricted	23,167,639	16,145,941	9,472,514	8,887,006	32,640,153	25,032,947	7,607,206	30.4%
<b>Total net position</b>	<b>\$ 23,167,639</b>	<b>\$ 18,940,300</b>	<b>\$ 59,668,147</b>	<b>\$ 60,315,910</b>	<b>\$ 82,835,786</b>	<b>\$ 79,256,210</b>	<b>\$ 3,579,576</b>	<b>4.5%</b>

The largest portion of the District's net position (51.5%) 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 constituents. 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 \$32,640,153 is unrestricted and may be used to meet the government's ongoing obligations to its constituents 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.



### Governmental Activities

During the current fiscal year, net position for governmental activities increased \$4,227,339 from the prior fiscal year for an ending balance of \$23,167,639 . The increase in the overall net position of governmental activities is the result of a combination of increased property tax revenue and decreased grant expenses. Property taxes increased by due to an increase in property tax collections which are dependent on home values and assessed values. Extraordinary COVID-related grant expenses decreased due to a one-time \$3 million contribution to the San Mateo County for a COVID alternative care facility in fiscal year 2020.

	Condensed Statement of Activities						Total % Change
	Governmental Activities		Business-Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
<b>Revenues</b>							
<b>Program Revenues</b>							
Leasing revenue	\$ -	\$ -	\$ 2,945,617	\$ 2,440,106	\$ 2,945,617	\$ 2,440,106	20.7%
Dental services revenue	-	-	1,968,841	1,450,913	1,968,841	1,450,913	35.7%
The Trosdale revenue	-	-	9,071,642	8,601,508	9,071,642	8,601,508	100.0%
Health and fitness	-	-	24,259	-	24,259	-	100.0%
<b>General Revenues</b>							
Property taxes	8,462,423	7,819,985	-	-	8,462,423	7,819,985	8.2%
Other revenues	3,670	3,256	2,058,232	962,631	2,061,902	965,887	113.5%
Investment income	80,682	661,715	604	18,489	81,286	680,204	-88.0%
<b>Total revenues</b>	<b>8,546,775</b>	<b>8,484,956</b>	<b>16,069,195</b>	<b>13,473,647</b>	<b>24,615,970</b>	<b>21,958,603</b>	<b>12.1%</b>
<b>Expenses</b>							
Leasing	-	-	723,371	553,534	723,371	553,534	30.7%
Dental	-	-	3,633,122	3,165,729	3,633,122	3,165,729	14.8%
The Trosdale	-	-	12,132,545	11,976,117	12,132,545	11,976,117	100.0%
Health and fitness	-	-	227,920	-	227,920	-	100.0%
General government	1,514,589	1,519,121	-	-	1,514,589	1,519,121	-0.3%
Grants	2,804,847	5,494,328	-	-	2,804,847	5,494,328	-49.0%
<b>Total expenses</b>	<b>4,319,436</b>	<b>7,013,449</b>	<b>16,716,958</b>	<b>15,695,380</b>	<b>21,036,394</b>	<b>22,708,829</b>	<b>-7.4%</b>
Transfers	-	(1,372)	-	1,372	-	-	0.0%
<b>Change in net position</b>	<b>4,227,339</b>	<b>1,470,135</b>	<b>(647,763)</b>	<b>(2,220,361)</b>	<b>3,579,576</b>	<b>(750,226)</b>	<b>-577.1%</b>
Net position - beginning	18,940,300	17,470,165	60,315,910	62,536,271	79,256,210	80,006,436	-0.9%
<b>Net position - ending</b>	<b>\$ 23,167,639</b>	<b>\$ 18,940,300</b>	<b>\$ 59,668,147</b>	<b>\$ 60,315,910</b>	<b>\$ 82,835,786</b>	<b>\$ 79,256,210</b>	<b>4.5%</b>

### **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 \$59,668,147 . The total decrease in net position for business-type activities was \$647,763 or 1.0% from the prior fiscal year. The loss, in part, is attributable to the impact of COVID. COVID restrictions impacted the admittance of new residents and marketing tours at the Trousdale Assisted Living/Memory Care Facility. The Fitness Center was only opened for approximately five months of the year on a limited capacity due to County COVID restrictions. In addition, there were additional COVID-related expenses to keep residents, members, vendors, and staff safe.

### **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, 2021, the District's governmental funds reported a fund balance of \$19,946,735 , an increase of \$4,300,907 in comparison with the prior year. 100% of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion and is 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 collection of rental revenue from tenants of District owned healthcare facilities, and program revenue from The Trousdale Assisted Living/Memory Care and 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, 2021, amounts to \$90,106,337 (net of accumulated depreciation). This investment in capital assets includes construction cost of the assisted living/memory care facility. The total decrease in capital assets for the current fiscal year of approximately \$2,676,926 was mainly related to depreciation of the facility. 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 \$44,630,000 . Additional details about the District's debt can be found in Note 9.

**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, 2021

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 12,626,381	\$ 23,503,263	\$ 36,129,644
Receivables			
Interest	15,866	78,069	93,935
Rent	-	22,998	22,998
Patient	-	(1,159)	(1,159)
Grants	-	293,339	293,339
Tax	11,330	-	11,330
Misc	-	1,224	1,224
Prepaid items	42,797	159,931	202,728
Restricted cash and investments	-	3,123,749	3,123,749
Other assets	-	15,125	15,125
<b>Total current assets</b>	<b>12,696,374</b>	<b>27,196,539</b>	<b>39,892,913</b>
<b>Noncurrent Assets</b>			
Deposits receivable	-	14,697	14,697
Internal balances	7,378,540	(7,378,540)	-
Nondepreciable capital assets	2,120,000	13,259,722	15,379,722
Depreciable capital assets, net	660,704	74,065,911	74,726,615
Net pension asset	416,097	-	416,097
<b>Total noncurrent assets</b>	<b>10,575,341</b>	<b>79,961,790</b>	<b>90,537,131</b>
<b>Total Assets</b>	<b>23,271,715</b>	<b>107,158,329</b>	<b>130,430,044</b>
<b>Deferred Outflows of Resources - Pension related</b>	<b>113,765</b>	<b>-</b>	<b>113,765</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	53,928	1,089,799	1,143,727
Accrued payroll liabilities	74,251	-	74,251
Interest payable	-	709,845	709,845
Unearned revenues	-	442,526	442,526
Other payable	-	83,989	83,989
Long-term debt, due within one year	-	1,490,000	1,490,000
<b>Total Current Liabilities</b>	<b>128,179</b>	<b>3,816,159</b>	<b>3,944,338</b>
<b>Noncurrent Liabilities</b>			
Tenant deposits	-	324,197	324,197
Long-term debt, due after one year	-	43,349,826	43,349,826
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>43,674,023</b>	<b>43,674,023</b>
<b>Total Liabilities</b>	<b>128,179</b>	<b>47,490,182</b>	<b>47,618,361</b>
<b>Deferred Inflows of Resources - pension related</b>	<b>89,662</b>	<b>-</b>	<b>89,662</b>
<b>Net Position</b>			
Net investment in capital assets		42,695,633	42,695,633
Restricted for debt service	-	7,500,000	7,500,000
Unrestricted	23,167,639	9,472,514	32,640,153
<b>Total net position</b>	<b>\$ 23,167,639</b>	<b>\$ 59,668,147</b>	<b>\$ 82,835,786</b>

Peninsula Health Care District  
Statement of Activities  
Years Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Grants and Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities						
General government services	\$ 1,514,589	\$ -	\$ -	\$ (1,514,589)	\$ -	\$ (1,514,589)
Community services	2,804,847	-	-	(2,804,847)	-	(2,804,847)
<b>Total governmental activities</b>	<b>4,319,436</b>	<b>-</b>	<b>-</b>	<b>(4,319,436)</b>	<b>-</b>	<b>(4,319,436)</b>
Business-type activities						
Dental services	3,633,122	1,968,841	2,058,232	-	393,951	393,951
Leasing	723,371	2,945,617	-	-	2,222,246	2,222,246
Trousdale	10,397,070	9,071,642	-	-	(1,325,428)	(1,325,428)
Health and fitness fund	227,920	24,259	-	-	(203,661)	(203,661)
Interest expense	1,735,475	-	-	-	(1,735,475)	(1,735,475)
<b>Total business-type activities</b>	<b>16,716,958</b>	<b>14,010,359</b>	<b>2,058,232</b>	<b>-</b>	<b>(648,367)</b>	<b>(648,367)</b>
<b>Total primary government</b>	<b>\$ 21,036,394</b>	<b>\$ 14,010,359</b>	<b>\$ 2,058,232</b>	<b>(4,319,436)</b>	<b>(648,367)</b>	<b>(4,967,803)</b>
General Revenues						
Investment earnings				80,682	604	81,286
Property taxes				8,462,423	-	8,462,423
Other revenues				3,670	-	3,670
<b>Total General Revenues and Transfers</b>				<b>8,546,775</b>	<b>604</b>	<b>8,547,379</b>
Change in Net Position				4,227,339	(647,763)	3,579,576
Net Position, Beginning				18,940,300	60,315,910	79,256,210
Net Position, Ending				<b>\$ 23,167,639</b>	<b>\$ 59,668,147</b>	<b>\$ 82,835,786</b>

Peninsula Health Care District  
Governmental Fund - Balance Sheet  
June 30, 2021

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	<u>General Fund</u>
Assets	
Cash and investments	\$ 12,626,381
Receivables	
Interest receivable	15,866
Tax receivable	11,330
Prepaid items	42,797
Advances to other funds	<u>7,378,540</u>
Total assets	<u>\$ 20,074,914</u>
Liabilities	
Accounts payable	\$ 53,928
Accrued payroll liabilities	<u>74,251</u>
Total liabilities	128,179
Fund Balance	
Unassigned	<u>19,946,735</u>
Total Liabilities and Fund Balance	<u>\$ 20,074,914</u>

Peninsula Health Care District  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Total Fund Balance - Total Governmental Fund		\$ 19,946,735
<p>Amounts Reported For Governmental Activities In The Statement of Net Position are different from those reported in the governmental funds because of the following:</p>		
<p>Capital Assets Used In Governmental Activities Are Not Current resources and, therefore, are not reported in the Governmental Funds.</p>		
Capital assets	\$ 2,920,746	
Less: accumulated depreciation	<u>(140,042)</u>	
		2,780,704
Net Pension Asset and Related Deferrals		<u>440,200</u>
Net Position of Governmental Activities		<u><u>\$ 23,167,639</u></u>

Peninsula Health Care District  
 Governmental Fund - Statement of Revenues, Expenses and Changes in Fund Balance  
 Year Ended June 30, 2021

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	General Fund
Revenues	
Taxes	\$ 8,462,423
Investment earnings	80,682
Other revenue	3,670
Total revenues	8,546,775
Expenditures	
Current	
General government	
Administration	969,275
Communications	96,223
Legal fees	56,037
Financial consultant	8,453
Other	311,033
Community services	
Community grants	2,804,847
Total Expenditures	4,245,868
Net Change in Fund Balances Before Extraordinary Item	4,300,907
Extraordinary Item	
Transfer of land back to successor agency due to disallowance of pervious transfer	
Net Change in Fund Balance	4,300,907
Fund Balance, Beginning	15,645,828
Fund Balance, Ending	\$ 19,946,735



Peninsula Health Care District

Reconciliation the Statement of Revenues, Expenses and Changes in Fund Balance of Government Funds to the  
Statement of Activities  
Year Ended June 30, 2021

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Net Change in Fund Balance \$ 4,300,907

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	\$ 11,139
Depreciation expense not reported in governmental funds	<u>(24,794)</u>

(13,655)

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:

(59,913)

Change in Net Position of Governmental Activities

\$ 4,227,339

Peninsula Health Care District  
Proprietary Funds - Statement of Net Position  
June 30, 2021

	Dental Fund	Leasing Fund	Trousdale Fund	Health and Fitness Fund	Total
<b>Assets</b>					
Cash and investments	\$ 1,884,722	\$ 19,188,995	\$ 2,413,358	\$ 16,188	\$ 23,503,263
Accounts receivables					
Interest	-	75,719	2,350	-	78,069
Rent and tenant	-	592	22,406	-	22,998
Patient	(1,159)	-	-	-	(1,159)
Grants	293,339	-	-	-	293,339
Other	-	-	(411)	1,635	1,224
Prepaid items	36,211	10,718	109,771	3,231	159,931
Restricted cash and investments	-	-	3,123,749	-	3,123,749
Other assets	1,898	-	13,227	-	15,125
<b>Total current assets</b>	<b>2,215,011</b>	<b>19,276,024</b>	<b>5,684,450</b>	<b>21,054</b>	<b>27,196,539</b>
<b>Noncurrent Assets</b>					
Deposit receivable	14,697	-	-	-	14,697
Advances to other fund	-	-	3,592,940	-	3,592,940
Non-depreciable capital assets	-	12,858,737	400,985	-	13,259,722
Depreciable capital assets, net	922,709	4,326,001	68,799,929	17,272	74,065,911
<b>Total noncurrent assets</b>	<b>937,406</b>	<b>17,184,738</b>	<b>72,793,854</b>	<b>17,272</b>	<b>90,933,270</b>
<b>Total Assets</b>	<b>3,152,417</b>	<b>36,460,762</b>	<b>78,478,304</b>	<b>38,326</b>	<b>118,129,809</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expense	342,695	104,709	629,815	12,580	1,089,799
Interest payable	-	-	709,845	-	709,845
Unearned revenues	31,633	375,864	29,943	5,086	442,526
Social Security tax deferral	83,989	-	-	-	83,989
Long-term debt, due within one year	-	-	1,490,000	-	1,490,000
<b>Total current liabilities</b>	<b>458,317</b>	<b>480,573</b>	<b>2,859,603</b>	<b>17,666</b>	<b>3,816,159</b>
<b>Noncurrent Liabilities</b>					
Tenant deposits	-	259,197	65,000	-	324,197
Advances from other fund	-	10,365,643	-	605,837	10,971,480
Long-term debt, due after one year	209,826	-	43,140,000	-	43,349,826
<b>Total noncurrent liabilities</b>	<b>209,826</b>	<b>10,624,840</b>	<b>43,205,000</b>	<b>605,837</b>	<b>54,645,503</b>
<b>Total Liabilities</b>	<b>668,143</b>	<b>11,105,413</b>	<b>46,064,603</b>	<b>623,503</b>	<b>58,461,662</b>
<b>Net Position</b>					
Net investment in capital assets	922,709	17,184,738	24,570,914	17,272	42,695,633
Restricted for debt service	-	-	7,500,000	-	7,500,000
Unrestricted	1,561,565	8,170,611	342,787	(602,449)	9,472,514
<b>Total Net Position</b>	<b>\$ 2,484,274</b>	<b>\$ 25,355,349</b>	<b>\$ 32,413,701</b>	<b>\$ (585,177)</b>	<b>\$ 59,668,147</b>

Peninsula Health Care District  
Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Balance  
Year Ended June 30, 2021

	Dental Fund	Leasing Fund	Trousdale Fund	Health and Fitness Fund	Total
<b>Operating Revenues</b>					
Lease revenue	\$ -	\$ 2,945,617	\$ -	\$ -	\$ 2,945,617
Trousdale revenue	-	-	9,071,642	-	9,071,642
Fitness center revenue	-	-	-	24,259	24,259
Patient services	1,968,841	-	-	-	1,968,841
<b>Total operating revenues</b>	<b>1,968,841</b>	<b>2,945,617</b>	<b>9,071,642</b>	<b>24,259</b>	<b>14,010,359</b>
<b>Operating Expenses</b>					
Salaries and benefits	2,670,358	-	-	-	2,670,358
Supplies and other	532,120	-	-	-	532,120
Legal fees and purchased services	134,862	-	-	-	134,862
Rental expenses	39,600	281,598	7,863,499	-	8,184,697
Fitness center expenses	-	-	13	219,569	219,582
Other property expenses	-	298,098	-	-	298,098
Depreciation	256,182	143,675	2,533,558	8,351	2,941,766
<b>Total Operating Expenses</b>	<b>3,633,122</b>	<b>723,371</b>	<b>10,397,070</b>	<b>227,920</b>	<b>14,981,483</b>
<b>Operating Income (Loss)</b>	<b>(1,664,281)</b>	<b>2,222,246</b>	<b>(1,325,428)</b>	<b>(203,661)</b>	<b>(971,124)</b>
<b>Nonoperating Revenue (Expense)</b>					
Grants and contributions	2,058,232	-	-	-	2,058,232
Investment earnings (expense)	-	(13,378)	13,982	-	604
Other income	-	-	-	-	-
Interest expense	-	-	(1,735,475)	-	(1,735,475)
<b>Total Non-Operating Revenue (expense)</b>	<b>2,058,232</b>	<b>(13,378)</b>	<b>(1,721,493)</b>	<b>-</b>	<b>323,361</b>
<b>Income (Loss) before Transfers</b>	<b>393,951</b>	<b>2,208,868</b>	<b>(3,046,921)</b>	<b>(203,661)</b>	<b>(444,102)</b>
<b>Transfers</b>					
Transfers in (out)	-	-	381,516	(381,516)	-
<b>Change in Net Position</b>	<b>393,951</b>	<b>2,208,868</b>	<b>(2,665,405)</b>	<b>(585,177)</b>	<b>(647,763)</b>
<b>Net Position, Beginning</b>	<b>2,090,323</b>	<b>23,146,481</b>	<b>35,079,106</b>	<b>-</b>	<b>60,315,910</b>
<b>Net Position, Ending</b>	<b>\$ 2,484,274</b>	<b>\$ 25,355,349</b>	<b>\$ 32,413,701</b>	<b>\$ (585,177)</b>	<b>59,668,147</b>

Peninsula Health Care District  
Proprietary Funds - Statement of Cash Flows  
Year Ended June 30, 2021

	Dental Fund	Leasing Fund	Trousdale Fund	Health and Fitness Fund	Total
<b>Cash Flow from Operating Activities</b>					
Cash received from tenants	\$ -	\$ 2,994,736	\$ 65,000	\$ -	\$ 3,059,736
Cash received from patients	2,053,174	-	-	-	2,053,174
Cash received from residents	-	-	9,042,493	29,345	9,071,838
Cash paid to suppliers for goods and services	(3,257,777)	(540,386)	(7,918,250)	(211,855)	(11,928,268)
Other income (expense)	-	-	1,586	-	1,586
<b>Net Cash Provided (Used for) Operating Activities</b>	<b>(1,204,603)</b>	<b>2,454,350</b>	<b>1,190,829</b>	<b>(182,510)</b>	<b>2,258,066</b>
<b>Cash Flows from Capital Financing Activities</b>					
Principal paid on debt	-	-	(1,430,000)	-	(1,430,000)
Interest paid on debt	-	-	(305,475)	-	(305,475)
Purchase of capital assets	(116,049)	(141,227)	(18,343)	(25,623)	(301,242)
<b>Net Cash Used for Capital Financing Activities</b>	<b>(116,049)</b>	<b>(141,227)</b>	<b>(1,753,818)</b>	<b>(25,623)</b>	<b>(2,036,717)</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Grants	1,367,041	-	-	-	1,367,041
Social Security Tax Deferral	74,069	-	-	-	74,069
PPP Loan Proceeds	402,210	-	-	-	402,210
Transfers in (out)	-	10,365,643	(4,641,424)	224,321	5,948,540
<b>Net Cash Provided by (Used For) Noncapital Financing Activities</b>	<b>1,843,320</b>	<b>10,365,643</b>	<b>(4,641,424)</b>	<b>224,321</b>	<b>7,791,860</b>
<b>Cash Flows from Investing Activities</b>					
Investment income	-	(31,391)	11	-	(31,380)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>-</b>	<b>(31,391)</b>	<b>11</b>	<b>-</b>	<b>(31,380)</b>
<b>Net Increase (Decrease) Cash and Cash Equivalents</b>	<b>522,668</b>	<b>12,647,375</b>	<b>(5,204,402)</b>	<b>16,188</b>	<b>7,981,829</b>
Cash and Cash Equivalents at Beginning of Fiscal Year	1,362,054	6,541,620	7,617,760	-	15,521,434
<b>Cash and Cash Equivalents at End of Fiscal Year</b>	<b>\$ 1,884,722</b>	<b>\$ 19,188,995</b>	<b>\$ 2,413,358</b>	<b>\$ 16,188</b>	<b>\$ 23,503,263</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ (1,664,281)	\$ 2,222,246	\$ (1,325,428)	\$ (203,661)	\$ (971,124)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>					
Depreciation	256,182	143,675	2,533,558	8,351	2,941,766
Other income (expense)	-	-	1,586	-	1,586
<b>(Increase) Decrease in operating assets</b>					
Rent and tenant receivable	-	6,976	565	-	7,541
Patient receivable	77,504	-	-	-	77,504
Misc receivable	-	-	411	(1,635)	(1,224)
Prepaid items	(8,305)	(10,718)	4,731	(3,231)	(17,523)
<b>Increase (Decrease) in operating liabilities</b>					
Accounts payable	127,468	50,028	(59,880)	12,580	130,196
Tenant deposits	-	(2,064)	65,000	-	62,936
Unearned revenues	6,829	44,207	(29,714)	5,086	26,408
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,204,603)</b>	<b>\$ 2,454,350</b>	<b>\$ 1,190,829</b>	<b>\$ (182,510)</b>	<b>\$ 2,258,066</b>

## **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.

**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 leasing fund 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 Trowsdale 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 Trowsdale fund of the District accounts for the financial transactions related to the assisted living service operations of the District.

**The Health & Fitness 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 health and fitness fund of the District accounts for the financial transactions related to the fitness center activity 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.

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.

### **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 \$1,000. 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 \$442,526 at June 30, 2021 primarily consists of prepaid rent.

### **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:

*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.

### **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.

Business-type Activities	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Compensated absences	\$ 46,111	\$ 79,142	\$ (48,158)	\$ 77,095	\$ 77,095

### 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.

### New Accounting Pronouncements

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

- GASB Statement No. 87 – *Leases*. The Statement is effective for the fiscal year 2021/2022.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of Construction Period*. The Statement is effective for the fiscal year 2021/2022.
- GASB Statement No. 91 – *Conduit Debt Obligations*. The Statement is effective for the fiscal year 2022/2023.
- GASB Statement No. 92 – *Omnibus 2020*. The Statement is effective for the fiscal year 2021/2022.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The Statement is effective for the fiscal year 2021/2022.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Statement is effective for the fiscal year 2022/2023.
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The Statement is effective for the fiscal year 2022/2023.
- GASB Statement No.97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement is effective for the fiscal year 2021/2022.

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	\$ 36,129,644
Restricted cash and investments	<u>3,123,749</u>
Total cash and investments	<u><u>\$ 39,253,393</u></u>
Cash and Investments as of June 30, 2021 Consists of the Following	
Cash in bank	\$ 6,788,029
Investments	<u>32,465,364</u>
Total cash and investments	<u><u>\$ 39,253,393</u></u>

**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.

**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

**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.

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
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

**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:

Investment Fund	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)	\$ 5,729,429	\$ 5,729,429	\$ -	\$ -	\$ -	\$ -
San Mateo County						
Pooled Investment Fund	3,505,299	3,505,299	-	-	-	-
Money Market Mutual Funds	2,117,291	2,117,291	-	-	-	-
U.S. Treasury Obligations	11,977,447	1,883,939	2,886,230	4,498,885	1,698,523	1,009,870
U.S. Agency Securities	734,603	-	-	248,395	486,208	-
Corporate Bonds	4,711,877	127,340	1,133,092	1,227,767	1,628,851	594,827
Municipal Bonds	565,669	-	-	323,365	-	242,304
Certificates of Deposit	3,123,749	-	-	3,123,749	-	-
	<u>\$ 32,465,364</u>	<u>\$ 13,363,298</u>	<u>\$ 4,019,322</u>	<u>\$ 9,422,161</u>	<u>\$ 3,813,582</u>	<u>\$ 1,847,001</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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	Minimum	Exempt From	Rating as of Fiscal Year End	
				AAA	AA+
State Investment Pool (LAIF)	\$ 5,729,429	None	\$ -	\$ -	\$ -
San Mateo County Pool	3,505,299	None	-	-	-
Money Market Funds	2,117,291	None	-	-	-
U.S. Treasury Obligations	11,977,447	N/A	11,977,447	-	-
U.S. Agency Securities	734,603	None	-	-	734,603
Corporate Bonds	4,711,877	None	-	50,549	-
Municipal Bonds	565,669	None	-	-	-
Certificates of Deposit	3,123,749	None	-	-	-
<b>Total</b>	<b>\$ 32,465,364</b>		<b>\$ 11,977,447</b>	<b>\$ 50,549</b>	<b>\$ 734,603</b>

Investment Type	Rating as of Fiscal Year End			
	AA	A-	BBB+	Not Rated
State Investment Pool (LAIF)	\$ -	\$ -	\$ -	\$ 5,729,429
San Mateo County Pool	-	-	-	3,505,299
Money Market Funds	-	-	-	2,117,291
U.S. Treasury Obligations	-	-	-	-
U.S. Agency Securities	-	-	-	-
Corporate Bonds	76,791	3,049,314	1,535,223	-
Municipal Bonds	565,669	-	-	-
Certificates of Deposit	-	-	-	3,123,749
<b>Total</b>	<b>\$ 642,460</b>	<b>\$ 3,049,314</b>	<b>\$ 1,535,223</b>	<b>\$ 14,475,768</b>

### 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% of the total amount deposited by the public agencies. As of June 30, 2021, \$6,320,808 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.

**Fair Value Measurements**

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

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	\$ 2,117,291	\$ 2,117,291	\$ -	\$ -
U.S. Treasury Obligations	11,977,447	11,977,447	-	-
U.S. Agency Securities	734,603	734,603	-	-
Corporate Notes	4,711,877	-	4,711,877	-
Municipal Bonds	565,669	565,669	-	-
	<u>\$ 20,106,887</u>	<u>\$ 15,395,010</u>	<u>\$ 4,711,877</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.

**Note 3 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

Governmental Activities	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Being Depreciated				
Land	\$ 2,120,000	\$ -	\$ -	\$ 2,120,000
Total Capital Assets, Not Being Depreciated	2,120,000	-	-	2,120,000
Capital Assets, Being Depreciated				
Buildings and improvements	770,012	-	-	770,012
Equipment	19,595	11,139	-	30,734
Total Capital Assets, Being Depreciated	789,607	11,139	-	800,746
Accumulated Depreciation				
Buildings and improvements	(109,778)	(19,746)	-	(129,524)
Equipment	(5,470)	(5,048)	-	(10,518)
Total Accumulated Depreciation	(115,248)	(24,794)	-	(140,042)
Total Capital Assets, Being Depreciated, Net	674,359	(13,655)	-	660,704
Total Capital Assets, Net	\$ 2,794,359	\$ (13,655)	\$ -	\$ 2,780,704

Depreciation expense of \$24,794 was allocated to general government expense on the statement of activities.

Dental Fund	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Being Depreciated				
Buildings and improvements	1,053,512	5,650	-	1,059,162
Equipment	1,191,282	110,399	-	1,301,681
Total Capital Assets, Being Depreciated	2,244,794	116,049	-	2,360,843
Accumulated Depreciation				
Buildings and improvements	(503,944)	(122,277)	-	(626,221)
Equipment	(678,008)	(133,905)	-	(811,913)
Total Accumulated Depreciation	(1,181,952)	(256,182)	-	(1,438,134)
Total Capital Assets, Net	\$ 1,062,842	\$ (140,133)	\$ -	\$ 922,709

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Leasing Fund	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Being Depreciated				
Land	\$ 12,812,438	\$ 46,299	\$ -	\$ 12,858,737
Total Capital Assets, Not Being Depreciated	12,812,438	46,299	-	12,858,737
Capital Assets, Being Depreciated				
Land improvements	11,100	-	-	11,100
Buildings and improvements	5,679,990	88,178	-	5,768,168
Equipment	1,728,590	6,750	-	1,735,340
Total Capital Assets, Being Depreciated	7,419,680	94,928	-	7,514,608
Accumulated Depreciation				
Buildings and improvements	(1,333,858)	(110,284)	-	(1,444,142)
Equipment	(1,711,074)	(33,391)	-	(1,744,465)
Total Accumulated Depreciation	(3,044,932)	(143,675)	-	(3,188,607)
Total Capital Assets, Being Depreciated, Net	4,374,748	(48,747)	-	4,326,001
Total Capital Assets, Net	\$ 17,187,186	\$ (2,448)	\$ -	\$ 17,184,738

Trousdale Fund	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Being Depreciated				
Land	\$ 400,985	\$ -	\$ -	\$ 400,985
Total Capital Assets, Not Being Depreciated	400,985	-	-	400,985
Capital Assets, Being Depreciated				
Buildings and improvements	74,877,640	3,711	-	74,881,351
Equipment	304,339	17,508	-	321,847
Total Capital Assets, Being Depreciated	75,181,979	21,219	-	75,203,198
Accumulated Depreciation				
Buildings and improvements	(3,781,798)	(2,493,304)	-	(6,275,102)
Equipment	(87,913)	(40,254)	-	(128,167)
Total Accumulated Depreciation	(3,869,711)	(2,533,558)	-	(6,403,269)
Total Capital Assets, Being Depreciated, Net	71,312,268	(2,512,339)	-	68,799,929
Total Capital Assets, Net	\$ 71,713,253	\$ (2,512,339)	\$ -	\$ 69,200,914

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Health and Fitness Fund	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, being depreciated				
Buildings and improvements	\$ 7,000	\$ -	\$ -	\$ 7,000
Equipment	34,870	-	-	34,870
Total Capital Assets, being depreciated	41,870	-	-	41,870
Accumulated Depreciation				
Buildings and improvements	(2,800)	(1,391)	-	(4,191)
Equipment	(13,447)	(6,960)	-	(20,407)
Total Accumulated Depreciation	(16,247)	(8,351)	-	(24,598)
Total Capital Assets, Net	<u>\$ 25,623</u>	<u>\$ (8,351)</u>	<u>\$ -</u>	<u>\$ 17,272</u>
Business-type Activities	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Being Depreciated				
Land	\$ 13,213,423	\$ 46,299	\$ -	\$ 13,259,722
Total Capital Assets, Not Being Depreciated	13,213,423	46,299	-	13,259,722
Capital Assets, being depreciated:				
Land improvements	11,100	-	-	11,100
Buildings and improvements	81,618,142	97,539	-	81,715,681
Equipment	3,259,081	134,657	-	3,393,738
Total Capital Assets, Being Depreciated	84,888,323	232,196	-	85,120,519
Accumulated Depreciation				
Buildings and improvements	(5,622,400)	(2,727,256)	-	(8,349,656)
Equipment	(2,490,442)	(214,510)	-	(2,704,952)
Total Accumulated Depreciation	(8,112,842)	(2,941,766)	-	(11,054,608)
Total Capital Assets, Being Depreciated, Net	76,775,481	(2,709,570)	-	74,065,911
Total Capital Assets, Net	<u>\$ 89,988,904</u>	<u>\$ (2,663,271)</u>	<u>\$ -</u>	<u>\$ 87,325,633</u>

**Note 4 - 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, 9/1/2017 and 9/1/2020. MPHS has an option to extend the Ground Lease for an additional 25-year period with the written consent of the District.

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 and 113 16<sup>th</sup> 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
2022	\$ 2,174,184	\$ 2,833	\$ 163,130	\$ 135,424
2023	2,174,184	-	38,104	92,460
2024	2,174,184	-	-	11,247
2025	2,174,184	-	-	-
2026	2,174,184	-	-	-
2027-2031	10,870,920	-	-	-
2032-2036	10,870,920	-	-	-
2037-2041	10,870,920	-	-	-
2042-2046	10,870,920	-	-	-
2047-2051	10,870,920	-	-	-
2052-2056	10,870,920	-	-	-
2057-2061	10,599,150	-	-	-
Total	<u>\$ 86,695,590</u>	<u>\$ 2,833</u>	<u>\$ 201,234</u>	<u>\$ 239,131</u>

## **Note 5 - Contingencies**

### **Under the Definitive Agreements, the District is Obligated as Follows:**

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.

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 a restricted net position. In addition, on April 23, 2020, the Board approved a three-year, up to \$2.7 million funding agreement in the General fund to support services provided by the Sonrisas Dental fund of which, \$2.45 million is allotted for this purpose as of June 30, 2021. 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, \$3,201,635 has been earmarked for this purpose, and in the Leasing Fund, \$1,608,744 has been earmarked for this purpose as well.

**Note 6 - 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, 2021, are summarized as follows:

	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
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	6.91%	6.75%
Required employer contribution rates	10.484%	7.732%

**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 \$35,497.

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

As of June 30, 2021, the District reported net pension asset for its proportionate share of the net pension asset of the Plan of \$416,097.

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019	0.010689%
Proportion - June 30, 2020	0.009865%
Change - Increase (Decrease)	-0.000824%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$59,913. At June 30, 2021, 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	\$ 35,497	\$ -
Contributions in excess of proportionate share	-	55,858
Change in assumptions	2,968	-
Net differences between expected and actual experience	-	21,443
Net differences in actual contribution and proportionate		
Change in proportions	75,300	-
Net differences between projected and actual earnings		
on pension plan investments	-	12,361
	-	12,361
<b>Total</b>	<b>\$ 113,765</b>	<b>\$ 89,662</b>



\$35,497 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,		
2022	\$	21,759
2023		(15,812)
2024		(11,413)
2025		(5,929)
Total	\$	(11,395)

**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, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
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%. 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% 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.

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 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
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%		

<sup>1</sup> An expected inflation of 2.00% used for this period.

<sup>2</sup> An expected inflation of 2.92% used for this period.

#### 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%, 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%) or 1 percentage-point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Proportionate Share of Net Pension Asset	\$ 206,361	\$ 416,097	\$ 589,396

**Pension Plan Fiduciary Net Position**

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

**Note 7 - Long-Term Debt**

Business-type Activities	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Certificates of Participation	\$ 46,060,000	\$ -	\$ (1,430,000)	\$ 44,630,000	\$ 1,490,000
Paycheck Protection Program	395,365	402,210	(596,470)	201,105	-
Capital Leases	-	8,721	-	8,721	-
<b>Total Business-type Activities</b>	<b>\$ 46,455,365</b>	<b>\$ -</b>	<b>\$ (2,026,470)</b>	<b>\$ 44,839,826</b>	<b>\$ 1,490,000</b>

**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 1<sup>st</sup> and February 1<sup>st</sup>, commencing August 1, 2014. Principal payments are due every February 1<sup>st</sup>, commencing February 1<sup>st</sup>, 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.

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 1<sup>st</sup> and February 1<sup>st</sup>, commencing February 1, 2018. Principal payments are due every February 1<sup>st</sup>, commencing February 1<sup>st</sup>, 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>
2022	\$ 1,490,000	\$ 1,703,629	\$ 3,193,629
2023	1,545,000	1,646,734	3,191,734
2024	1,605,000	1,587,733	3,192,733
2025	1,670,000	1,526,429	3,196,429
2026	1,735,000	1,462,651	3,197,651
2027-2031	9,800,000	6,264,574	16,064,574
2032-2036	23,365,000	3,104,276	26,469,276
2037-2038	3,420,000	168,989	3,588,989
Totals	<u>\$ 44,630,000</u>	<u>\$ 17,465,014</u>	<u>\$ 62,095,014</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, 2021 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, 2021.

#### **Paycheck Protection Program**

In fiscal year 2019-20, 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. During 2020-21, \$395,365 was forgiven, additional loan of \$402,210 was granted. Of the 2<sup>nd</sup> loan, \$201,105 (50%) was forgiven. Sonrisas has recorded a note payable for the remaining amount of \$201,105 and will record the forgiveness upon being legally released from the loan obligation by the SBA. 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.



Required Supplementary Information  
June 30, 2021

## Peninsula Health Care District

Peninsula Health Care District  
 Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios  
 Year Ended June 30, 2021, for the last Ten Fiscal Years\*

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension asset	0.01069%	0.01069%	0.01146%	0.00966%	0.01058%	0.01774%	0.01488%
Proportionate share of the net pension asset	\$ 416,097	\$ 428,050	\$ 432,023	\$ 380,795	\$ 367,602	\$ 486,714	\$ 367,646
Covered payroll	\$ 614,787	\$ 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	67.68%	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%	75.26%	77.69%	75.39%	75.87%	79.89%	81.15%

\*Fiscal year 2015 was the first year of implementation, therefore only 7 years are shown.

Peninsula Health Care District  
Schedule of the District Pension Contributions  
Years Ended June 30, 2021, for the last Ten Fiscal Years\*

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractual required contribution (actuarially determined)	\$ 35,497	\$ 47,892	\$ 46,411	\$ 39,492	\$ 36,629	\$ 80,628	\$ 31,075
Contributions in relation to the actuarially determined contributions	<u>(35,497)</u>	<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>\$ -</u>	<u>\$ (63)</u>	<u>\$ 43,999</u>	<u>\$ (944)</u>
Covered payroll	\$ 716,646	\$ 614,787	\$ 539,821	\$ 411,421	\$ 285,319	\$ 332,610	\$ 270,104
Contributions as a percentage of covered payroll	4.95%	7.79%	8.60%	9.60%	12.84%	24.24%	11.50%

\*Fiscal year 2015 was the first year of implementation, therefore only 7 years are shown.

Peninsula Health Care District  
 Budgetary Comparison Schedule  
 Years Ended June 30, 2021

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Taxes	\$ 7,000,000	\$ 7,000,000	\$ 8,462,423	\$ 1,462,423
Use of money and property	364,692	364,692	80,682	(284,010)
Other revenue	-	-	3,670	3,670
<b>Total Revenues</b>	<b>7,364,692</b>	<b>7,364,692</b>	<b>8,546,775</b>	<b>1,182,083</b>
Expenditures				
Current				
General government				
Administration and overhead	1,373,387	1,373,387	969,275	404,112
Communications	184,000	184,000	96,223	87,777
Legal fees	380,000	380,000	56,037	323,963
Financial consultant	25,000	25,000	8,453	16,547
Other	1,071,449	1,083,839	311,033	772,806
Community grants	3,360,000	3,360,000	2,804,847	555,153
<b>Total Expenditures</b>	<b>6,393,836</b>	<b>6,406,226</b>	<b>4,245,868</b>	<b>2,160,358</b>
<b>Net Change in Fund Balance</b>	<b>\$ 970,856</b>	<b>\$ 958,466</b>	<b>4,300,907</b>	<b>\$ 3,342,441</b>
Fund Balance, Beginning			15,645,828	
Fund Balance, Ending			<b>\$ 19,946,735</b>	