



**Hazel Hawkins**  
MEMORIAL HOSPITAL

**FINANCE COMMITTEE**  
**Thursday, January 19, 2023, 4:30 p.m.**  
**The Great Room**  
**Meeting Agenda**

**Call to Order**

- I. **Financial Reports:** (Pgs. 1 - 8)
  - A. **Financial Statements – December 2022**
  
- II. **Financial Updates**
  - A. **Finance Dashboard – December 2022** (Pg. 9)
  - B. **FYE June 30, 2022 Audit** (Pgs. 10 - 47)
  - C. **GASB 68 Pension Review** (Pgs. 48 - 79)
  
- III. **Contracts** (Pgs. 80 - 87)
  - A. **Siemens 5-year Maintenance Agreement for 64-Slice CT Scanner**

**Adjournment**



January 19, 2023

**CFO Financial Summary for the Finance Committee:**

For the month ending December 31, 2022, the District's Net Surplus (Loss) is \$1,375,896 compared to a budgeted Surplus (Loss) of \$982,855. The District is over budget for the month by \$393,041.

YTD as of December 31, 2022, the District's Net Surplus (Loss) is (\$31,416) compared to a budgeted Surplus (Loss) of \$3,523,014. The District is under budget YTD by \$3,554,430.

Acute discharges were 189 for the month, under budget by 13 discharges or 6%. The ADC was 20.84 compared to a budget of 22.55. The ALOS was 3.42. The acute I/P gross revenue was under budget by \$327,690 while O/P services gross revenue was \$353,355 or 2% under budget. ER I/P visits were 145 and ER O/P visits were over budget by 297 visits or 16%. The RHCs & Specialty Clinics treated 3,985 (includes 702 visits at the Diabetes Clinic) and 2,586 visits respectively.

The District Board Resolution No. 2022-21 which declared a fiscal emergency and vested authority to file a Chapter 9 petition to an authorized representative is expired on December 31, 2022. The District did not file for Chapter 9 during the month of December.

**Other Operating** revenue exceeded budget by \$2,109,960 due to the District receiving notice that it earned \$2,669,340 from the PY 4 QIP for calendar year 2021. There was a conservative accrual of \$1.2 million recorded as income in the FYE June 30, 2022. Therefore, the balance of \$1,469,340 was recorded as income in the month of December 2022. In addition, the District recognized \$407,030 in funding from the American Rescue Plan ARP.

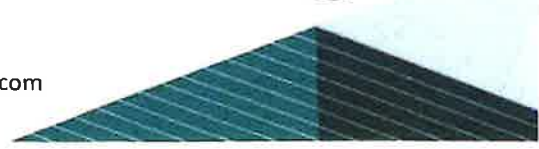
**Operating Expenses** were under budget by \$171,462 due mainly to variances in: Salary and Wages being under budget by \$1.05 million and offset by Employee Benefits over budget by \$646,849 and Purchases Service by \$142,775.

**Non-operating Revenue** was \$101,861 under budget due to the timing of the Foundation donations. YTD, donations are \$29,212 in excess of the budget.

The SNFs ADC was 92.23 for the month. The Net Surplus (Loss) is \$67,097 compared to a budget of \$73,673. YTD, the SNFs are exceeding their budget by \$249,504. The ADC is budgeted to be 88 residents each month for the year.

The District is working through various plans in order to avoid filing for Chapter 9 during the remainder of the fiscal year.

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HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED  
 HOLLISTER, CA 95023  
 FOR PERIOD 12/31/22

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21
GROSS PATIENT REVENUE:										
ACUTE ROUTINE REVENUE	5,247,214	4,792,395	454,819	10	4,715,772	26,372,530	26,416,536	(44,006)	0	24,383,229
SNF ROUTINE REVENUE	2,146,600	2,045,999	100,601	5	1,544,900	12,300,450	12,143,896	156,554	1	9,679,460
ANCILLARY INPATIENT REVENUE	5,431,818	6,068,552	(636,734)	(11)	5,484,541	30,607,403	33,570,627	(2,963,224)	(9)	30,815,404
HOSPITALIST\PEDS I\P REVENUE	210,490	242,559	(32,069)	(13)	222,315	1,135,925	1,337,015	(201,090)	(15)	1,236,326
TOTAL GROSS INPATIENT REVENUE	13,036,121	13,149,505	(113,384)	(1)	11,967,527	70,416,309	73,468,174	(3,051,866)	(4)	66,114,419
ANCILLARY OUTPATIENT REVENUE	22,768,213	23,116,902	(348,689)	(2)	20,630,126	134,932,523	127,823,303	7,109,220	6	122,699,859
HOSPITALIST\PEDS O\P REVENUE	60,532	65,196	(4,667)	(7)	62,460	371,266	360,493	10,773	3	344,950
TOTAL GROSS OUTPATIENT REVENUE	22,828,745	23,182,100	(353,355)	(2)	20,692,587	135,303,789	128,183,796	7,119,993	6	123,044,809
TOTAL GROSS PATIENT REVENUE	35,864,866	36,331,605	(466,739)	(1)	32,660,113	205,720,097	201,651,970	4,068,127	2	189,159,228
DEDUCTIONS FROM REVENUE:										
MEDICARE CONTRACTUAL ALLOWANCES	10,945,285	8,888,072	1,957,213	22	7,574,857	60,753,160	49,171,571	11,581,589	24	45,878,254
MEDI-CAL CONTRACTUAL ALLOWANCES	8,907,589	8,715,973	191,616	2	8,222,088	50,457,383	48,218,489	2,238,894	5	47,208,415
BAD DEBT EXPENSE	633,010	351,196	281,812	80	311,132	2,361,191	1,940,200	420,991	22	1,934,682
CHARITY CARE	43,980	80,126	(36,148)	(45)	47,881	218,801	442,663	(223,863)	(51)	419,247
OTHER CONTRACTUALS AND ADJUSTMENTS	3,218,584	4,316,589	(1,098,005)	(25)	4,209,291	21,176,304	23,866,500	(2,692,196)	(11)	23,688,475
HOSPITALIST\PEDS CONTRACTUAL ALLOW	37,097	9,604	27,493	286	(7,660)	88,983	53,049	35,934	68	46,600
TOTAL DEDUCTIONS FROM REVENUE	23,685,544	22,361,564	1,323,980	6	20,357,589	135,055,822	123,694,472	11,361,350	9	119,175,674
NET PATIENT REVENUE	12,179,323	13,970,041	(1,790,718)	(13)	12,302,525	70,664,275	77,957,498	(7,293,223)	(9)	69,983,554
OTHER OPERATING REVENUE	2,698,924	588,964	2,109,960	358	629,660	7,396,036	3,428,784	3,967,252	116	3,335,420
NET OPERATING REVENUE	14,878,247	14,559,005	319,242	2	12,932,184	78,060,311	81,386,282	(3,325,971)	(4)	73,318,974
OPERATING EXPENSES:										
SALARIES & WAGES	4,601,887	5,652,228	(1,050,341)	(19)	4,842,074	29,200,697	31,629,203	(2,428,506)	(8)	28,561,159
REGISTRY	361,045	310,000	51,045	17	452,479	3,325,830	1,860,000	1,465,830	79	2,350,195
EMPLOYEE BENEFITS	3,651,888	3,005,039	646,849	22	2,456,197	17,180,068	16,844,470	335,598	2	14,938,709
PROFESSIONAL FEES	1,644,569	1,651,706	(7,137)	0	1,424,124	9,494,741	9,803,674	(308,933)	(3)	8,531,174
SUPPLIES	1,354,390	1,339,791	14,599	1	1,377,611	7,627,050	7,590,040	37,010	1	7,032,456
PURCHASED SERVICES	1,252,406	1,109,631	142,775	13	943,894	7,450,799	6,586,198	864,601	14	5,929,200
RENTAL	145,807	150,188	(4,382)	(3)	143,015	938,014	901,074	36,940	4	901,441
DEPRECIATION & AMORT	327,172	327,001	171	0	302,395	1,936,661	1,962,004	(25,343)	(1)	1,869,283
INTEREST	7,754	3,750	4,004	107	1,845	31,613	22,500	9,113	41	8,699
OTHER	421,687	390,731	30,956	8	368,818	2,616,992	2,347,595	269,397	12	2,094,693
TOTAL EXPENSES	13,768,604	13,940,065	(171,462)	(1)	12,312,452	79,832,466	79,546,756	285,708	0	72,217,010
NET OPERATING INCOME (LOSS)	1,109,643	618,940	490,703	79	619,733	(1,772,155)	1,839,524	(3,611,679)	(196)	1,101,964

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**HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED**  
**HOLLISTER, CA 95023**  
**FOR PERIOD 12/31/22**

	-----CURRENT MONTH-----					-----YEAR-TO-DATE-----				
	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	3,139	105,000	(101,861)	(97)	125,244	159,212	130,000	29,212	23	144,387
PROPERTY TAX REVENUE	195,915	194,511	1,404	1	185,249	1,175,490	1,167,056	8,424	1	1,111,494
GO BOND PROP TAXES	164,964	164,964	0	0	160,091	989,785	989,784	1	0	960,543
GO BOND INT REVENUE\EXPENSE	(72,048)	(72,048)	1	0	(75,091)	(432,285)	(432,288)	3	0	(450,543)
OTHER NON-OPER REVENUE	11,886	7,866	4,020	51	12,828	75,927	47,196	28,731	61	52,204
OTHER NON-OPER EXPENSE	(37,604)	(36,378)	(1,226)	3	(42,634)	(228,084)	(218,268)	(9,816)	5	(265,083)
INVESTMENT INCOME	0	0	0	0	0	695	0	695		263
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
<b>TOTAL NON-OPERATING REVENUE/(EXPENSE)</b>	<b>266,253</b>	<b>363,915</b>	<b>(97,662)</b>	<b>(27)</b>	<b>365,686</b>	<b>1,740,740</b>	<b>1,683,490</b>	<b>57,250</b>	<b>3</b>	<b>1,553,265</b>
<b>NET SURPLUS (LOSS)</b>	<b>1,375,896</b>	<b>982,855</b>	<b>393,041</b>	<b>40</b>	<b>985,418</b>	<b>(31,416)</b>	<b>3,523,014</b>	<b>(3,554,430)</b>	<b>(101)</b>	<b>2,655,229</b>
EBIDA	\$ 1,647,755	\$ 1,253,318	\$ 394,437	31.47%	\$ 1,245,447	\$ 1,575,829	\$ 5,145,790	\$ (3,569,961)	(69.37)%	\$ 4,279,594
EBIDA MARGIN	11.07%	8.61%	2.47%	28.65%	9.63%	2.02%	6.32%	(4.30)%	(68.07)%	5.84%
OPERATING MARGIN	7.46%	4.25%	3.21%	75.43%	4.79%	(2.27)%	2.26%	(4.53)%	(200.44)%	1.50%
NET SURPLUS (LOSS) MARGIN	9.25%	6.75%	2.50%	36.98%	7.62%	(0.04)%	4.33%	(4.37)%	(100.92)%	3.62%

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HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY  
 HOLLISTER, CA 95023  
 FOR PERIOD 12/31/22

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21
GROSS PATIENT REVENUE:										
ROUTINE REVENUE	5,247,214	4,792,395	454,819	10	4,715,772	26,372,530	26,416,536	(44,006)	0	24,383,229
ANCILLARY INPATIENT REVENUE	5,077,715	5,828,154	(750,439)	(13)	5,346,417	28,224,569	32,143,751	(3,919,182)	(12)	29,508,085
HOSPITALIST I/P REVENUE	210,490	242,559	(32,069)	(13)	222,315	1,135,925	1,337,015	(201,090)	(15)	1,236,326
TOTAL GROSS INPATIENT REVENUE	10,535,419	10,863,108	(327,690)	(3)	10,284,503	55,733,024	59,897,302	(4,164,278)	(7)	55,127,640
ANCILLARY OUTPATIENT REVENUE	22,768,213	23,116,902	(348,689)	(2)	20,630,126	134,932,523	127,823,303	7,109,220	6	122,699,859
HOSPITALIST O/P REVENUE	60,532	65,198	(4,667)	(7)	62,460	371,256	360,493	10,773	3	344,950
TOTAL GROSS OUTPATIENT REVENUE	22,828,745	23,182,100	(353,355)	(2)	20,692,587	135,303,789	128,183,796	7,119,993	6	123,044,809
TOTAL GROSS ACUTE PATIENT REVENUE	33,364,163	34,045,208	(681,045)	(2)	30,977,089	191,036,814	188,081,098	2,955,716	2	178,172,449
DEDUCTIONS FROM REVENUE ACUTE:										
MEDICARE CONTRACTUAL ALLOWANCES	10,529,031	8,716,608	1,812,423	21	7,532,281	59,114,067	48,153,851	10,960,216	23	45,166,043
MEDI-CAL CONTRACTUAL ALLOWANCES	8,707,492	8,557,331	150,161	2	8,147,785	49,453,021	47,276,873	2,176,148	5	47,031,641
BAD DEBT EXPENSE	674,992	351,198	323,794	92	303,170	2,364,268	1,940,200	424,068	22	1,852,752
CHARITY CARE	43,980	80,128	(36,148)	(45)	47,801	218,801	442,663	(223,863)	(51)	417,206
OTHER CONTRACTUALS AND ADJUSTMENTS	3,210,679	4,270,861	(1,060,182)	(25)	4,155,967	20,827,548	23,597,084	(2,769,536)	(12)	23,483,554
HOSPITALIST/PEDS CONTRACTUAL ALLOW	37,097	9,604	27,493	286	(7,660)	88,983	53,049	35,934	66	46,600
TOTAL ACUTE DEDUCTIONS FROM REVENUE	23,203,271	21,985,730	1,217,541	6	20,179,424	132,066,687	121,463,720	10,602,967	9	117,997,796
NET ACUTE PATIENT REVENUE	10,160,892	12,059,478	(1,898,586)	(16)	10,797,666	58,970,126	66,617,378	(7,647,252)	(12)	60,174,654
OTHER OPERATING REVENUE	2,698,924	588,964	2,109,960	358	629,660	7,396,036	3,428,784	3,967,252	116	3,335,420
NET ACUTE OPERATING REVENUE	12,859,816	12,648,442	211,374	2	11,427,325	66,366,162	70,046,162	(3,680,000)	(5)	63,510,074
OPERATING EXPENSES:										
SALARIES & WAGES	3,730,026	4,669,956	(939,930)	(20)	3,941,248	23,646,310	25,798,950	(2,152,640)	(8)	23,219,307
REGISTRY	357,174	300,000	57,174	19	447,072	3,180,359	1,800,000	1,380,359	77	2,284,198
EMPLOYEE BENEFITS	2,864,414	2,413,322	451,092	19	1,918,589	13,571,567	13,332,285	239,282	2	11,787,171
PROFESSIONAL FEES	1,642,359	1,649,388	(7,029)	0	1,422,084	9,480,971	9,789,914	(308,943)	(3)	8,518,934
SUPPLIES	1,270,619	1,226,317	44,302	4	1,280,791	7,072,315	6,909,394	162,921	2	6,487,160
PURCHASED SERVICES	1,120,656	1,044,660	75,996	7	889,771	6,809,746	6,200,558	609,188	10	5,567,916
RENTAL	144,669	149,373	(4,704)	(3)	142,032	931,807	896,238	35,569	4	892,970
DEPRECIATION & AMORT	287,775	284,598	2,777	1	252,877	1,699,308	1,709,988	(10,681)	(1)	1,630,233
INTEREST	7,754	3,750	4,004	107	1,845	31,613	22,500	9,113	41	8,699
OTHER	370,781	342,327	28,454	8	328,003	2,266,519	2,060,267	206,252	10	1,831,697
TOTAL EXPENSES	11,796,226	12,084,091	(287,865)	(2)	10,634,311	68,689,515	68,520,094	169,421	0	62,228,285
NET OPERATING INCOME (LOSS)	1,063,591	564,351	499,240	89	793,014	(2,323,353)	1,526,068	(3,849,421)	(252)	1,281,786

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HAZEL HARKINS MEMORIAL HOSPITAL - ACUTE FACILITY  
 HOLLISTER, CA 95023  
 FOR PERIOD 12/31/22

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	3,139	105,000	(101,861)	(97)	125,244	159,212	130,000	29,212	23	144,387
PROPERTY TAX REVENUE	166,528	167,085	(557)	0	159,183	999,168	1,002,510	(3,342)	0	955,098
GO BOND PROP TAXES	164,964	164,964	0	0	160,091	989,785	989,784	1	0	960,543
GO BOND INT REVENUE\EXPENSE	(72,048)	(72,048)	1	0	(75,091)	(432,285)	(432,288)	3	0	(450,543)
OTHER NON-OPER REVENUE	11,886	7,866	4,020	51	12,828	75,927	47,196	28,731	61	52,204
OTHER NON-OPER EXPENSE	(29,261)	(28,035)	(1,226)	4	(33,296)	(178,028)	(168,210)	(9,818)	6	(206,979)
INVESTMENT INCOME	0	0	0	0	0	695	0	695		263
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	245,209	344,832	(99,623)	(29)	348,958	1,614,473	1,558,992	45,481	3	1,454,973
NET SURPLUS (LOSS)	1,308,799	909,183	399,616	44	1,141,972	(708,879)	3,095,060	(3,803,939)	(123)	2,736,761

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HAZEL HAWKINS SKILLED NURSING FACILITIES  
 HOLLISTER, CA  
 FOR PERIOD 12/31/22

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21	ACTUAL 12/31/22	BUDGET 12/31/22	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 12/31/21
GROSS SNF PATIENT REVENUE:										
ROUTINE SNF REVENUE	2,146,600	2,045,999	100,601	5	1,544,900	12,300,450	12,143,996	156,454	1	9,679,460
ANCILLARY SNF REVENUE	354,103	240,399	113,705	47	138,124	2,382,833	1,426,876	955,957	67	1,307,319
<b>TOTAL GROSS SNF PATIENT REVENUE</b>	<b>2,500,703</b>	<b>2,286,397</b>	<b>214,306</b>	<b>9</b>	<b>1,683,024</b>	<b>14,683,283</b>	<b>13,570,872</b>	<b>1,112,411</b>	<b>8</b>	<b>10,986,779</b>
DEDUCTIONS FROM REVENUE SNF:										
MEDICARE CONTRACTUAL ALLOWANCES	316,254	171,464	144,790	84	42,577	1,639,093	1,017,720	621,373	61	712,212
MEDI-CAL CONTRACTUAL ALLOWANCES	200,096	158,642	41,454	26	74,303	1,004,363	941,616	62,747	7	176,774
BAD DEBT EXPENSE	(41,962)	0	(41,962)		7,962	(3,077)	0	(3,077)		81,930
CHARITY CARE	0	0	0	0	0	0	0	0	0	2,041
OTHER CONTRACTUALS AND ADJUSTMENTS	7,904	45,728	(37,824)	(83)	53,324	348,756	271,416	77,340	29	204,921
<b>TOTAL SNF DEDUCTIONS FROM REVENUE</b>	<b>482,273</b>	<b>375,834</b>	<b>106,439</b>	<b>28</b>	<b>178,165</b>	<b>2,989,134</b>	<b>2,230,752</b>	<b>758,382</b>	<b>34</b>	<b>1,177,878</b>
<b>NET SNF PATIENT REVENUE</b>	<b>2,018,430</b>	<b>1,910,563</b>	<b>107,867</b>	<b>6</b>	<b>1,504,859</b>	<b>11,694,149</b>	<b>11,340,120</b>	<b>354,029</b>	<b>3</b>	<b>9,808,901</b>
OTHER OPERATING REVENUE	0	0	0	0	0	0	0	0	0	0
<b>NET SNF OPERATING REVENUE</b>	<b>2,018,430</b>	<b>1,910,563</b>	<b>107,867</b>	<b>6</b>	<b>1,504,859</b>	<b>11,694,149</b>	<b>11,340,120</b>	<b>354,029</b>	<b>3</b>	<b>9,808,901</b>
OPERATING EXPENSES:										
SALARIES & WAGES	871,861	982,272	(110,412)	(11)	900,827	5,554,386	5,830,253	(275,867)	(5)	5,341,852
REGISTRY	3,871	10,000	(6,129)	(61)	5,408	145,471	60,000	85,471	143	65,997
EMPLOYER BENEFITS	787,475	591,717	195,758	33	537,608	3,608,502	3,512,185	96,317	3	3,151,538
PROFESSIONAL FEES	2,210	2,318	(108)	(5)	2,040	13,770	13,760	10	0	12,240
SUPPLIES	83,771	113,474	(29,703)	(26)	96,820	554,735	680,646	(125,911)	(19)	545,296
PURCHASED SERVICES	131,750	64,971	66,779	103	54,121	672,053	385,640	286,413	74	361,282
RENTAL	1,138	814	324	40	983	6,208	4,830	1,378	29	8,471
DEPRECIATION	39,397	42,003	(2,606)	(6)	39,518	237,353	252,016	(14,663)	(6)	239,050
INTEREST	0	0	0	0	0	0	0	0	0	0
OTHER	50,906	48,404	2,502	5	40,815	350,474	287,328	63,146	22	262,996
<b>TOTAL EXPENSES</b>	<b>1,972,378</b>	<b>1,855,973</b>	<b>116,405</b>	<b>6</b>	<b>1,678,139</b>	<b>11,142,952</b>	<b>11,026,658</b>	<b>116,294</b>	<b>1</b>	<b>9,988,722</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>46,053</b>	<b>54,590</b>	<b>(8,537)</b>	<b>(16)</b>	<b>(173,279)</b>	<b>551,198</b>	<b>313,462</b>	<b>237,736</b>	<b>76</b>	<b>(179,822)</b>
NON-OPERATING REVENUE/EXPENSE:										
DONATIONS	0	0	0	0	0	0	0	0	0	0
PROPERTY TAX REVENUE	29,367	27,426	1,961	7	26,066	176,322	164,556	11,766	7	156,396
OTHER NON-OPER EXPENSE	(8,343)	(8,343)	0	0	(9,338)	(50,056)	(50,058)	2	0	(58,104)
<b>TOTAL NON-OPERATING REVENUE/(EXPENSE)</b>	<b>21,044</b>	<b>19,083</b>	<b>1,961</b>	<b>10</b>	<b>16,728</b>	<b>126,266</b>	<b>114,498</b>	<b>11,768</b>	<b>10</b>	<b>98,292</b>
<b>NET SURPLUS (LOSS)</b>	<b>67,097</b>	<b>73,673</b>	<b>(6,576)</b>	<b>(9)</b>	<b>(156,551)</b>	<b>677,464</b>	<b>427,960</b>	<b>249,504</b>	<b>58</b>	<b>(81,530)</b>

6

Hazel Hawkins Memorial Hospital  
 Bad Debt Expense  
 For the Year Ending June 30, 2023

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total		
Budgeted Gross Revenue	30,736,294	33,713,261	33,688,496	34,057,045	33,125,250	36,331,595	36,576,317	31,661,878	36,697,195	30,954,767	31,443,265	30,602,610	399,587,973		
Budgeted Bad Debt Expense	293,579	324,237	324,633	327,729	318,825	351,198	353,536	305,275	355,128	296,590	300,820	293,015	3,844,565		
BD Exp as a percent of Gross Revenue	0.96%	0.96%	0.96%	0.96%	0.96%	0.97%	0.97%	0.96%	0.97%	0.96%	0.96%	0.96%	0.96%		
Actual Gross Revenue	32,232,911	36,024,541	33,649,532	33,258,194	33,453,882	35,593,844	-	-	-	-	-	-	204,212,904		
Actual Bad Debt Expense	233,530	316,245	344,314	535,036	299,055	633,010	-	-	-	-	-	-	2,361,190		
BD Exp as a percent of Gross Revenue	0.72%	0.88%	1.02%	1.61%	0.89%	1.78%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	1.16%		
Budgeted YTD BD Exp	1,940,200	0.96%													
Actual YTD BD Exp	2,361,190	1.16%													
													YTD Charity Exp Budget	442,663	
													YTD Charity Exp Actual	218,801	
Amount under (over) budget	(420,990)	-0.19%												Amt under (over) budget	223,862
Prior Year percent of Gross Revenue	0.92%													Charity Exp % of Gross Rev	0.11%
Percent of Decrease (Inc) from Prior Year	-25.7%														





**Statement of Cash Flows**

**Hazel Hawkins Memorial Hospital**

**Hollister, CA**

**Five months ending December 31, 2022**

	CASH FLOW		COMMENTS
	Current Month 12/31/2022	Current Year-To-Date 12/31/2022	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income (Loss)	\$1,375,896	(\$31,416)	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	341,772	2,022,958	
(Increase)/Decrease in Net Patient Accounts Receivable	(97,694)	(673,706)	
(Increase)/Decrease in Other Receivables	(617,269)	(6,607,335)	
(Increase)/Decrease in Inventories	131,800	289,065	
(Increase)/Decrease in Pre-Paid Expenses	(13,507)	(974,650)	
(Increase)/Decrease in Due From Third Parties	(137,598)	(137,598)	
Increase/(Decrease) in Accounts Payable	(600,250)	(233,144)	
Increase/(Decrease) in Notes and Loans Payable	0	0	
Increase/(Decrease) in Accrued Payroll and Benefits	1,926,482	2,979,664	
Increase/(Decrease) in Accrued Expenses	7,038	(50,318)	
Increase/(Decrease) in Patient Refunds Payable	72	(6,416)	
Increase/(Decrease) in Third Party Advances/Liabilities	1,798,713	(1,164,579)	
Increase/(Decrease) in Other Current Liabilities	(566,980)	(13,855)	Semi-Annual Interest - 2021 Insured Revenue Bonds
<b>Net Cash Provided by Operating Activities:</b>	<b>2,172,579</b>	<b>(4,569,914)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Property, Plant and Equipment	(347,883)	(2,303,349)	
(Increase)/Decrease in Limited Use Cash and Investments	0	0	
(Increase)/Decrease in Other Limited Use Assets	(756,320)	(2,009,444)	Bond Principal & Int Payment - 2014 & 2021 Bonds
(Increase)/Decrease in Other Assets	6,223	37,338	Amortization
<b>Net Cash Used by Investing Activities</b>	<b>(1,097,980)</b>	<b>(4,275,455)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase/(Decrease) in Bond/Mortgage Debt	(6,568)	(37,130)	Refinancing of 2013 Bonds with 2021 Bonds
Increase/(Decrease) in Capital Lease Debt	(28,520)	(170,850)	
Increase/(Decrease) in Other Long Term Liabilities	0	0	
<b>Net Cash Used for Financing Activities</b>	<b>(35,088)</b>	<b>(207,980)</b>	
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	<b>0</b>	<b>15,000</b>	
<b>Net Increase/(Decrease) in Cash</b>	<b>2,415,407</b>	<b>(9,069,765)</b>	
Cash, Beginning of Period	5,050,630	16,535,802	
<b>Cash, End of Period</b>	<b>\$7,466,037</b>	<b>\$7,466,037</b>	\$0

Cost per day to run the District

\$423,347

Operational Days Cash on Hand

17.64





San Benito Health Care District  
Hazel Hawkins Memorial Hospital  
DECEMBER 2022

Description	Target	MTD Actual	YTD Actual	YTD Target
Average Daily Census - Acute	22.55	20.64	18.73	20.99
Average Daily Census - SNF	88.00	92.23	88.97	88.00
Acute Length of Stay	3.47	3.42	2.90	3.32
<b>ER Visits:</b>				
Inpatient	155	145.00	943	900
Outpatient	1,854	2,151	11,917	11,926
Total	2,009	2,296	12,860	12,226
Days In Accounts Receivable	45.0	45.8	45.8	45.0
Productive Full-Time Equivalents	529.11	491.09	523.90	529.11
Net Patient Revenue	13,970,041	12,179,323	70,664,275	77,957,498
Payment-to-Charge Ratio	38.5%	34.0%	34.3%	38.7%
Medicare Traditional Payor Mix	30.13%	33.15%	31.16%	30.08%
Commercial Payor Mix	24.53%	17.51%	20.66%	24.39%
Bad Debt % of Gross Revenue	0.97%	1.78%	1.16%	0.96%
EBIDA	1,253,318	1,647,755	1,575,829	5,145,790
EBIDA %	8.61%	11.07%	2.02%	6.32%
Operating Margin	4.25%	7.46%	-2.27%	2.26%
Salaries, Wages, Registry & Benefits %: by Net Operating Revenue	61.59%	57.90%	63.68%	61.85%
by Total Operating Expense	64.33%	62.57%	62.26%	63.28%
<b>Bond Covenants:</b>				
Debt Service Ratio	1.25	1.69	1.69	1.25
Current Ratio	1.50	1.37	1.37	1.50
Days Cash on hand	30.00	17.6	17.6	30.00
Met or Exceeded Target				
Within 10% of Target				
Not Within 10%				

**Audited Financial Statements**

**SAN BENITO  
HEALTH CARE DISTRICT**

*dba: HAZEL HAWKINS MEMORIAL HOSPITAL*

**June 30, 2022**

Audited Financial Statements

SAN BENITO HEALTH CARE DISTRICT

June 30, 2022

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Management's Discussion and Analysis

SAN BENITO HEALTH CARE DISTRICT

June 30, 2022

The management of the San Benito Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2022 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2022 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

***Financial Highlights***

- Total assets and deferred outflows of resources increased by \$5,043,163 over the prior fiscal year. Total operating cash and cash equivalents decreased by \$4,066,624 over the prior year (see the *Statements of Cash Flows* for changes). Net patient accounts receivable increased by \$1,454,365 which resulted in net days in patient accounts receivable of 37.73 at June 30, 2022 as compared to 36.14 in the prior year.
- Current assets decreased by \$2,321,441 while current liabilities increased by \$2,578,696 over the prior fiscal year. The current ratio was 1.49 as compared to 1.75 for the prior year.
- The operating loss was \$(729,121) for fiscal year 2022 as compared to an operating loss of \$(3,571,634) for the prior year, representing an increase of \$2,842,513 in operations due mainly to the impact of post COVID-19 increase in patient volumes.
- The increase in net position was \$2,670,099 for the current fiscal year as compared to an increase in net position of \$294,627 for the prior fiscal year.
- Operating revenues increased by \$8,296,771 from the prior year due mainly to the return of patient volumes to the Hospital. Operating expenses increased by \$5,454,258 from the prior year, again due to increased volumes.
- The GASB 87 impact resulted in added assets of \$1,672,243 recorded as lease receivables (both current and long-term). At the same time, GASB 87 increased liabilities by \$1,688,302 recorded as lease liabilities (both current and long-term).
- The Hospital realized a \$145,494 additional net pension expense for the year due the continued affects of GASB 68 involving the defined benefit pension plan.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

***Volumes***

- Acute patient days were 7,544 for fiscal year 2022 as compared to 6,176 for the prior year. The average length of stay decreased from 3.43 days in fiscal year 2021 to 3.25 days in fiscal year 2022.
- The Northside skilled nursing facility had an average daily census (ADC) of 38.36 for the fiscal year 2022, equaling a total of 14,002 patient days as compared to 13,333 days (ADC of 36.53) for the prior year.
- The Mabie skilled nursing facility had an ADC of 43.95 for the fiscal year 2022, equaling a total of 16,042 patient days. The prior year ADC was 38.63 for a total of 14,101 patient days.
- Surgery cases for the fiscal year 2022 were slightly lower than the prior year. There were 1,919 cases as compared to 1,977 cases for the prior fiscal year. The decrease in surgery cases was caused by the State of California ordering elective cases be put on hold during the COVID-19 pandemic.
- There was an increase in outpatient visits; 172,154 in the fiscal year 2022 as compared to 156,667 for the prior fiscal year.
- There was an increase in emergency room visits; 23,594 in the fiscal year 2022 as compared to 22,482 for the prior year.
- There was an increase in rural health care clinic visits; 51,140 visits in the year 2022 as compared to 47,474 visits for the prior year as the Hospital continues to operate five rural health care clinics.
- Home health care visits decreased to 6,124 in the year 2022 as compared to 6,498 in the prior year.

***Cash and Investments***

For the fiscal year ended June 30, 2022, the Hospital's operating and board designated cash and investments totaled \$14,738,363 as compared to \$18,776,057 in fiscal year 2021. At June 30, 2022, days cash on hand were 37.07 thus meeting the required bond covenant of 30 days cash on hand. At June 30, 2021, days cash on hand were 49.12. The Hospital maintains sufficient cash and cash equivalent balances to pay all short-term liabilities.

***Current Liabilities***

As previously noted, current liabilities of the Hospital increased by \$2,578,696. Changes in the current liability categories were: (1) current maturities increased by \$251,770 due to new debt from CHFFA; (2) accounts payable and accrued expenses increased by \$2,510,387 as there were advances on supplemental programs; and (3) accrued payroll and related liabilities decreased slightly by \$183,461 due mainly to a substantial decrease in IBNR in the amount of \$1,069,364.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

***Capital Assets***

There were \$6,031,560 of new additions and transfers of construction-in-progress costs to capital assets during the year. Certain capital projects were completed and came "on-line" or put into service. Depreciation and amortization expense for the year was \$3,928,677 as compared to \$4,004,533 for the prior year. The Hospital has \$4,284,247 of remaining costs in construction in progress at year end with an estimated cost of approximately \$3 million left to complete all projects.

***Gross Patient Charges***

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. Acute inpatient and skilled nursing gross patient charges for the year increased by \$20,064,446 due to changes in volumes from the prior year coupled with some moderate rate increases.

The Hospital also experienced increases in the outpatient areas as gross charges increased by \$24,027,076. These outpatient increases were again due mainly to volume increases in outpatient visits and related outpatient ancillary service areas, coupled with moderate rate increases.

***Deductions From Revenue***

Deductions from revenue are comprised of contractual allowances and provisions for bad debts. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Contractual allowances, traditional charity care, the provision for bad debts, and other discounts for fiscal year 2022 and fiscal year 2021 were \$240,015,430 and \$204,500,015, respectively. The increase in these deductions from revenue continues to be affected by State supplemental payments as well as COVID-19 relief payments during the fiscal year. Deductions from revenue (contractual allowances, provision for bad debts, charity, etc.) as a percentage of gross patient charges were 63.44% for fiscal year 2022 as compared to 61.18% for prior fiscal year. The overall decrease in the percentage is related to the supplemental program revenues and the pandemic relief payments as previously mentioned.

***Net Patient Service Revenues***

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by \$8,576,107 in fiscal year 2022 over the prior year due to the issues already mentioned.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

***Critical Access Designation***

During the prior fiscal years, the acute hospital's average daily census was between 16 to 16.5. Therefore, the Hospital decided to apply for certification as a Critical Access Hospital (CAH). Effective March 26, 2020, CMS designated the Hospital as a CAH. This change in designation has increased Medicare funding and the reimbursement to the Hospital substantially during the year. The average daily acute care patient as of June 30, 2022 and 2021 were 20.67 and 16.92, respectively

***Operating Expenses***

Total operating expenses were \$147,323,392 for fiscal year 2022 compared to \$141,869,134 for the prior fiscal year, an increase of \$5,454,258. The 3.85% increase is due primarily to:

- A \$6,116,102 increase in salaries, wages and benefits. Full time equivalents (FTE's) increased from 486.55 in fiscal year 2021 to 534.75 in fiscal year 2022, however and salaries and benefits per FTE decreased from \$168,630 per FTE in 2021 to \$164,870 per FTE in 2022. Registry expense decreased from \$8,863,777 in 2021 to \$5,447,939 in 2022.
- Other operational expense changes experienced modest increases and decreases and were somewhat comparable with prior year expenses. Increases were generally due to a combination of volume changes and the pandemic.

***Economic Factors and Next Fiscal Year's Budget***

The Hospital's board approved the fiscal year ending June 30, 2023 budget at a board meeting in the Spring of 2022. For fiscal year 2023, the Hospital is budgeted to increase net position by \$5,789,908. The increase is due to several assumptions:

- Both inpatient volumes were budgeted to increase as well as outpatient volumes. Patient rate charges were also slated to increase slightly at the acute facility.
- Contractual allowances are budgeted 64.59% which is fairly consistent with the 2022 results.
- Operating expenses are expected to increase at a slightly higher percentage than revenues. The cost for nursing and other medically trained staff increases at a higher rate than the increase in net revenue. The cost of supplies such as pharmaceuticals is increasing at a higher rate than net charges.

In order to increase the number of inpatients at the acute facility, the Hospital is continuing its search for physicians and specialists. New primary care physicians are being recruited in order to increase outpatient referrals.



# JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership  
1111 East Herndon, Suite 211, Fresno, California 93720  
Voice: (559) 431-7708 Fax: (559) 431-7685

## *Report of Independent Auditors*

The Board of Directors  
San Benito Health Care District  
Hollister, California

### *Opinion*

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the San Benito Health Care District, *dba* Hazel Hawkins Memorial Hospital (the Hospital) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Hospital as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

#### *Emphasis of Matter*

As discussed in Note A, the Hospital adopted GASB 87 for the year beginning July 1, 2021 and ending June 30, 2022. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Schedule*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In our opinion, the supplementary schedule as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*JW7 & Associates, LLP*

Fresno, California  
January 9, 2023

Statements of Net Position

SAN BENITO HEALTH CARE DISTRICT

	June 30	
<b>Assets</b>	<u>2022</u>	<u>2021</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 14,442,002	\$ 18,508,626
Restricted trust funds available for current debt service	2,684,733	2,579,517
Patient accounts receivable, net of allowances	14,300,519	12,846,154
Other receivables	3,661,313	2,536,893
Estimated third party payor settlements	152,427	1,814,519
Inventories	3,146,161	2,844,435
Prepaid expenses and deposits	<u>926,497</u>	<u>504,949</u>
Total current assets	39,313,652	41,635,093
Assets limited as to use	2,037,674	161,981
Capital assets, net of accumulated depreciation	60,491,774	58,388,891
Other assets	<u>1,788,631</u>	<u>642,878</u>
Total assets	103,631,731	100,828,843
<b>Deferred outflows of resources, net of inflows</b>	<u>4,343,313</u>	<u>2,103,038</u>
	<u><b>\$107,975,044</b></u>	<u><b>\$102,931,881</b></u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Current maturities of debt borrowings	\$ 2,611,770	\$ 2,360,000
Accounts payable and accrued expenses	13,285,397	10,775,010
Accrued payroll and related liabilities	<u>10,480,113</u>	<u>10,663,574</u>
Total current liabilities	26,377,280	23,798,584
Other payables	4,317,341	8,357,766
Long-term pension liabilities	14,706,676	12,243,918
Debt borrowings, net of current maturities	<u>39,375,877</u>	<u>38,003,842</u>
Total liabilities	84,777,174	82,404,110
<b>Net position (deficit)</b>		
Invested in capital assets, net of related debt	20,785,729	20,648,891
Restricted, by contributors and indenture agreements	4,424,046	2,474,066
Unrestricted (deficit)	<u>(2,011,905)</u>	<u>(2,595,186)</u>
Total net position	<u>23,197,870</u>	<u>20,527,771</u>
	<u><b>\$107,975,044</b></u>	<u><b>\$102,931,881</b></u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
<b>Operating revenues</b>		
Net patient service revenue	\$138,327,019	\$129,750,912
Other operating revenue	<u>8,267,252</u>	<u>8,546,588</u>
Total operating revenues	146,594,271	138,297,500
<b>Operating expenses</b>		
Salaries and wages	56,772,326	51,675,997
Employee benefits	31,391,509	30,371,736
Registry	5,447,939	8,863,777
Professional fees	17,339,122	16,613,614
Supplies	13,944,423	12,451,021
Purchased services and repairs	12,719,664	12,387,120
Utilities and phone	2,127,648	1,933,180
Building and equipment rent	1,707,887	1,926,957
Insurance	963,929	646,138
Depreciation and amortization	3,749,096	4,004,533
Other operating expenses	<u>1,159,849</u>	<u>995,061</u>
Total operating expenses	<u>147,323,392</u>	<u>141,869,134</u>
Operating income (loss)	(729,121)	(3,571,634)
<b>Nonoperating revenues (expenses)</b>		
District tax revenues	4,475,770	4,216,671
Investment income, net of unrealized gains and losses	116,543	128,783
Interest expense	(1,528,522)	(1,659,516)
Grants, contributions and other gains and losses	300,852	1,184,281
Other non-operating revenues	<u>                    </u>	<u>1,469</u>
Total nonoperating revenues (expenses)	<u>3,364,643</u>	<u>3,871,688</u>
Excess of revenues over expenses	2,635,522	300,054
Other increases (decreases) in net position	<u>34,577</u>	<u>(5,427)</u>
Net increase (decrease) in net position	2,670,099	294,627
Net position at beginning of the year	<u>20,527,771</u>	<u>20,233,144</u>
Net position at end of the year	<u>\$ 23,197,870</u>	<u>\$ 20,527,771</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Cash received from patients and third-parties on behalf of patients	\$136,872,654	\$125,215,630
Cash received from operations, other than patient services	4,764,499	7,772,067
Cash payments to suppliers and contractors	(52,229,954)	(54,057,387)
Cash payments to employees and benefit programs	<u>(87,277,932)</u>	<u>(81,125,317)</u>
Net cash provided by (used in) operating activities	2,129,267	(2,195,007)
<b>Cash flows from noncapital financing activities:</b>		
District tax revenues	2,427,679	2,245,791
Grants, contributions and changes in restricted assets	<u>300,852</u>	<u>1,184,281</u>
Net cash provided by noncapital financing activities	2,728,531	3,430,072
<b>Cash flows from capital financing activities:</b>		
District tax revenues related to capital acquisitions	2,048,091	1,970,880
Net purchase of capital assets and changes in other assets	(9,545,670)	(1,363,171)
Principal borrowings on debt borrowings	4,331,582	12,570,000
Principal payments on debt borrowings	(2,365,537)	(17,410,000)
Interest payments, net of capitalized interest	<u>(1,528,522)</u>	<u>(1,659,516)</u>
Net cash (used in) capital financing activities	(7,060,056)	(5,891,807)
<b>Cash flows from investing activities:</b>		
Net (purchase) or sale of assets limited as to use	(1,980,909)	1,409,397
Investment income, net of unrealized gains and losses	<u>116,543</u>	<u>128,783</u>
Net cash provided by investing activities	<u>(1,864,366)</u>	<u>1,538,180</u>
Net increase in cash and cash equivalents	(4,066,624)	(3,118,562)
Cash and cash equivalents at beginning of year	<u>18,508,626</u>	<u>21,627,188</u>
Cash and cash equivalents at end of year	<u>\$ 14,442,002</u>	<u>\$ 18,508,626</u>

*See accompanying notes and auditor's report*

Statements of Cash Flows (continued)

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (729,121)	\$ (3,571,634)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,749,096	4,004,533
Provision for bad debts and other	3,551,085	3,138,006
Changes in operating assets, liabilities and other:		
Patient accounts receivables	(5,005,450)	(6,897,204)
Other receivables	(1,124,420)	(774,521)
Inventories	(301,726)	(51,094)
Prepaid expenses and deposits	(421,548)	88,414
Accounts payable and accrued expenses	2,510,387	1,805,456
Accrued payroll and related liabilities	885,903	922,416
Estimated third party payor settlements and other liabilities	(2,378,333)	(776,084)
Net long-term pension liability	2,462,758	(611,577)
Health insurance claims payable (IBNR)	(1,069,364)	528,282
Net cash provided by (used in) operating activities	<u>\$ 2,129,267</u>	<u>\$ (2,195,007)</u>

*See accompanying notes and auditor's report*

Notes to Financial Statements

SAN BENITO HEALTH CARE DISTRICT

June 30, 2022

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES**

**Reporting Entity:** San Benito Health Care District, (dba: Hazel Hawkins Memorial Hospital), heretofore referred to as (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from specified areas within the district to specified terms of office. The Hospital is located in Hollister, California. It is licensed for 25 acute care beds, a home health agency, several rural health clinics, and 119 convalescent beds divided between two locations at and near the Hospital's campus. The Hospital provides health care services primarily to individuals who reside in the local geographic area.

**Basis of Preparation:** The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Management's Discussion and Analysis:** Effective July 1, 2002, the Hospital adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management's discussion and analysis to accompany the financial statement presentation.

The management's discussion and analysis is a narrative introduction and analytical overview of the Hospital's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.



SAN BENITO HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Use of Estimates:** The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Investments:** The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

**Patient Accounts Receivable:** Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

**Inventories:** Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

**Assets Limited as to Use:** Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

**Capital Assets:** Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2022 and 2021, the Hospital has determined that no capital assets are impaired.

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Deferred Outflows of Resources:** Deferred outflows of resources are comprised of deferred financing cost of the issuance of various bonds. Amortization of these issuance costs is computed by the effective interest method and the straight line method over the life of the repayment agreements. For current and advance refundings which result in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized deferred financing costs, is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, in accordance with GASB 23. Amortization expense was \$76,991 and \$281,617 for the years ended June 30, 2022 and 2021, respectively.

Deferred outflows of resources is also comprised of defined benefit pension resources of \$8,322,871 of deferred outflows netted against \$4,525,234 of deferred inflows for a net \$3,797,637 for the year ended June 30, 2022 and \$5,441,936 of deferred outflows netted against \$ 3,961,563 of deferred inflows for a net \$1,480,373 for the year ended June 30, 2021.

**Compensated Absences:** The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2022 and 2021 are \$4,273,485 and \$4,320,342, respectively.

**Risk Management:** The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the Hospital is self-insured for those claims and is discussed further in the footnotes.

**Net Position:** Net position (formerly net assets) are presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on those net position by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that do not meet the definition or criteria of the previous two categories.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Net Patient Service Revenues:** Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

**Revenue Recognition:** As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the Hospital expects to be entitled in exchange for patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the patient receives healthcare services at the Hospital. Revenue is recognized as services are rendered.

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived asset is placed in service. Cash received in excess of revenue recognized is deferred revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor imposed restrictions, the Hospital records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the Hospital receives grants from various governmental agencies and private organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

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Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Charity Care:** The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

**District Tax Revenues:** The Hospital receives approximately 3% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date

**Operating Revenues and Expenses:** The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

**Recently Adopted Accounting Pronouncement:** In June, 2017 the Governmental Accounting Standards Board released GASB 87 regarding changes in the way leases are accounted for. GASB 87 superceded GASB 13 and GASB 62 and more accurately portrays lease obligations by recognizing lease assets and lease liabilities on the statement of net position and disclosing key information about leasing arrangements. The District has adopted GASB 87 effective July 1, 2021 in accordance with the timetable established by GASB 87.

**NOTE B - RESTRICTED BY CONTRIBUTORS**

Restricted assets by contributors as of June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Restricted by the foundation for capital assets and other purposes	\$ 38,442	\$ 41,827
Restricted by the auxiliary for capital assets and other purposes	32,465	7,437
Restricted for scholarships and tuitions	<u>53,192</u>	<u>53,033</u>
Total restricted net position, by contributor	<u>\$ 124,099</u>	<u>\$ 102,297</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS**

As of June 30, 2022 and 2021, the Hospital had operating deposits invested in various financial institutions in the form of cash and cash equivalents amounted to \$17,135,313 and \$19,190,653. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital. Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

**NOTE D - NET PATIENT SERVICE REVENUES**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare:** Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The Hospital was classified as a critical access hospital during the fiscal year ended June 30, 2020. The Hospital is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2022, cost reports through June 30, 2018 have been audited or otherwise final settled.

**Medi-Cal:** Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments continue to be paid on pre-determined charge screens. Additionally, on November 1, 2013, San Benito County transitioned to Medi-Cal Managed Care through Anthem Blue Cross. The Medi-Cal recipients in the County are now able to choose between managed care or fee for service. At June 30, 2022, cost reports through June 30, 2019, have been final settled.

**Other:** Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE D - NET PATIENT SERVICE REVENUES (continued)**

Net patient service revenues summarized by payor are as follows:

	<u>2022</u>	<u>2021</u>
Daily hospital acute care routine services	\$ 49,340,302	\$ 40,488,616
Skilled nursing routine services	21,120,560	17,333,980
Inpatient ancillary services	65,445,923	58,019,743
Outpatient services	<u>242,435,664</u>	<u>218,408,588</u>
Gross patient service revenues	378,342,449	334,250,927
Less contractual allowances and provision for bad debts	<u>(240,015,430)</u>	<u>(204,500,015)</u>
Net patient service revenues	<u>\$138,327,019</u>	<u>\$129,750,912</u>

Medicare and Medi-Cal revenue accounts for approximately 60% of the Hospital's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**NOTE E - CONCENTRATION OF CREDIT RISK**

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 14,468,671	\$ 11,490,796
Medi-Cal	17,069,532	14,135,609
Other third party payors	9,126,239	10,598,945
Self pay and other	<u>4,902,719</u>	<u>4,883,832</u>
Gross patient accounts receivable	45,567,161	41,109,182
Less allowances for contractual adjustments and bad debts	<u>(31,266,642)</u>	<u>(28,263,028)</u>
Net patient accounts receivable	<u>\$ 14,300,519</u>	<u>\$ 12,846,154</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE F - OTHER RECEIVABLES**

Other receivables as of June 30, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Receivable due from the State for supplemental programs	\$ 2,948,679	\$ 2,103,290
San Benito County property taxes	139,262	151,003
Lease receivable - current portion	526,489	
Other various receivables	<u>46,883</u>	<u>282,600</u>
	<u>\$ 3,661,313</u>	<u>\$ 2,536,893</u>

From time-to-time, hospitals may have certain physician income guarantee agreements to provide the physicians with a specified level of income for a period of time. Typically, the physician is then expected to practice in the area for a specified period of time, during which the amounts paid to the physicians are generally forgiven in a ratable fashion over time such as the time of service. When such transactions take place, accounting guidelines require the hospital to establish both an asset and a liability for the estimated fair value of its physician income guarantees at the inception of contracts entered into. As of June 30, 2022 and 2021, the Hospital has no material agreements of this nature.

**NOTE G - ASSETS LIMITED AS TO USE**

Assets limited as to use as of June 30, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents restricted by contributors	\$ 124,099	\$ 102,297
Cash designated by the board for specific purposes	298,361	267,431
Cash and cash equivalents and debt securities held under bond indenture agreements for debt service requirements	<u>4,299,947</u>	<u>2,371,770</u>
	4,722,407	2,741,498
Less amounts available for current obligations	<u>(2,684,733)</u>	<u>(2,579,517)</u>
	<u>\$ 2,037,674</u>	<u>\$ 161,981</u>

Interest income, dividends, and other like-kind earnings are recorded as investment income. Unrealized gains and (losses) are also recorded as investment income.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE H - CAPITAL ASSETS**

Capital assets as of June 30, 2022 and 2021 were comprised of the following:

	<u>Balance at June 30, 2021</u>	<u>Transfers &amp; Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2022</u>
Land and land improvements	\$ 3,237,474			\$ 3,237,474
Buildings and improvements	97,184,444	\$ 532,231		97,716,675
Equipment	39,899,483	1,640,082		41,539,565
Construction-in-progress	<u>425,000</u>	<u>3,859,247</u>		<u>4,284,247</u>
Totals at historical cost	140,746,401	6,031,560		146,777,961
Less accumulated depreciation for:				
Land and land improvements	(1,397,965)	(63,308)		(1,461,273)
Buildings and improvements	(46,201,278)	(2,584,912)		(48,786,190)
Equipment	<u>(34,758,267)</u>	<u>(1,280,457)</u>		<u>(36,038,724)</u>
Total accumulated depreciation	<u>(82,357,510)</u>	<u>(3,928,677)</u>		<u>(86,286,187)</u>
Capital assets, net	<u>\$ 58,388,891</u>	<u>\$ 2,102,883</u>	<u>\$</u>	<u>\$ 60,491,774</u>
	<u>Balance at June 30, 2020</u>	<u>Transfers &amp; Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2021</u>
Land and land improvements	\$ 3,231,774	\$ 5,700		\$ 3,237,474
Buildings and improvements	96,240,421	944,023		97,184,444
Equipment	39,181,963	2,492,992	\$ (1,775,472)	39,899,483
Construction-in-progress	<u>253,647</u>	<u>171,353</u>		<u>425,000</u>
Totals at historical cost	138,907,805	3,614,068	(1,775,472)	140,746,401
Less accumulated depreciation for:				
Land and land improvements	(1,320,245)	(77,720)		(1,397,965)
Buildings and improvements	(43,370,458)	(2,830,820)		(46,201,278)
Equipment	<u>(35,328,301)</u>	<u>(1,202,815)</u>	<u>1,772,849</u>	<u>(34,758,267)</u>
Total accumulated depreciation	<u>(80,019,004)</u>	<u>(4,111,355)</u>	<u>1,772,849</u>	<u>(82,357,510)</u>
Capital assets, net	<u>\$ 58,888,801</u>	<u>\$ (497,287)</u>	<u>\$ (2,623)</u>	<u>\$ 58,388,891</u>



Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE I - DEBT BORROWINGS**

As of June 30, 2022 and 2021, debt borrowings were as follows:

	<u>2022</u>	<u>2021</u>
San Benito Healthcare District 2014 General Obligation Refunding Bonds (election 2005); interest at 3.58% due semiannually; principal due in annual amounts ranging from \$760,000 on June 30, 2020 to \$2,755,000 on June 30, 2035; collateralized by property taxes:	\$ 24,150,000	\$ 25,170,000
San Benito Health Care District Insured Revenue Bonds, Series 2013; interest charged at 2.0% to 5.0% due semiannually; principal due in annual amounts ranging from \$1,385,000 on March 1, 2020 to \$2,180,000 on March 1, 2029; collateralized by Hospital revenues and other property:		
San Benito Health Care District Insured Refunding Revenue Bonds, Series 2021; interest charged at 4.0% due semiannually; principal due in annual amounts ranging from \$1,340,000 on March 1, 2022 to \$1,800,000 on March 1, 2029; collateralized by Hospital revenues and other property:	11,230,000	12,570,000
California Health Facilities Financing Authority (CHFFA) Help II Loan; interest charged at 2%; payable in monthly installments of \$9,602; final payment due November 1, 2041; collateralized by Hospital revenues:	1,850,608	
California Health Facilities Financing Authority (CHFFA) Nondesignated Public Hospital Bridge Loans; no interest charged and principal payments due in full upon receipt of supplemental payments from the State of California's QIP program:	2,475,438	
Premiums, net of accumulated accretion:	<u>2,281,601</u>	<u>2,623,842</u>
	41,987,647	40,363,842
Less current maturities of debt borrowings	<u>(2,611,770)</u>	<u>(2,360,000)</u>
	<u>\$ 39,375,877</u>	<u>\$ 38,003,842</u>

Future principal maturities for debt borrowings for the next succeeding years are: \$2,611,770 in 2023; \$2,780,479 in 2024; \$2,947,104 in 2025; \$3,123,761 in 2026; and \$3,310,452 in 2027.

**Bank Line of Credit:** The Hospital has a line of credit available for \$1 million. As of June 30, 2022 and 2021, the Hospital had no borrowings on this line of credit.

SAN BENITO HEALTH CARE DISTRICT

**NOTE I - DEBT BORROWINGS - (continued)**

**Bonds Payable:** On July 7, 2005, the Hospital issued the San Benito Health Care District 2005 General Obligation Bonds (the 2005 Bonds) in order to finance construction projects at the Hospital. The offering was for \$31,000,000 with interest at rates varying from 4.50% to 5.00%. Effective May 3, 2005, the Hospital exercised its authority to levy a special district property tax assessment to be used to meet debt service obligations for the 2005 Bonds. Taxes are collected by San Benito County and are used to meet the debt service obligations as they become due and payable to the bondholders. The total debt service obligation paid by San Benito County on behalf of the Hospital for the 2005 Bonds amounted to \$656,531 for the year ended June 30, 2015. These amounts, as well as County fees to administer the debt, have been recognized as income by the Hospital for the respective fiscal year ends. Additional accumulated tax collections by San Benito County under this arrangement as of June 30, 2015 are considered minor. During the year ended June 30, 2015, the 2005 bonds were refunded with the sale of the 2014 bonds.

In December, 2014, the Hospital issued the San Benito Health Care District 2014 General Obligation Refunding Bonds (the 2014 Bonds) in order to refund the 2005 Bonds. The offering was for \$30,030,000 with interest rate set at 3.58%. In order to service this debt, the Hospital exercised its authority to levy a special district property tax assessment to be used to meet debt service obligations for the 2014 Bonds. Taxes are collected by San Benito County and are used to meet the debt service obligations as they become due and payable to the bondholders. The total debt service obligation taxes collected by San Benito County on behalf of the Hospital for the 2005 Bonds were less than \$10,000 and is considered minimal. The total debt service obligation paid by San Benito County on behalf of the Hospital for the 2014 Bonds amounted to \$1,921,086 and \$1,831,086 for the years ended June 30, 2021 and 2020, respectively. These amounts, as well as County fees to administer the debt, have been recognized as income by the Hospital for the respective fiscal year ends. Additional accumulated tax collections by San Benito County under this arrangement as of June 30, 2022 and 2021 are considered minor.

In January, 2021, the Hospital issued Series 2021 San Benito Health Care District Insured Refunding Revenue Bonds, Series 2021 (the 2021 Bonds) in the amount of \$12,750,000 for the purpose of defeasing the San Benito Health Care District Insured Revenue Bonds, Series 2013 Bonds. The 2021 Bonds were issued at a \$1,982,753 premium. The 2021 Bonds are the obligation of the Hospital and mature on or before March 1, 2029 and will not be subject to optional redemption prior to maturity. The Hospital is required under the 2021 bond indenture agreement to deposit certain amounts on a monthly basis with the Trustee which approximate the succeeding year's debt service. The indenture agreement provides for certain Hospital covenants that include, among other things, restrictions on consolidation, merger, sale or transfer of Hospital assets, a requirement to maintain proper licensing and qualification for federal, state and local government reimbursement programs, and to fix, charge and collect rates, fees and charges which are reasonably projected to, in each fiscal year, provide a debt service coverage ratio (DSCR) of not less than 1.25. For June 30, 2022 and 2021, the DSCR was 3.09 and 2.11, respectively. Other requirements are to maintain a current ratio of at least 1.5 to 1 and at least 30 days cash on hand. For June 30, 2022 and 2021, the current ratio was 1.49 and 1.75 and the days cash on hand are 37.01 and 49.12, respectively.

SAN BENITO HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS**

Through December 31, 2003, the Hospital provided retirement benefits for substantially all of its full-time employees under a defined contribution matching plan (Plan I). Plan I became effective January 1, 1995 with a plan year end of December 31. Employees who have attained the age of 18 and completed one year of full-time service or part-time service were eligible for Plan I. Employees who worked on a per-diem, leased or contract basis were not eligible. The Hospital's contributions matched the contributions of the employees up to a 3.5% limit, subject to certain limitations under Plan I. In addition to the 3.5% contribution by the Hospital, employees could have contributed up to \$12,000. Employees become fully vested in the employer contributions after completion of 5 years of service. Total Plan I assets were \$31,598,692 and \$34,571,553 as of June 30, 2022 and 2021 respectively. No employer contributions have been made to this part of Plan I after December 31, 2003. A part of Plan I, however, still includes the 457 plan that employees still currently contribute to.

Effective January 1, 2005, the Hospital began a single-employer defined benefit plan (Plan II). Plan II became effective January 1, 2005 with a plan year end of December 31. Benefitted full and part-time employees are eligible following three years of consecutive employment. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees during the period of 1999 through current at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, became effective for fiscal years beginning after June 15, 2014. The statement established accounting and financial reporting standards for the recognition and disclosure requirements for employers with a liability to a defined benefit pension plan, as in the case of the Hospital's Plan II. GASB 68 requires that the Hospital's liability to Plan II be measured as the portion of the present value of projected benefit payments to be provided through Plan II to current active and inactive employees that is attributed to the employee's past periods of service, less the amount of Plan II's net position. The statement also requires employers to present information about the changes in the net pension liability and the related ratios, including Plan II's net position as a percentage of total pension liability, and the net pension liability as a percentage of covered-employee payroll. Under GASB 68, the Hospital is required to recognize a liability of the net position of Plan II, and to recognize pension expense and report deferred outflows and inflows, when present. The Hospital is also required to present a 10-year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions and related ratios. However, until a full 10-year trend is compiled, the Hospital will present information for only those years for which information is available.

The net effect in implementing GASB 68 for the Hospital was the recognition of additional pension expense for the year ended June 30, 2015 in the amount of \$748,158 and the reclassification of net position of \$8,325,745 as a long-term non-current unfunded actuarial net pension liability.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS - (continued)**

For the years ended June 30, 2022 and 2021, the Hospital recognized pension expense under Plan II of \$3,034,944 and \$2,951,676, respectively. At June 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Deferred outflows of resources:		
Differences between expected and actual experience	\$ 629,832	\$ 329,388
Changes in assumptions	6,124,663	3,695,237
Contributions to pension plan after measurement date	1,567,876	1,417,311
Net difference between projected and actual earnings on investments	<u>8,322,871</u>	<u>5,441,936</u>
Deferred inflows of resources:		
Changes in assumptions	<u>(4,525,234)</u>	<u>(3,961,563)</u>
Net deferred outflows and inflows related to pension	<u>\$ 3,797,637</u>	<u>\$ 1,480,373</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions (net) will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 601,397
2024	60,405
2025	501,669
2026	604,089
2027	461,701
Thereafter	-0-
	<u>\$ 2,229,261</u>

The following is the aggregate pension expense for the year:

	<u>2022</u>	<u>2021</u>
Service costs, plus related administrative expense	\$ 2,107,206	\$ 2,157,751
Interest on the total pension liability	3,176,715	2,986,614
Recognized difference between expected and actual experience	(84,400)	(172,579)
Recognized changes of assumptions	1,483,642	756,124
Projected earnings on pension plan investments and contributions	(2,602,875)	(2,208,759)
Recognized differences between projected and actual earnings	<u>(1,045,344)</u>	<u>(567,475)</u>
Aggregate pension expense	<u>\$ 3,034,944</u>	<u>\$ 2,951,676</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS - (continued)**

Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment rate of return of 5.90% is net of administrative expenses, administrative expenses are excluded from the above table but, implicitly included as part of investment earnings.

The net pension liability is as follows:

	<u>2022</u>	<u>2021</u>
<b>Total Pension Liability</b>		
Service costs	\$ 2,084,768	\$ 2,139,969
Interest on the total pension liability	3,176,715	2,986,614
Differences between expected and actual experience	485,864	(546,664)
Changes of assumptions	4,008,624	1,227,120
Benefit payments, including refunds of employee contributions	<u>(1,207,348)</u>	<u>(1,045,460)</u>
Net change in total pension liability	8,548,623	4,761,579
Total pension liability at the beginning of the year	<u>47,381,934</u>	<u>42,620,355</u>
Total pension liability at the end of the year	<u>\$ 55,930,557</u>	<u>\$ 47,381,934</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer (Hospital)	\$ 2,738,385	\$ 2,702,669
Contributions - employees	262,258	157,844
Net investment income	4,315,008	3,575,885
Administrative expense	(22,438)	(17,782)
Benefit payments, including refunds of employee contributions	<u>(1,207,348)</u>	<u>(1,045,460)</u>
Net change in Plan Fiduciary Net Position	6,085,865	5,373,156
Total plan fiduciary net position at the beginning of the year	<u>35,138,016</u>	<u>29,764,860</u>
Total plan fiduciary net position at the end of the year	<u>\$ 41,223,881</u>	<u>\$ 35,138,016</u>
Hospital's net pension liability (liability less net position)	<u>\$ 14,706,676</u>	<u>\$ 12,243,918</u>
Plan fiduciary net position as a % of the total liability	74%	74%
Covered employee payroll	\$ 24,420,3502	\$ 28,848,422
Hospital's net pension liability as a % of covered employee payroll	60%	42%
 <b>Schedule of Hospital Contributions</b>		
Actuarially determined contributions	\$ 3,438,240	\$ 3,545,809
Contributions in relation to the actuarially determined contributions	<u>(2,738,385)</u>	<u>(2,702,669)</u>
Contribution deficiency (excess)	<u>\$ 699,855</u>	<u>\$ 843,140</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS - (continued)**

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2022:

Valuation date	Actuarially determined contributions are calculated as of December 31, six months prior to the end of the fiscal year in which contributions are reported
<b>Methods and assumptions:</b>	
Actuarial cost method	Entry age normal cost method
Amortization method	Straight line amortization
Asset valuation method	Market value as of the measurement date
Salary increases	Salary scale (1) CNA at 4% a year; (2) NUHW at 5.5% a year; (3) all others at 5.25% a year; in 2022
Merit increases	5% per year for 1-5 years; 10%-20% every 5 years for CNA; 10%-25% every 5 years for NUHW
Investment rate of return	5.90%, net of pension plan investment expense, including inflation
Retirement age	65
Mortality	PubG-2010 Public Retirement Mortality Tables for Males & Females with projection scale MP2021

Other disclosures about Plan II are as follows or available upon request:

**Description of the Plan:** Effective January 1, 2005, the Hospital began a single-employer defined benefit plan. This plan became effective on that date with a plan year end of December 31.

**Benefits provided:** Benefitted full and part-time employees are eligible following three years of consecutive employment. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees during the period of 1999 through current, at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS - (continued)**

**Employees covered by benefit terms:** As of January 1, 2022, there are currently 280 active participants in the plan, 118 retired participants, 132 terminated vested participants entitled to future benefits, 22 active participants (frozen status) for a total of 552 total participants.

**Contributions:** For the fiscal year ended June 30, 2022, the actuarially determined contributions for the Hospital for the 2020 plan year was \$3,438,240 with actual contributions of \$2,738,385 leaving a contribution deficiency of \$699,855 on a covered employee payroll of \$24,420,350. For the fiscal year ended June 30, 2021, the actuarially determined contributions for the Hospital for the 2020 plan year was \$3,545,809 with actual contributions of \$2,702,669 leaving a contribution deficiency of \$843,140 on a covered employee payroll of \$28,848,422.

**Discount rate:** The discount rate used to measure the total pension liability was 5.90%. In the previous valuation, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

**Sensitivity of the net pension liability to changes in the discount rate:** It is estimated that a 1% decrease in the discount rate from 5.90% to 4.90% would increase the net liability by about \$7.6 million dollars and a 1% increase in the discount rate from 5.90% to 6.90% would decrease the net liability by about \$6.3 million dollars.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

**Construction-in-Progress:** As of June 30, 2022, the Hospital had recorded \$4,284,247 as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. No interest was capitalized during the years ended June 30, 2022 and 2021 related to these projects. Estimated cost to complete these projects as of June 30, 2022 is approximately \$3 million.

**Operating Leases:** The Hospital leases various equipment and facilities under operating leases expiring at various dates. Those which qualified under GASB 87 are disclosed in Note O. Total building and equipment rent expense for the years ended June 30, 2022 and 2021 (including GASB 87 qualifiers), were \$1,707,887 and \$1,926,957, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2022 other than those disclosed in Note O, that have initial or remaining lease terms in excess of one year are not considered material.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE K - COMMITMENTS AND CONTINGENCIES (continued)**

**Litigation:** The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2022 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

**Employee Health Insurance:** The Hospital provides health benefits to employees through a self-funded plan financed by the Hospital operations. Estimated liabilities are recorded for claims which most likely have been incurred but are not yet reported for claims processing and payment (IBNR). As of June 30, 2022 and June 30, 2021, this amount was estimated at \$1,111,531 and \$2,180,895, respectively. Commercial insurance is provided for "stop-loss" coverage.

**Workers Compensation Program:** Prior to June 30, 2008, the Hospital was a participant in the Association of California Hospital District's Beta Fund, which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The Hospital terminated this coverage effective July 1, 2008 and became enrolled with coverage provided by a commercial insurance company for worker's compensation coverage. Effective July 1, 2013, the Hospital was issued a Certificate of Consent to self-insure by the State of California's Department of Industrial Relations. The Hospital purchases excess liability insurance to provide coverage for workers' compensation claim exposures over its self-insurance retention limit of \$500,000. The plan is administered by Quality Comp, Inc., a division of Monument, LLC.

**Health Insurance Portability and Accountability Act:** The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the Hospital is in compliance with HIPAA as of June 30, 2022 and 2021.

**Health Care Reform:** The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.



Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE L -INVESTMENTS**

The Hospital's investment balances and average maturities were as follows at June 30, 2022 and 2021:

<i>As of June 30, 2022</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
U. S. government obligations	\$ 113,387	\$ 4,863	\$ 46,933	\$ 61,591
Local agency investment fund	166,550	166,550		
Corporate bonds and notes	120,075	3,996	79,244	36,835
Money market and mutual funds	3,455	3,455		
Total investments	<u>\$ 403,467</u>	<u>\$ 178,864</u>	<u>\$ 126,177</u>	<u>\$ 98,426</u>

<i>As of June 30, 2021</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
U. S. government obligations	\$ 121,373	\$ 8,017	\$ 57,500	\$ 55,856
Local agency investment fund	166,086	166,086		
Corporate bonds and notes	139,461	1,003	95,492	42,966
Money market and mutual funds	5,459	5,459		
Total investments	<u>\$ 432,379</u>	<u>\$ 180,565</u>	<u>\$ 152,992</u>	<u>\$ 98,822</u>

The Hospital's investments are reported at fair value as previously discussed. The Hospital's investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

**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 the Hospital 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 position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

**Credit Risk:** Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The Hospital's investment policy for corporate bonds and notes is to invest in companies with total assets in excess of \$500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE L - INVESTMENTS (continued)**

***Custodial Credit Risk:*** Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investments are generally held by broker-dealers or bank's trust departments used by the Hospital to purchase securities.

***Concentration of Credit Risk:*** Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. The Hospital's investment allows concentrations of over 5% in government-backed securities.

***Investment Hierarchy*** - The Hospital categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The Hospital investments are solely measured by Level 1 inputs and does not have any investments that are measured using Level 2 or 3 inputs.

**NOTE M - OTHER DECREASES IN NET POSITION**

The Hospital has recorded increases (decreases) in net position of \$34,577 and \$(5,427) as other decreases in net position as of June 30, 2022 and 2021, respectively, within the statement of revenues, expenses and changes in net position. For the year ended June 30, 2022, these amounts were comprised of restricted contributions and net assets released from restriction for a net amount of \$34,577. For the year ended June 30, 2021, these amounts were also comprised of net assets released from restriction for a net amount of \$(5,427).

**NOTE N - RELATED PARTY TRANSACTIONS**

The Hazel Hawkins Hospitals Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion or other specific purposes. Donations were \$166,209 and \$225,284 for the years ended June 30, 2022 and 2021, respectively.

The Hazel Hawkins Auxiliary (the Auxiliary) is a similar non-profit organization to help solicit contributions for the Hospital. Donations by the Auxiliary were \$-0- and \$3,813 for the years ended June 30, 2022 and 2021. Both of these entities are considered component units of the Hospital due to their relationship.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE O - LEASES**

As of July 1, 2021 the Hospital adopted the Governmental Accounting Standards Board (GASB) 87 requiring certain changes in the way the Hospital accounted for leases, both as a lessee and as a lessor.

*Lessee:* The Hospital leases space for various clinic and other health care services under operating leases. Lease commencement occurs on the date the Hospital takes possession or control of the property. Original terms for the capitalized leases range from four to five years. Capitalized leases have either an option to extend the contract or open contracts after the end of the lease term. Annual rent increases to base rent are based on the Consumer Price Index (CPI) or a fixed contractual rate that approximates CPI increases.

These leases does not contain a readily determinable discount rate. The estimated borrowing rate of 5.0% was used to discount the remaining cash flows for these operating leases.

These leases requires payment of common area maintenance and real estate taxes which represent the majority of variable lease costs. Variable lease costs are excluded from the present value of lease obligations due to their immateriality.

The Hospital's lease agreements do not contain any material restrictions, covenants, or any material residual value guarantees.

Lessee -lease related assets and liabilities as of June 30, 2022 consist of the following:

	<u>2022</u>
Assets:	
Operating lease - current portion	\$ 526,489
Operating lease - noncurrent portion	<u>1,145,753</u>
Total lease assets	<u>\$ 1,672,242</u>
Liabilities:	
Operating lease - current portion	\$ 520,961
Operating lease - noncurrent portion	<u>1,167,341</u>
Total lease liabilities	<u>\$ 1,688,302</u>

The future minimum rental payments required under operating lease obligations as of June 30, 2022, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Notes to Combined Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

**NOTE O - LEASES (continued)**

Years ending June 30,

	2023	\$ 593,607
	2024	554,482
	2025	359,223
	2026	163,716
	Thereafter	<u>179,578</u>
	Total	1,850,606
	Less: interest	<u>(162,304)</u>
liabilities	Present value of lease	<u>\$ 1,688,302</u>

The weighted average for the remaining lease term of these operating leases is an average of 3.06 and the weighted average discount rate for this operating leases is 5%

*Lessor:* The Hospital had no leases as lessor which qualified under GASB 87.

**NOTE P - SUBSEQUENT EVENTS**

Management evaluated the effect of subsequent events on the financial statements through January 9, 2023, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

**Supplementary Schedule**

Bond Covenant Requirements

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
<b>Debt Service Coverage Ratio</b>		
Excess of revenues over expenses	\$ 2,670,099	\$ 294,627
Less district taxes for general obligation bond debt service	(2,048,091)	(1,970,880)
Add in interest expense related to general obligation bonds	<u>901,086</u>	<u>934,380</u>
Revised excess of revenues over expenses	1,523,094	(741,873)
Add in other interest expense	509,273	689,238
Add in depreciation and amortization	<u>3,749,096</u>	<u>4,004,533</u>
Total adjusted excess of revenues over expenses	<u>\$ 5,781,463</u>	<u>\$ 3,951,898</u>
Debt service requirements for fiscal year ended June 30, 2022		
Capital lease debt service requirements		
Series 2021 revenue bond requirements	<u>\$ 1,869,200</u>	<u>\$ 1,870,733</u>
Total debt service requirements - next fiscal year (2023)	<u>\$ 1,869,200</u>	<u>\$ 1,870,733</u>
Debt Service Coverage Ratio	<u>3.09</u>	<u>2.11</u>
Required by covenants	<u>1.25</u>	<u>1.25</u>
<b>Current Ratio</b>		
Current assets	<u>\$ 39,313,652</u>	<u>\$ 41,635,093</u>
Current liabilities	<u>\$ 26,377,280</u>	<u>\$ 23,798,584</u>
Current ratio	<u>1.49</u>	<u>1.75</u>
Required by covenants	<u>1.50</u>	<u>1.50</u>
<b>Days Cash on Hand</b>		
Cash and cash equivalents	\$ 14,442,002	\$ 18,508,626
Board designated funds	<u>296,361</u>	<u>267,431</u>
Total available cash on hand	<u>\$ 14,738,363</u>	<u>\$ 18,776,057</u>
Operating expenses	\$147,323,392	\$141,869,134
Add in interest expense	1,528,522	1,659,516
Less depreciation and amortization	<u>(3,749,096)</u>	<u>(4,004,533)</u>
Net expenses to be covered by available cash on hand	<u>\$145,102,818</u>	<u>\$139,524,117</u>
Days in the year	<u>365</u>	<u>365</u>
Average daily cash requirements	<u>\$ 397,542</u>	<u>\$ 382,258</u>
Days cash on hand	<u>37.07</u>	<u>49.12</u>
Required by covenants	<u>30.00</u>	<u>30.00</u>

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# JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon, Suite 211, Fresno, California 93720

Voi ce: (559) 431-7708 Fax:(559) 431-7685

## *Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

The Board of Directors  
San Benito Health Care District  
Hollister, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the San Benito Health Care District, *dba* Hazel Hawkins Memorial Hospital (the Hospital) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated January 9, 2023.

### *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

*Compliance and Other Matters*

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

*Purpose of this Report*

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

*JW7 & Associates, LLP*

Fresno, California  
January 9, 2023



# San Benito Healthcare District

Pension Plan

Governmental Accounting Standard Board  
(GASB) Statement 68

Valuation Date December 31, 2021  
Measurement Date December 31, 2021  
Fiscal Year Ending June 30, 2022

December 2022



December 2, 2022

San Benito Healthcare District  
Defined Benefit Pension Plan  
Retirement Committee  
911 Sunset Drive.  
Hollister, CA 95023

**Re: San Benito Healthcare District Pension Plan GASB 68 Report for FYE June 30, 2022.**

San Benito Healthcare District (the "District") has retained Nicolay Consulting Group to complete this valuation of the San Benito Healthcare District Pension Plan (the "Plan") as of the June 30, 2022 measurement date in accordance with Governmental Accounting Standards Board (GASB) Statement 68.

The purpose of this valuation is to determine the value of the benefits for current and future retirees and the Net Pension Liability and Pension Benefit Cost for the fiscal year ending June 30, 2022. The amounts reported herein are not necessarily appropriate for use for a different fiscal year without adjustment. This report should not be disclosed to other parties without prior consent from Nicolay Consulting Group. When shared, this report should be shared in its entirety.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. We believe they fully and fairly disclose the actuarial position of the Plan based on the plan provisions, employee and plan cost data submitted.

Actuarial assumptions were selected by the plan sponsor. Nicolay Consulting Group has reviewed the assumptions and believe them to reasonable and suitable for the purposes of this actuarial measurement. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period);
- Changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.



231 SANSOME STREET, SUITE 300  
SAN FRANCISCO, CALIFORNIA 94104  
TEL: 415-512-5300  
FAX: 415-512-5314


The valuation was based on results generated in ProVal, a third-party valuation system. Use of this software required us to code the plan provisions, assumptions, and methods outlined in this report. We reviewed the outputs for reasonableness at a high level and also reviewed sample calculations in detail. We are not aware of any material weaknesses or limitations in the software or its parameterization. We certify that the amounts presented in the accompanying report have been appropriately determined according to the actuarial assumptions stated herein.

The actuarial calculations were completed under the supervision of Sue Simon and Malcolm Merrill. They have met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. In our opinion, assumptions as approved by the plan sponsor are reasonably related to the experience of and expectations for the Plan.

We would be pleased to answer any questions on the material contained in this report or to provide explanation or further detail as may be appropriate.


Respectfully submitted,

NICOLAY CONSULTING GROUP



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Malcolm Merrill, FSA, EA, FCA  
Senior Consulting Actuary



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Sue Simon, ASA, EA, MAAA  
Vice President

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## Section I Management Summary

### A) Highlights

#### Summary of Key Valuation Results

	6/30/2022	6/30/2021
<b>Reporting Date for Employer under GASB 68:</b>	Jun 30, 2022	Jun 30, 2021
<b>Measurement Date for Employer under GASB 68:</b>	Dec 31, 2021	Dec 31, 2020
Service Cost	\$2,084,768	\$2,139,969
Total Pension Liability	\$55,930,557	\$47,381,934
Plan Fiduciary Net Position	<u>41,223,881</u>	<u>35,138,016</u>
Net Pension Liability	\$14,706,676	\$12,243,918
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	74%	74%
<b>Contributions for fiscal year ending June 30:</b>		
Actuarially Determined Contributions <sup>1</sup>	\$3,438,240	\$3,545,809
Actual Employer Contributions	<u>2,738,385</u>	<u>2,702,669</u>
Contribution Deficiency (excess)	\$699,855	\$843,140
Total Covered Payroll	\$24,420,350	\$28,848,422
Actual Employer Contributions as a % of Payroll	11.21%	9.37%
<b>Demographic data for fiscal year ending June 30<sup>2</sup>:</b>		
Number of retired members and beneficiaries	118	110
Number of vested terminated members	132	125
Number of Frozen-Active (Inactive) participants	22	20
Number of active members	<u>280</u>	<u>295</u>
Total	552	550
<b>Key assumptions as of June 30:</b>		
Investment rate of return	5.90%	6.50%
Projected salary Increases <sup>3</sup>	<b>NUHW:</b> 5.50% per year <b>CNA:</b> 4.00% per year <b>Other:</b> 5.25% per year	

<sup>1</sup> GASB 68 reports the Actuarially Determined Contribution (ADC) net of employee contributions.

<sup>2</sup> Census data as of December 31, 2021 is used in the measurement of the Total Pension Liability as of June 30, 2022.

<sup>3</sup> Salary increases are based on union contracts in place as of the measurement date of 12/31/2021. New salary increases effective for future years will be reflected in the next valuation.

## Section I Management Summary

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### B) Important Information about Actuarial Valuation

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In order to prepare an actuarial valuation, Nicolay Consulting Group (“NCG”) relies on a number of input items. These include:

- **Assets and Participant Data** This valuation is based on the market value of assets as of the measurement date December 31, 2021, as provided by Wells Fargo and participant data as of the same measurement date and supplied by the district.
- **Actuarial Methods** The total pension liability was determined as part of an actuarial valuation as of December 31, 2021 using actuarial methods and assumptions in accordance with GASB No. 68. The total pension liability was calculated using the Entry Age Normal actuarial cost method. For additional information on actuarial methods, see Section V.
- **Actuarial Assumptions** The projected benefits are discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable. For additional information on actuarial assumptions, see Section V.

The user of Nicolay Consulting Group’s actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the plan sponsor to assist the sponsors of the Plan in preparing items related to the pension plan in their financial reports. NCG is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the Plan’s assets and liabilities at a specific date. Accordingly, except where otherwise noted, NCG did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the Plan.
- If the plan sponsor is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, NCG should be advised, so that any discrepancy can be evaluated.
- NCG does not provide investment, legal, accounting, or tax advice. NCG’s valuation is based on our understanding of applicable guidance in these areas and of the plan’s provisions, but they may be subject to alternative interpretations. The plan sponsor should look to their other advisors for expertise in these areas.

As NCG has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the plan sponsor.

## Section II GASB 68 Exhibits

### A) Schedule of Changes in Net Pension Liability (Exhibit 1)

Fiscal Year Ending	2022	2021
<b>Total Pension Liability</b>		
Service cost	\$2,084,768	\$2,139,969
Interest	3,176,715	2,986,614
Change of benefit terms	0	0
Differences between expected and actual	485,864	(546,664)
Changes of assumptions	4,008,624	1,227,120
Benefit payments, including refunds of employee	<u>(1,207,348)</u>	<u>(1,045,460)</u>
<b>Net change in Total Pension Liability</b>	<b>\$8,548,623</b>	<b>\$4,761,579</b>
<b>Total Pension Liability – beginning</b>	<u>47,381,934</u>	<u>42,620,355</u>
<b>Total Pension Liability – ending (a)</b>	<u><b>\$55,930,557</b></u>	<u><b>\$47,381,934</b></u>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	\$2,738,385	\$2,702,669
Contributions – employee	262,258	157,844
Net investment income	4,315,008	3,575,885
Benefit payments, including refunds of employee	(1,207,348)	(1,045,460)
Administrative expense	(22,438)	(17,782)
Other	<u>0</u>	<u>0</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$6,085,865</b>	<b>\$5,373,156</b>
<b>Plan Fiduciary Net Position – beginning</b>	<u>35,138,016</u>	<u>29,855,495</u>
<b>Plan Fiduciary Net Position – ending (b)</b>	<u><b>\$41,223,881</b></u>	<u><b>\$35,138,016</b></u>
<b>Net Pension Liability – ending (a) – (b)</b>	<u><b>\$14,706,676</b></u>	<u><b>\$12,243,918</b></u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	74%	74%
<b>Covered employee payroll</b>	\$24,420,350	\$28,848,422
<b>Plan Net Pension Liability as percentage of covered employee payroll</b>	60.2%	42.4%



## Section II GASB 68 Exhibits

### B) Summary of Changes in the Net Pension Liability (Exhibit 2)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Measurement as of December 31, 2020:</b>	\$47,381,934	\$35,138,016	\$12,243,918
Recognized Changes Resulting from:			
▪ Service cost	2,084,768	-	2,084,768
▪ Interest	3,176,715	-	3,176,715
▪ Diff. between expected and actual experience	485,864	-	485,864
▪ Changes of assumptions	4,008,624	-	4,008,624
▪ Contributions – employer	-	2,738,385	(2,738,385)
▪ Contributions – employee	-	262,258	(262,258)
▪ Net investment income – Expected	-	2,340,617	(2,340,617)
▪ Net investment income – Gain/(loss)	-	1,974,391	(1,974,391)
▪ Benefit payments	(1,207,348)	(1,207,348)	-
▪ Administrative expense	-	(22,438)	22,438
▪ Change of benefit terms	-	-	-
Net Changes	\$8,548,623	\$6,085,865	\$2,462,758
<b>Measurement as of December 31, 2021:</b>	\$55,930,557	\$41,223,881	\$14,706,676

## Section II GASB 68 Exhibits

### C) Derivation of Significant Actuarial Assumptions

The actuarial assumptions included (a) 6.50% investment long-term expected rate of return, net of investment expenses, and (b) projected salary increases of 4.0% for CNA, 5.5% for NUHW, 5.25% for other non-union, and 5.00% for any non-union participants. See section V for more detail.

**Long-term Expected Rate of Return** – The long-term expected rate of return on the Plan’s investments was based on capital market projections by the investment consultant, Lockton Retirement Service, adjusted for administrative expenses paid from trust.

Investment Class	Target Allocation*	Long-Term Expected Return on Asset*
US Large Cap Equity	31%	2.48%
US Small / SMID	14%	1.26%
International Equity	15%	1.20%
<b>Total Equity</b>	<b>60%</b>	<b>4.94%</b>
Core Bond	20%	0.80%
Core Plus / Multi-Sector	15%	0.75%
Cash/Short-term	5%	0.13%
<b>Total Fixed Income</b>	<b>40%</b>	<b>1.68%</b>
<b>Total</b>	<b>100%</b>	<b>6.62%</b>

Investment Class	Long-Term Expected Return on Asset*
US Large Cap Equity	8.00%
US Small / SMID	9.00%
International Equity	8.00%
Emerging Market Equity	9.00%
REITs	8.00%
Commodities	5.00%
Money Market	2.00%
Short-Term Bond	2.50%
Core Bond	4.00%
Long Corporate Bond	6.00%
High Yield Bond	6.50%

\* Expected Return on Assets information provided by Lockton.

**Discount rate** – As the plan’s assets are not expected to be sufficient to fund all future benefit payments, the discount rate used to measure the total pension liability was 5.90%. See Section II Exhibit J for additional detail.

## Section II GASB 68 Exhibits

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### D) Sensitivity Analysis (Exhibit 3)

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**Sensitivity of the Net Pension Liability to changes in the discount rate** – The following presents the Net Pension Liability calculated using the discount rate of 5.9%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1% point lower (4.9%) or 1% point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
San Benito Healthcare District Net Pension Liability	\$22,267,101	\$14,706,676	\$8,381,228

## Section II GASB 68 Exhibits

### E) Pension Expense for Measurement Period (Exhibit 4)

Measurement Period Ending December 31:	2021	2020
<b>Components of Pension Expense:</b>		
Service Cost	\$2,084,768	\$2,139,969
Interest on the Total Pension Liability (Exhibit 5)	3,176,715	2,986,614
Projected Earnings on Pension Plan Investments (Exhibit 6)	(2,340,617)	(2,050,915)
Employee Contributions	(262,258)	(157,844)
Administrative Expense	22,438	17,782
Changes on Benefit Terms	0	0
Recognition of Deferred Resources Due to:		
▪ Changes of Assumptions	1,483,642	756,124
▪ Differences Between Expected/Actual Experience	(84,400)	(172,579)
▪ Differences Between Projected/Actual Earnings on Assets	(1,045,344)	(567,475)
Aggregate Pension Expense	\$3,034,944	\$2,951,676

## Section II GASB 68 Exhibits

### F) Interest on the Total Pension Liability (Exhibit 5)

	Amount for Period a	Portion of Period b	Interest Rate c	Interest on the Total Pension Liability
<b>Beginning Total Pension Liability</b>	\$47,381,934	100%	6.50%	\$3,079,826
<b>Service Cost</b>	\$2,084,768	100%	6.50%	135,510
<b>Benefit payments, including refunds<sup>1</sup></b>	(\$1,207,348)	50%	6.50%	<u>(38,621)</u>
<b>Total Interest on the TPL</b>				\$3,176,715

<sup>1</sup>Includes employee contribution refunds



**Section II GASB 68 Exhibits**

**G) Projected Earnings on Plan Fiduciary Net Position (Exhibit 6)**

	Amount for Period a	Portion of Period b	Projected Interest Rate c	Projected Earnings
<b>Beginning plan fiduciary net position</b>	\$35,138,016	100%	6.50%	\$2,283,971
<b>Employer contributions</b>	\$2,738,385	50%	6.50%	87,596
<b>Employee contributions</b>	\$262,258	50%	6.50%	8,389
<b>Benefit payments, including refunds<sup>1</sup></b>	(\$1,207,348)	50%	6.50%	(38,621)
<b>Administrative expense and other</b>	(\$22,438)	50%	6.50%	<u>(718)</u>
<b>Total Projected Earnings</b>				\$ 2,340,617

<sup>1</sup>Includes employee contribution refunds

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## Section II GASB 68 Exhibits

### H) Deferred Inflows/Outflows of Resources (Exhibit 7)

Fiscal year Ending June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the TPL	\$629,832	\$1,072,769
Changes in assumptions	6,124,663	221,032
Net difference between projected and actual earnings of pension plan investments	0	3,231,433
Contribution to pension plan after measurement date	<u>1,567,876</u>	<u>0</u>
Total	\$ 8,322,871	\$ 4,525,234

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	\$601,397
2024	60,405
2025	501,669
2026	604,089
2027	461,701
Thereafter	0
Total	<u>\$2,229,261</u>

**Section II GASB 68 Exhibits**

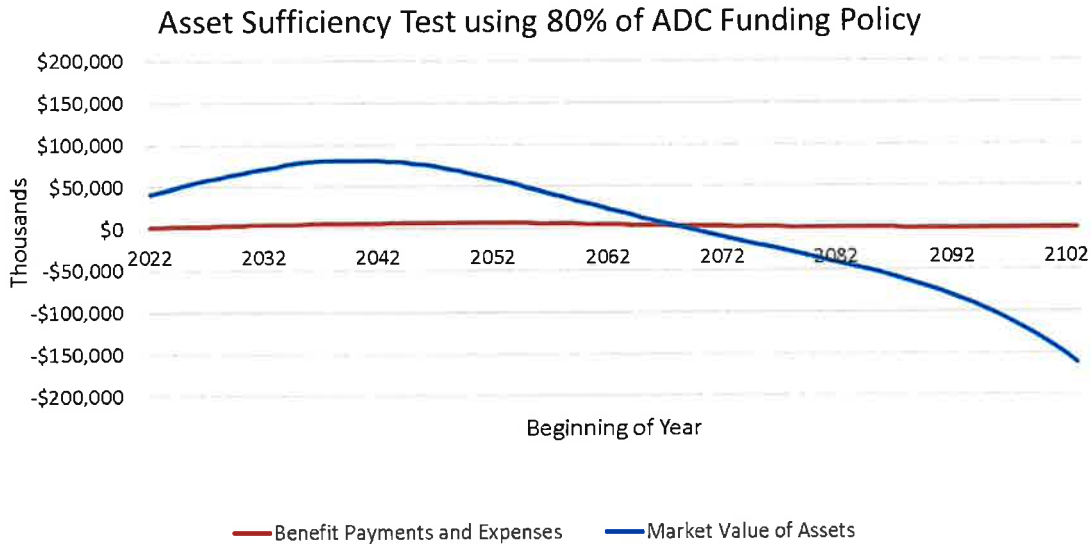
**I) Journal Entry to Record the NPL for FY ended June 30, 2022 (Exhibit 8)**

	DR	CR
Net Position	\$ 10,909,539	-
DO-Experience	629,832	-
DO-Investment	-	-
DO-Contributions	1,567,876	-
DO-Assumptions	6,124,663	-
DI-Experience	-	1,072,769
DI-Investment	-	3,231,433
DI-Assumptions	-	221,032
NPL	-	14,706,676
	\$19,231,910	\$19,231,910



## Section II GASB 68 Exhibits

### J) Asset Sufficiency Test (Exhibit 9)



For the asset sufficiency test, assets are projected using expected employer and employee contributions, expected benefit payments, expected admin expenses and expected return. Assets are then compared to expected benefit payments in each future year to confirm sufficiency. The table above shows that assets are expected to be sufficient to cover plan cash flows through 2067.

GASB 68 bases the discount rate on a blend of the employer's Expected Long-Term Return on Assets and the current rate on high-grade 20-yr municipal bonds as of the measurement date. The former is used to discount future cash flows for which future trust assets are sufficient to pay; the latter is used to discount cash flows for which future trust assets are not sufficient to pay. The GASB 68 discount rate is the single-equivalent (blended) rate that, when used to discount all future cash flows, results in the same present value resulting from using the two rates. Future assets include contributions expected to be made in the future based on the employer's funding policy and history of contributions made.

<i>Employer's Funding Policy:</i>	Contribute the Full ADC
<i>PEPRA Employee Contribution Rate</i>	4.00%
<i>Actual Total Contributions Made (Last 5 years):</i>	80% of the Total ADC
<i>Expected Long-Term Return on Assets:</i>	6.50%
<i>S&amp;P Municipal Bond 20 Year High Grade Index:</i>	2.25%

As current assets are expected to be insufficient beginning in 2068, a blending of the long term return assumption and the S&P Municipal Bond Index is completed to determine the final discount rate. The blended rate used to determine the Total Pension Liability is 5.90%

## Section III Supplementary Information

### A) Schedule of Contributions - Last Eight Fiscal Years (Exhibit 10)

Measurement Year Ended Dec 31	Actuarially Determined Contributions <sup>1</sup>	Contributions in Relation to the Actuarially Determined Contributions <sup>2</sup>	Contribution Deficiency (Excess)	Covered Employee Payroll
2014	1,558,842	3,056,518	(1,497,676)	29,126,434
2015	3,058,440	3,058,440	0	31,424,795
2016	3,375,540	272,374	3,103,166	29,345,672
2017	3,330,495	2,213,588	1,116,907	30,648,185
2018	3,486,828	3,933,677	(446,849)	30,690,643
2019	3,577,595	1,306,536	2,271,059	30,784,852
2020	3,545,809	2,702,669	843,140	28,848,422
2021	3,438,240	2,738,385	699,855	24,420,350

<sup>1</sup> Amounts shown are the total ADC for the Plan net of employee contributions (i.e., the employer ADC).

<sup>2</sup> 2014 through 2017 amounts reflect impact of Plan Year accrued contributions and 2017 amount includes 2016 employee contributions.



### Section III Supplementary Information

#### B) Schedules of Changes of Assumptions (Exhibit 11)

Measurement Date	Changes of Assumption	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions (Reporting Dates)						
			2022	2023	2024	2025	2026	2027r	Thereafter
2014	3,785,415	9.440	375,186	375,186	375,186	165,081	-	-	-
2015	(48,983)	9.440	(5,189)	(5,189)	(5,189)	(2,282)	-	-	-
2016	(506,429)	8.038	(63,004)	(63,004)	(63,004)	(2,397)	-	-	-
2017	(132,646)	7.520	(17,639)	(17,639)	(17,639)	(9,173)	-	-	-
2018	(74,412)	7.652	(9,724)	(9,724)	(9,724)	(9,724)	(6,344)	-	-
2019	1,939,682	6.789	285,710	285,710	285,710	285,710	225,422	-	-
2020	1,227,120	6.432	190,784	190,784	190,784	190,784	190,784	82,416	-
2021	4,008,624	5.510	727,518	727,518	727,518	727,518	727,518	371,034	-
<b>Net Increase (Decrease) in Pension Expense</b>			<b>1,483,642</b>	<b>1,483,642</b>	<b>1,483,642</b>	<b>1,345,517</b>	<b>1,137,380</b>	<b>453,450</b>	<b>-</b>

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### Section III Supplementary Information

#### C) Deferred Outflows of Resources and Deferred Inflows of Resources Arising From Changes of Assumptions (Exhibit 12)

Measurement Date	Increase in Total Pension Liability a	Decrease in Total Pension Liability b	Amount Recognized in Pension Expense Through June 30, 2022 c	Balances at June 30, 2022	
				Deferred Outflows of Resources a - c	Deferred Inflows of Resources b - c
2014	3,785,415	-	2,869,962	915,453	-
2015	-	(48,983)	(36,323)	-	(12,660)
2016	-	(506,429)	(378,024)	-	(128,405)
2017	-	(132,646)	(88,195)	-	(44,451)
2018	-	(74,412)	(38,896)	-	(35,516)
2019	1,939,682	-	857,130	1,082,552	-
2020	1,227,120	-	381,568	845,552	-
2021	4,008,624	-	727,518	3,281,106	-
				6,124,663	(221,032)

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### Section III Supplementary Information

#### D) Schedule of Differences between Expected and Actual Experience (Exhibit 13)

Measurement Date	Difference Between Expected and Actual Experience	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of effects of Differences between Expected and Actual Experience (Reporting Dates)						
			2022	2023	2024	2025	2026	2027	Thereafter
2014	131,657	9.440	13,049	13,049	13,049	5,742	-	-	-
2015	74,961	9.440	7,941	7,941	7,941	3,492	-	-	-
2016	187,133	8.038	23,281	23,281	23,281	885	-	-	-
2017	398,336	7.520	52,970	52,970	52,970	27,546	-	-	-
2018	(237,050)	7.652	(30,977)	(30,977)	(30,977)	(30,977)	(20,211)	-	-
2019	(1,044,501)	6.789	(153,852)	(153,852)	(153,852)	(153,852)	(121,389)	-	-
2020	(546,664)	6.432	(84,991)	(84,991)	(84,991)	(84,991)	(84,991)	(36,718)	-
2021	485,864	5.510	88,179	88,179	88,179	88,179	88,179	44,969	-
<b>Net Increase (Decrease) in Pension Expense</b>			<b>(84,400)</b>	<b>(84,400)</b>	<b>(84,400)</b>	<b>(143,976)</b>	<b>(138,412)</b>	<b>8,251</b>	<b>-</b>



### Section III Supplementary Information

#### E) Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences between Expected and Actual Experience (Exhibit 14)

Measurement Date	Increase in Total Pension Liability a	Decrease in Total Pension Liability b	Amount Recognized in Pension Expense Through June 30, 2022 c	Balances at June 30, 2022	
				Deferred Outflows of Resources a - c	Deferred Inflows of Resources b - c
2014	131,657	-	99,817	31,840	-
2015	74,961	-	55,587	19,374	-
2016	187,133	-	139,686	47,447	-
2017	398,336	-	264,850	133,486	-
2018	-	(237,050)	(123,908)	-	(113,142)
2019	-	(1,044,501)	(461,556)	-	(582,945)
2020	-	(546,664)	(169,982)	-	(376,682)
2021	485,864	-	88,179	397,685	-
				629,832	(1,072,769)

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### Section III Supplementary Information

#### F) Increase (Decrease) In Pension Expense Arising from the Recognition of Difference Between Projected and Actual Earnings on Pension Plan Investments (Exhibit 15)

Measurement Date	Changes of Assumption	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of Difference between Projected and Actual Earnings on Pension Plan Investments (Reporting Dates)						
			2022	2023	2024	2025	2026	2026	Thereafter
2017	(1,237,492)	5.00	(247,500)	-	-	-	-	-	-
2018	2,704,964	5.00	540,993	540,992	-	-	-	-	-
2019	(3,194,825)	5.00	(638,965)	(638,965)	(638,965)	-	-	-	-
2020	(1,524,970)	5.00	(304,994)	(304,994)	(304,994)	(304,994)	-	-	-
2021	(1,974,391)	5.00	(394,878)	(394,878)	(394,878)	(394,878)	(394,879)	-	-
<b>Net Increase (Decrease) in Pension Expense</b>			<b>(1,045,344)</b>	<b>(797,845)</b>	<b>(1,338,837)</b>	<b>(699,872)</b>	<b>(394,879)</b>	<b>-</b>	<b>-</b>



**Section III Supplementary Information**

**G) Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Projected and Actual Earnings and Plan Investments (Exhibit 16)**

Measurement Date	Increase in Total Pension Liability a	Decrease in Total Pension Liability b	Amount Recognized in Pension Expense Through June 30, 2022 c	Balances at June 30, 2022	
				Deferred Outflows of Resources a - c	Deferred Inflows of Resources b - c
2017	-	(1,237,492)	(1,237,492)	-	-
2018	2,704,964	-	2,163,972	540,992	-
2019	-	(3,194,825)	(1,916,895)	-	(1,277,930)
2020	-	(1,524,970)	(609,988)	-	(914,982)
2020	-	(1,974,391)	(394,878)	-	(1,579,513)
Sub-Total				540,992	(3,772,425)
Total					(3,231,433)

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## Section IV Participant Data

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### A) Participant Data

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This actuarial valuation is based on participant data provided by the District. NCG does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for NCG to receive the best possible data and to be informed about any known incomplete or inaccurate data.

At December 31, 2021, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	118
Vested terminated members entitled to, but not yet receiving benefits	132
Frozen Active (Inactive) participants	22
Active members	<u>280</u>
Total	552

## Section V Actuarial Assumptions and Methods

### A) Actuarial Assumptions

Measurement Date	December 31, 2021										
Reporting Date	June 30, 2022										
Discount Rate	5.90% per annum compounded annually										
Long Term Expected Return on Assets:	6.50% per annum, compounded annually.  The investment return assumption was set based on updated capital market projections by the investment consultant, Lockton Retirement Services, adjusted for administrative expenses paid from trust.										
Salary Scale:	5.50% per annum (NUHW); 4.00% per annum (CNA); 5.25% per annum (Other Union); 5.00% per annum (all other participants). Salary scales based on union contracts effective after the measurement date will be reflected in the next valuation.										
Mortality:	<u>December 31, 2021 Valuation</u> PubG-2010 Public Retirement Mortality Tables for Males and Females with Projections using MP-2021.  <u>December 31, 2020 Valuation</u> PubG-2010 Public Retirement Mortality Tables for Males and Females with Projections using MP-2020.										
Retirement:*	100% at Normal Retirement Age*.										
Turnover:*	Based on T-4 Table, Sample Rates are*:  <table border="0" style="margin-left: 40px;"> <tr> <td>Age</td> <td>Rate</td> </tr> <tr> <td>25</td> <td>5.29%</td> </tr> <tr> <td>35</td> <td>4.70%</td> </tr> <tr> <td>45</td> <td>3.54%</td> </tr> <tr> <td>55</td> <td>0.94%</td> </tr> </table>	Age	Rate	25	5.29%	35	4.70%	45	3.54%	55	0.94%
Age	Rate										
25	5.29%										
35	4.70%										
45	3.54%										
55	0.94%										
Disability:	None.										
Marital Status:	Percentage married: 80% of males and females are assumed to be married. Age difference: Females are assumed to be three years younger than males*.										

#### Assumption Changes

Mortality rates have been updated to use the most recent projection scale released by the Society of Actuaries. The discount rate was reduced to 5.90% since assets were only sufficient to cover benefit payments until 2068. There have been no other assumption changes since the last measurement date.

## Section V Actuarial Assumptions and Methods

*\* NCG has not performed an experience study to select these assumptions.*

## Section V Actuarial Assumptions and Methods

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### B) Actuarial Methods

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Actuarial Cost Method:	Entry Age Normal Cost Method  This method was effective December 31, 2014.  Under the Entry Age Normal Actuarial Cost Method, the actuarial value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability
Amortization Methodology	The District uses straight-line amortization. For assumption changes and experience gains/losses, we assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses use a fixed 5 year period. Plan changes are recognized immediately in the year they occurred.
Valuation of Assets:	The value of assets is determined as market value of assets as of the measurement date.
Measurement Date	December 31, 2021
Valuation Date	December 31, 2021
Reporting Date	Fiscal Year End: June 30, 2022
Funding Policy	The District's funding policy is to contribute the full ADC to the trust annually.

## Section VI Plan Provisions

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### A) Plan Provisions

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Effective Date:	January 1, 2005
Most Recent Restatement Date:	January 1, 2015
Most Recent Amendment Date:	January 1, 2016 (PEPRA Provisions)
Plan Year:	January 1 to December 31
Eligible Employee:	Benefited full-time or part-time employee. Hired prior to January 1, 2013.
Participation Entry Date:	January 1 <sup>st</sup> following three years of consecutive employment (1,000 hours in each year) and attainment of age 21.
Normal Retirement Date:	First of month after reaching age 65 and completing five Years of Service.
Deferred Retirement Date:	First of any month following actual retirement after a participant's Normal Retirement Age. An employee can work beyond his normal retirement date and continue to earn pension benefits.
Early Retirement Date:	First of any month after reaching age 50 and completing 15 Years of Service and 5 years of Plan participation.
Normal Form of Payment For Unmarried Participants:	A retirement income payable monthly for life, with guaranteed payments for 120 months.
Normal Form of Payment For Married Participants:	A retirement income payable monthly for life, with guaranteed payments for 120 months; in addition, after the 120 month period, in the event of the participant's death, the participant's spouse will receive a monthly pension equal to 50% of the participant's pension for the remainder of the spouse's lifetime.
Optional Forms of Distribution of Retirement Benefit:	No other options available.

## Section VI Plan Provisions

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### A) Plan Provisions (Continued)

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Retirement Benefit Formula For Future Service:	<p>Effective January 1, 2005: 1% of the participant's compensation in each calendar year.</p> <p>Effective January 1, 2007, the rate increases to 1.1% per year for future service of non-SEIU employees' future service after January 1, 2007, but prior to January 1, 2010.</p> <p>Effective January 1, 2010, the rate increases to 1.3% per year for non-SEIU employees' future service after January 1, 2010.</p> <p>Effective January 1, 2012, the benefit accrual rate increases to 1.3% of participant's compensation for all eligible employees' future service after January 1, 2012.</p>
Retirement Benefit Formula For Past Service as of January 1, 2005	<p>1% of the participant's compensation in each consecutive calendar year in which the participant completed 1,000 hours as a benefited full-time or part-time employee during the period 1999 through 2004.</p>
Early Retirement Benefit:	<p>Accrued benefit earned to the date of early retirement with payments commencing on participant's normal retirement date. The participant may elect to receive an actuarially reduced benefit starting after his or her early retirement date.</p>
Disability Benefit:	<p>Accrued benefit earned to disability retirement date with payments commencing on participant's normal retirement date. The participant may elect to receive an actuarially reduced benefit starting after his or her early retirement date.</p>
Death Benefits:	<p>Larger of: (1) Present value of vested accrued benefits; (2) 25,000.</p>
Vesting of Accrued Benefits:	<p>The earlier of (i) the completion of five years of service (1,000 hour rate) in the Plan and (ii) a participant's Normal Retirement Date. This vested benefit would be in the form of a pension beginning at normal retirement date equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before normal retirement date.</p>

## Section VI Plan Provisions

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### A) Plan Provisions (Continued)

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#### PEPRA Provisions

PEPRA Participant

"PEPRA Participant" means a participant who (i) was never a member of a California "public retirement system" as that term is defined in California Government Code section 7522.04(j), prior to January 1, 2013, (ii) was a member of a California public retirement system prior to January 1, 2013, other than the system through which this Plan is offered but was not subject to reciprocity under California Government Code section 7522.02(c), or (iii) was an active member in the system through which this Plan is offered but who returned to active membership in the system with a new employer after a break in service of more than six (6) months.

Classic Participant

Means a participant who is not a PEPRA Participant

Eligibility Requirements

Employees must be employed by the Employer in an eligible category of employment, have attained age 21, and completed three years of service in order to be eligible to participate in the plan. An eligible employee will become a participant upon the later of January 1, 2016, completion of three years of services, or attainment of age 21.

PEPRA Benefit Accrual Rates

Same as Retirement Benefit Formula for Future Service

Normal Retirement:

Normal retirement age under the plan is the later of age 65 or the date an employee complete 5 years of service. Normal retirement date is the first day of the month after reaching normal retirement age.

## Section VI Plan Provisions

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### A) Plan Provisions (Continued)

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#### PEPRA Provisions (Continued)

Early Retirement:

The first day of the month following a Participant's attainment of age fifty (50) years and the completion of ten (10) Years of Service, or the first day of any subsequent month preceding the Participant's Normal Retirement Age; provided, however, that a Post-2012 Participant must have attained age fifty-two (52).

Maximum Benefit of PEPRA Participants

The Accrued Benefit of a PEPRA participant shall not exceed the amount defined in PEPRA and described in Appendix A of the plan document. The amount shall be determined by interpolating to the participant's nearest completed quarter of age at the date benefit are scheduled to commence, based on the rates shown opposite the participant's age in Appendix A of the plan document table.

Based on Appendix A table, Sample rates are:

Age of retirement	Benefit Rate (Percentage of Final Base Pay)
52	1.000%
55	1.300%
60	1.800%
65	2.300%
67	2.500%

Employee Contributions

PEPRA participants shall have an initial contribution rate of at least 50% of the normal cost rate as defined under the Employer PEPRA Contribution.

#### Plan Provision Changes

There have been no plan provision changes since the last measurement date.





Contract Number: SC-006932  
Proposal Valid To: January 31, 2023

**This Proposal is Presented To**

**Bill to Address**

<b>Attention:</b> Kristina Harwood		<b>Bill To Account:</b> Hazel Hawkins Memorial Hospital		
<b>Phone:</b> (831) 636-2650		<b>Address:</b> 911 Sunset Dr		
<b>Email:</b> kharwood@hazelhawkins.com		<b>City:</b> Hollister	<b>State:</b> CA	<b>Zip:</b> 95023

MXR Imaging Inc is pleased to submit the following proposal for equipment maintenance described herein at the prices and terms within this contract. Please direct any questions to the MXR representative below, and when ready send a signed copy of this contract to them.

**Contact:** Rex Lindsey  
**Title:** National Sales & Marketing Manager  
**Phone:** (385) 226-6381  
**Email:** rex.lindsey@mxrimaging.com

This Agreement becomes effective upon customer signature and MXR Imaging acceptance. Equipment covered for service under this agreement is described in the summaries to follow. Customer agrees to the terms and conditions described in the entirety of this contract.

**Total Annual Fixed Charges:** \$72,000.00

**Payment Periods:** Monthly payments of \$6,000.00

*All normal fixed charges, plus applicable taxes and any applicable governmental fees (which are not included on this agreement), are payable in advance per the contract invoice*

**Equipment Coverage Summary**

Make/Model	Serial Number	Start Date	Annual Rate	Contract Term
Siemens - Sensation 64	TBD	January 1, 2023	\$72,000.00	60 months



Contract Number: SC-006932  
 Proposal Valid To: January 31, 2023

<b>CT Make/Model:</b> Siemens - Sensation 64	<b>Contract Type:</b> Full Service
	<b>Annual Fixed Charge:</b> \$72,000.00
<b>Equipment Location</b>	<b>Term</b>
<b>Facility Name:</b> Hazel Hawkins Memorial Hospital	<b>Coverage Term (months):</b> 60
<b>Address:</b> 911 Sunset Drive Hollister, CA, 95023	<b>Coverage Start Date:</b> January 1, 2023
	<b>Coverage End Date:</b> December 31, 2027

**Equipment Coverage Details**

Item	Description	Contract Terms
On-Site Labor	Service labor for preventive and remedial maintenance	100%
Parts	All Parts	100%
Tube Coverage	Replacement X-Ray tube during the term of this contract	1 Tube Per Term
Coverage Hours	Labor for corrective maintenance provided during the contracted hours Monday-Friday, excluding holidays	8:00 AM - 5:00 PM, Mon-Fri
Labor Rates	For non-contracted labor & travel	\$295 per hour labor \$250 per hour travel
After Hour Labor	Labor & travel rate for corrective maintenance provided during non-contracted hours	Billable 1.5x hourly rate, 2x Sundays and holidays
Uptime Guarantee	Calculated at annual intervals	96.00 %
Preventive Maintenance	Number of annual visits for preventive maintenance checks	4 Per Year
Traller Maintenance	Labor and parts for corrective maintenance on mobile trailer	N/A
Telephone Response	Time for service department to respond to service calls	30 Business Minutes
On-site Response	Time for Field Service Engineer to be at customer site for down system	4 Business Hours
Technical Phone Support	8:00 AM to 5:00 PM Local time, Monday through Friday except holidays	Included

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## Services Terms and Conditions

1. **Agreement:** The customer identified on the Service Proposal attached hereto (hereinafter referred to as "Customer") has agreed to purchase, and MXR Imaging (f/k/a Merry X-Ray Chemical Corporation) (hereinafter referred to as "MXR") has agreed to provide, certain maintenance, repair, update and/or upgrade services (the "Services") upon the terms and conditions set forth on the Service Proposal, the attached Equipment Coverage Details, and these Terms and Conditions (collectively, the "Agreement"). MXR and the Customer have caused this Agreement to be executed by their duly authorized officers or representatives, effective as of the later date of authorized signature hereon.

2. **Order of Precedence:** This Agreement comprises the entire agreement between the parties and supersedes all prior proposals, quotations, agreements, promises, or representations between the parties, whether verbal or written. The terms of this Agreement will prevail notwithstanding any variance with the terms of any present or future purchase or service order or request by the customer for services. In the event of any conflict between terms, the order of precedence shall be (a) the Service Proposal, (b) the Equipment Coverage Details, and (c) these Terms and Conditions. Any changes, modifications, additions or deletions to this Agreement shall be in writing, via Addendum or Amendment, and fully signed by all Parties to this Agreement.

3. **Additions and Deletions or System Upgrades from Service Coverage and Additional Services:** Customer shall notify MXR in writing prior to (i) adding or deleting equipment, or (ii) upgrading existing system hardware or software to provide additional clinical functionality, or (iii) changing parts or other items to this Agreement after the initial inspection for service coverage described below.

All additions, deletions or hardware/software upgrades outside the scope of this Agreement will be subject to new pricing, and will be quoted prior to being incorporated into this Agreement.

For services requested by Customer outside of the Agreement, MXR may provide additional and separately-billed services such as: (i) instructions to Customer in the operation of the Equipment; (ii) the addition or removal of accessories, attachments, or other devices from the Equipment; (iii) the movement or relocation of the Equipment; (iv) resolution of problems or services caused by or necessitated by the unauthorized actions of Customer, third parties or external sources, including breach of warranties by the original manufacturer of the Equipment; (v) increase in service time necessitated by Customer's operator error; (vi) repair due or damage from any cause other than ordinary use; and/or (vii) repair of damage or increase in service time caused by unauthorized alterations including, but not limited to, deviation from circuit or structural design of the equipment as provided by the original manufacturer(s) or MXR.

4. **Agent of Customer:** The Customer agrees that MXR may act as an agent of the Customer for the limited purposes of securing a manufacturer's or OEM's onsite service, documentation, software and tools needed for MXR to perform services on the Equipment covered under this Agreement. MXR may not bind the Customer to any other contract or agreement, or incur financial liability for the Customer without Customer's prior written consent. Notwithstanding the above, nothing in this Agreement shall be construed to designate MXR, or any of its employees, or MXR's service contractors or any of their employees, as Customer employees, agents, joint ventures or partners.

5. **Amendment; Waiver; Survival:** This Agreement may be amended only in writing signed by authorized officers or representatives of both parties. Any failure to enforce any provision of this Agreement is not a waiver of that provision or of either party's right to later enforce each and every provision. The terms of this Agreement which by their nature are intended to survive its expiration (such as confidentiality provisions and Customer's obligation to pay any amounts owed to MXR) will continue in full force and effect.

6. **Assignment; Use of Subcontractors:** Neither party may assign any of its rights, duties or obligations under this Agreement without the prior written consent of the other party, which consent will not be unreasonably withheld; provided, that either party may transfer and assign this Agreement without the other party's consent to any person or entity (except to a MXR competitor) that is an affiliate of such party, or that acquires substantially all of the stock or assets of such party, provided further, such assignee agrees, in writing, to be bound by the terms of this Agreement. Subject to such limitation, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. MXR may hire qualified subcontractors to perform Services under this Agreement; provided MXR will at all times remain responsible for the performance of its duties and obligations hereunder.

7. **Billable Service Calls:** Service calls requested by Customer outside of this Agreement are billed by MXR at the then current regular and overtime rates for travel and on-site labor plus all applicable reasonable travel expenses. The customer will be provided a quotation for any equipment parts that need to be replaced. The customer authorizes MXR to perform and invoice for the service by scheduling the call. Billable service calls may be canceled by the customer with a minimum of twenty-four (24) hours written notice and the customer will have no liability whatsoever for timely cancellations.

8. **Confidentiality:** MXR, its employees, representatives and subcontractors will treat any of Customer's patients' Protected Health Information (PHI) to which it may have access during the performance of the Services as confidential and will comply with all privacy laws protecting individually identifiable patient health information.

Each party will treat all information of the other party as confidential. The pricing, terms of sale and other information contained in or disclosed by MXR under this Agreement, whether disclosed in writing or disclosed verbally, are confidential regardless of any lack of markings thereon. Customer may not disclose such pricing, terms of sale and other information to any other party without MXR's prior written approval, except for any legally required disclosure, in which case Customer shall give prior written notice to MXR. Each party reserves the right to enforce these confidentiality restrictions against a party who wrongfully discloses, receives and/or further disseminates confidential information of the complaining party, including seeking injunctive relief. Terms regarding confidentiality shall survive the expiration of this contract. Confidential Information shall not apply to (i) information that is or was already in the possession of receiving party at the time of disclosure by disclosing party; (ii) information that is or becomes in the public domain other than as a result of an unauthorized disclosure by the receiving party; (iii) information that is already known by a third party with a legal right to disclose; (iv) information that is independently developed without the use or reference to the disclosing party's confidential information; or (v) is required by law or judicial order to be disclosed.

9. **Coverage Terms for Service Support:** For services set forth on the Service Proposal, MXR will supply all labor required for preventive and scheduled maintenance and remedial repairs on the Customer's equipment as described

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in the Equipment Coverage Details. MXR will perform all maintenance services in accordance with the maintenance programs set forth in the applicable manufacturer's service manuals. MXR may also replace all unserviceable parts with new or equivalent parts as specified by MXR on the initial inspection report described below, and as provided in this Agreement.

10. **Initial Inspection (If Applicable):** If equipment is new equipment to be serviced by MXR and not a renewal, within thirty (30) calendar days of the effective start date of this Agreement, MXR (or its authorized subcontractor) shall inspect each item of the Customer's equipment and review all logs and documentation associated with it to determine its eligibility for service coverage hereunder. If MXR's inspection reveals that an item of equipment is inoperable or in need of substantive repair, MXR will notify customer within ten (10) business days of the date of inspection and provide a written estimate of the cost of repair at MXR's then-current list prices/rates for time and materials. Service requests made prior to the completion of the inspection that require part(s) replacement will be treated as a pre-existing condition and the part repair or replacement will be invoiced to the Customer. Equipment identified by MXR as requiring repair service but not authorized for repair or otherwise repairable by Customer will be removed from service support under this Agreement and deleted from the Equipment Coverage Detail until such repair is completed. If Customer does not permit MXR to conduct its inspection within the above thirty (30) calendar day period, or if any items of equipment are in storage, not in use or otherwise not available for inspection during the thirty (30) calendar day inspection period, Customer will be responsible for all repairs necessary to bring that item of equipment into safe operable condition before MXR will provide service coverage for it.
11. **Parts and Replacements; Exclusions:** MXR reserves the right to use new or refurbished parts and parts acquired from third parties as long as the parts are compliant to MXR's quality assurance standards and processes. Any part for which MXR has supplied a replacement part shall become property of MXR. Installation of parts not supplied by MXR or its representative without prior written consent of MXR constitutes a material breach of this Agreement.  

Consumable items, accessories, networking hardware and software, printers and other peripherals are not covered under this Agreement. Parts that are deemed cosmetic or accessory in nature may be replaced at cost to the Customer.
12. **Customer Provided Parts:** If Equipment covered does not include parts replacement as specified in the Coverage Details section(s), or part(s) being replaced is not covered under the scope of the contract, customer may source their own parts with the following stipulations:
  - a. In the event Customer finds another source for the part(s) at a lower cost, Customer will give MXR the opportunity to price match. If MXR matches the price, Customer agrees to purchase the part(s) from MXR.
  - b. If the Customer provided part(s) is Dead on Arrival (DOA) or not the correct part(s), Customer will be billed for the travel time and a minimum of two hours labor at the rates listed in the Coverage Details.
  - c. If the Customer provided part fails within 90 days of installation, Customer will be responsible to pay MXR for the travel and labor time to replace the part(s), as well as the cost of the part(s) if purchased through MXR.
13. **CT Tube Usage Tracking (If Applicable):** Customer agrees to allow MXR to review CT usage information during each preventative maintenance visit. This information will be input into MXR's service/ticketing system. If any CT equipment covered on this contract is entitled to unlimited tube coverage it will be used to determine if

customer's usage of the CT is as agreed to in the Coverage Details section of the Equipment

14. **Unlimited CT Tube Coverage (If Applicable):** If tube coverage is unlimited as defined in the Coverage Details section(s) of this agreement, MXR will provide unlimited replacement tubes during the term if customer remains below the usage metric identified in the Coverage Details section of the equipment which will be one of the following: (i) Patient Count, (ii) mAs, (iii) Gantry Rotations, or (iv) Scan Seconds. If Customer exceeds the limit by 10% or more, Customer agrees to pay an overage fee indicated in the Coverage Details section, or renegotiate the remainder of the contract. If Customer is unwilling to pay the overage fee, the equipment in question will be changed from unlimited tube coverage to one tube replacement for the full contract term.
15. **Increase in Cryogen Costs (If Applicable):** Customer acknowledges the volatile nature of the market with regard to helium costs, and MXR's lack of control of such costs. In the event that helium costs to MXR increase during the term of this Agreement or any renewals, MXR reserves the right, upon thirty (30) days written notice, to pass along the increase helium costs in the form of an increase in the Agreement charges.
16. **Uptime Guarantee for Services Only:** If an Uptime Guarantee is referenced in the Equipment Coverage Details, MXR will guarantee the Equipment can be used for scanning patients for a defined percentage of the total coverage hours in a given year. For the purposes of calculating the uptime there will be two measurements, Base Time and Downtime. Base Time is defined as the total covered hours of the contract for a one (1) year term, so for example if the contracted hours of coverage are 8am to 5pm Monday through Friday there would be a total of 2,340 Base Time Hours (9 hours a day x 5 days a week x 52 weeks a year). Downtime is defined as the total number of hours the Equipment is unable to scan patients during covered hours excluded exceptions as referenced in this clause. For example, if the contracted hours of coverage are 8am to 5pm Monday through Friday, MXR receives a call at 6:00am on Monday, and the system is available for scanning at 10:00am Monday there would be 2 hours of downtime as the two hours between 6:00am and 8:00am are not time covered under the contract. The formula for determining the uptime percentage will be (Base Time – Downtime)/Base Time.  

The following are reasons why downtime events would not be included in this calculation

  - a. Scheduled Preventative Maintenance
  - b. If MXR is prepared to perform maintenance services to make the Equipment operational but such service is refused by the Customer or is deferred by the Customer until a later time or date
  - c. If the Equipment is not otherwise made available to MXR's service engineers
  - d. If the Equipment is down due to, associated with, or caused by misuse, negligence, or operator error
  - e. Inadequate environmental conditions (not conforming with the environmental specifications outlined by the OEM), including temperature and humidity, line power exceeding OEM's requirements of voltage, frequency, impulses or transients
  - f. Acts of God or other force majeure events

If the equipment uptime level is found to be less than the guaranteed percentage over an annual period, as computed in accordance with the above guidelines, MXR will extend the term of this agreement by one week for each 1% point less than the contracted uptime (e.g., if contracted uptime is 96% and actual uptime is 93% MXR would extend the contract by 3 weeks)



17. **Customer Responsibilities:** In order for MXR to perform its duties and obligations under this Agreement (including warranty obligations), Customer agrees to:
- a. Provide and maintain a suitable, safe and hazard-free location and environment for MXR personnel and subcontractors to install, service, and remove from service the Customer equipment, including the installation of purchased equipment and parts.
  - b. Provide MXR access to all the software disks and documentation that the Original Equipment Manufacturer provided with the equipment that MXR needs to perform Services hereunder.
  - c. Ensure unrestricted and safe access to the equipment (including parts, network cabling, and other communication equipment as necessary) by MXR employees and representatives, and cooperate with MXR employees and representatives in their performance of Services under this Agreement. Customer shall notify MXR of any mobile equipment location(s) upon execution of this Agreement. Mobile equipment traveling more than fifty (50) miles from the original Customer location is excluded from the designated on-site response time and subject to additional travel charges.
  - d. Promptly place service calls in accordance with any reasonable MXR protocols provided to Customer.
  - e. Customer is responsible for reporting helium levels weekly back to MXR either by emailing [CSHeliumReadings@mxrimage.com](mailto:CSHeliumReadings@mxrimage.com) or calling the main service number at 866-310-0071, Option 1.
  - f. Establish and maintain security, virus protection, backup and disaster recovery plans for any data, images, software or equipment. This responsibility includes maintaining secure network and network security components, firewalls and security-related hardware or software, and preventing unauthorized access to the equipment.
  - g. Promptly notify MXR in writing of any change in the Customer information specified in this Agreement, the location of the equipment or any change in Customer ownership or management control so that MXR may exercise its rights under the Assignment section. MXR will also notify Customer of any change in MXR ownership or management control so that Customer may exercise its rights under the Assignment section.
  - h. Power and Grounding. Customer is responsible for ensuring satisfactory power quality and grounding per OEM specifications for all Equipment under this MXR Service Agreement.
  - i. Customer is responsible for securing software license keys from the OEM as necessary to perform certain aspects of the services as outlined in the Agreement. If such keys are unavailable at the time of service and required to correct an issue, MXR cannot be held in breach or liable for its inability to correct the issue. Additionally, any downtime associated to an issue that requires unavailable license keys will not be counted towards any uptime guarantee if included in the Agreement.
  - j. If Equipment being serviced emits X-Ray's, and is in the state of Texas, Customer is responsible to stay in compliance with Texas Administrative Code §289.227 (o) (1). Any failure to maintain compliance with the afore mentioned code will be the sole responsibility of the Customer.
18. **Consumable Items:** Customer shall provide, at no charge to MXR, the necessary consumable items such as cleaning supplies required by MXR in the performance of the Services hereunder.
19. **Taxes:** Customer agrees to pay all applicable taxes arising from this Agreement, including any sales, use, excise, property, or similar federal, state, or local taxes. Customer will promptly reimburse MXR for all amounts paid or payable by MXR in discharge of the foregoing taxes.
20. **Excusable Delays:** Either party is excused from performing under this Agreement when the delay or failure to perform is caused by events or contingencies beyond a party's reasonable control. Except for the Customer's obligation to make payments to MXR, in the event that a delay occurs, the time for performance shall be extended as reasonably necessary to enable performance.
21. **Exclusions:** Unless otherwise specifically stated in the Equipment Coverage Details, MXR will not provide the following services or they will be quoted on a billable basis to Customer:
- a. The repair, replacement or disposal of any accessories, table and positioning pads, straps or consumable items including batteries for UPS systems.
  - b. The repair, replacement of any MRI coil deemed by the repair facility as "not normal wear and tear" or "abuse". This can include but not limited to: damage due to mishandling of the coil, cracked housing, patient fluid infiltration or other patient abuse.
  - c. Any MRI repair service, including a system ramp/shim or any system parts including cryogenics, compressed gases due to a system failure or quench outside of MXR control which includes power failures.
  - d. Third party MRI coils are not covered (e.g. In vivo wrist array, lower extremity, knee array, breast array, small extremity and 8 channel shoulder).
  - e. The repair, replacement of any ultrasound probe deemed by the repair facility as "not normal wear and tear" or "abuse". This can include but not limited to: fluid infiltration due to tears in lens from improper cleaning, array or element damage due to mishandling of the probe.
  - f. Glycol replacement is considered a consumable, and it is the responsibility of Customer to maintain glycol onsite. Any flush or refills needed due to inability to identify the glycol supply will be considered billable to Customer.
  - g. The reimbursement of MXR expenditures for any non-contracted facility or rigging cost.
  - h. Applications training or ongoing applications support.
  - i. Any service or parts, including cryogenics/compressed gasses, surge suppressor, power regulator devices or UPS systems, required as a result of anything external to the covered equipment, including building, van or trailer structural deficiency, power surge or power fluctuations, dust, sand or other particulate debris or environmental (air conditioning, water chiller, etc.) failure.
  - j. If the Customer is notified or aware of a deficient part not covered under this Agreement and fails to take corrective action to mitigate damages to the covered equipment, the Customer assumes the responsibility for any parts and services provided by MXR covered under the Agreement.
  - k. Service required due to equipment moves made by the Customer.
22. **Governing Law; Jurisdiction and Venue; Mediation:** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State in which the Services are performed, United States of America. Jurisdiction and venue for the adjudication of any actions will solely lie in the state or federal courts in the State in which the Services are performed. The parties agree that, except to seek injunctive relief to prevent a breach of confidentiality or intellectual property rights, they will enter into a non-binding mediation process with a well-recognized, professional mediator in a good faith attempt to settle any disputes under this Agreement, prior to resorting to litigation. The parties may at their own election, if they mutually agree to hold a non-binding mediation privately without a mediator to fulfill this alternative dispute resolution provision.



23. **Independent Contractor:** Nothing in this Agreement will be construed to designate MXR or any of its employees or MXR subcontractors or any of their employees as Customer's employees or agents; except for the grant of limited agency above in the "Agent of Customer" Section above.

24. **Insurance:** MXR and customer shall each carry worker's compensation, employer's liability, general commercial, and product liability insurance with well-recognized insurance carriers in commercially reasonable amounts covering their acts or omissions. Customer shall carry property insurance covering the equipment against damage or loss. MXR will assure that its qualified subcontractors carry commercially reasonable insurance coverages as described above.

25. **Limited Warranties:** MXR warrants that parts sold or otherwise provided hereunder will be functional for a ninety (90) day limited warranty period. THE WARRANTIES IN THIS SECTION ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES. MXR EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Written warranty claims shall be made by Customer through MXR's standard Return Material Authorization process, either by calling or e-mailing Customer Service using the information on the Service Proposal above.

**Limitations of Remedies and Liability:** MXR will promptly re-perform any non-conforming Services, provided all claims for Service non-conformity are communicated to MXR in writing within ninety (90) days from the date the original Services were performed. All claims for defective parts must be made within ninety (90) days of receipt by the Customer. MXR will, at its option, repair, replace, or credit any parts that it determines are defective; provided that the Customer's conduct has not caused or contributed to the defect

Except as provided below with respect to tort liability arising from gross negligence or willful misconduct, MXR'S MAXIMUM CUMULATIVE LIABILITY TO CUSTOMER UNDER THIS AGREEMENT MAY NOT EXCEED THE PRICE OF THE SERVICE OR PARTS INVOLVED IN THE CUSTOMER CLAIM. IN NO EVENT SHALL MXR BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE, OR SPECIAL LOSSES OR DAMAGES, INCLUDING WITHOUT LIMITATION, LOST REVENUES OR PROFITS, OR THE COST OF SUBSTITUTE PRODUCTS OR SERVICES WHETHER ARISING FROM BREACH OF THE TERMS IN THIS AGREEMENT, BREACH OF WARRANTY, NEGLIGENCE, INDEMNITY, STRICT LIABILITY OR ANY OTHER THEORY OF LIABILITY. MXR SHALL HAVE NO LIABILITY FOR ANY ASSISTANCE NOT REQUIRED UNDER THIS AGREEMENT THAT MXR OR ITS EMPLOYEES OR SUBCONTRACTORS PROVIDED TO THE CUSTOMER.

NEITHER PARTY SHALL HAVE ANY TORT LIABILITY TO THE OTHER ARISING FROM THIS AGREEMENT, EXCEPT TO THE EXTENT EITHER PARTY COMMITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

Indemnity: MXR shall indemnify and hold harmless Customer from losses and claims that are caused by the sole negligent acts or omissions of MXR.

26. **Payment Terms:** Invoices are payable in United States currency only to the address listed on MXR's invoice. Unless otherwise expressly stated in the Service Proposal, terms for services and parts delivery in USA and Canada are net cash on or before the thirtieth (30th) day following the date of invoice. A 3.5% convenience fee will be charged for all credit card payments. Failure to make timely payment(s) is a material breach of this Agreement, for which (in addition to other available remedies) MXR may

suspend performance under this or any other MXR agreements until all past due amounts are brought current. If MXR so suspends performance, MXR will not be responsible for the completion of planned maintenance due to be performed during the suspension period, and any product downtime will not be included in the calculation of any uptime commitment.

a. Overdue payments shall be subject to finance charges computed at a periodic rate of one and one-half percent (1.5%) per month or the maximum rate permitted by applicable law. Customer will reimburse MXR for reasonable costs (including attorneys' fees) relating to collection of past due amounts. Any credits that may be due to Customer under this Agreement or any other MXR agreements may be applied first to any outstanding balance. If Customer does not make any payments for services or parts within forty-five (45) business days after such payments are due, MXR may, upon ten (10) business days prior written notice to Customer, enter upon Customer's site and remove the parts.

b. Customer will be subject to MXR's ongoing credit review and approval process. Payment terms may change based on a change to Customer's credit status, with prior written notice from MXR.

c. If payment is to be made to MXR via bank wire transfer, Customer is responsible for calling and confirming the wire number and instructions prior to sending any payment. Should the Customer fail to meet its obligations by calling and verifying any bank wire transfer, and the Customer's funds are misappropriated MXR will not be responsible for such. If a third party engages in bank wire fraud, misappropriation of funds, and/or a security breach after the Customer fails to meet its obligation, MXR will not be responsible for damages associated therewith. The Customer will bear all costs for the outstanding payment owed to MXR, including but not limited to, attorney fees and costs associated therewith.

27. **Purchased Equipment and Parts:** The following provisions shall apply only to the purchase of equipment or parts from MXR:

a. **Delivery:** MXR reserves the right to make delivery in installments under a mutually agreed schedule. All such installments shall be separately invoiced and paid for when due, without regard to subsequent deliveries. Delivery dates are approximate.

b. **Acceptance:** Unless expressly provided otherwise in this Agreement, Customer shall be deemed to have accepted the equipment or parts delivered by MXR on the earlier date of: (i) when MXR installs the equipment or part, five (5) business days after MXR notifies Customer that it has completed assembly and the equipment or part is functioning; (ii) when MXR does not install the equipment or part, three (3) business days after delivery of the equipment or part to Customer; or (iii) the date Customer first uses the equipment or part to provide imaging services to patients.

c. **Order Cancellation:** Customer purchase orders accepted by MXR are not subject to change except upon written agreement. Purchase orders accepted by MXR are non-cancellable by Customer except upon MXR's written consent. The cancellation by Customer of any order for a MXR price list item prior to delivery shall be subject to a cancellation charge of not less than ten percent (10%) of the order value to cover costs of processing and order handling.

d. **Transportation, Title and Risk of Loss:** Equipment and parts will be shipped to Customer Free-On-Board (F.O.B.) pursuant to Section 2-319 of the Uniform Commercial Code. For parts purchases, Customer is responsible for paying for freight and insurance against property damage or loss until delivery to Customer. Title to and risk of loss of parts passes to Customer at MXR's shipping dock. For equipment purchases, MXR is responsible for paying for freight and insurance against property damage or loss until delivery to Customer. Title and risk of loss to equipment passes to Customer at Customer's shipping dock.

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- e. Specifications: All parts may be subject to MXR's standard specifications and tolerances. MXR reserves the right to make modifications and substitutions in the specifications of any part, provided, that the modifications or substitutions do not materially affect the performance of the equipment and part or the purposes for which they can be used
  - f. Returns: Parts may not be returned to MXR without MXR's prior written authorization. All returns are subject to a minimum thirty percent (30%) restocking fee.
  - g. Exchange: MXR exchange replacements are to be returned within five (5) business days after the Customer receives the replacement part. The exchange is to be sent to MXR using MXR's standard Return Material Authorization (RMA) process with the RMA Number clearly visible on the box. If the exchange part is not returned within five (5) business days, the Customer will be charged a daily fee of One Hundred and Fifty Dollars (\$150.00). If the exchange part is not returned within thirty (30) business days, the Customer will be sent an invoice for the current market value of the part.
28. **Record Retention and Cost Reporting:** If the Customer notifies MXR in writing that this Agreement is subject to records retention requirements under federal law, MXR will retain and make available and insert the requisite provision in each applicable subcontract requiring its subcontractors to retain and make available, the contracts, books, documents and records to the persons, upon the requests, and for the period of time as required by such Act. It is the Customer's sole responsibility to comply with all cost reporting obligations under federal and state laws concerning the services and parts received under this Agreement.
29. **Term:** The term of this Agreement shall be for the period stated in the Service Proposal attached hereto. The term shall automatically renew for an additional period equal to the length of the original period unless either party gives the other a written notice, within sixty (60) business days of the end of the current term of its election to terminate the Agreement at the end of the then current term. MXR reserves the right to adjust pricing and/or rates under this Agreement to its then-current rates at the time of the renewal term.
30. **Product Removal from Coverage:** MXR will use commercially reasonable efforts to perform its obligations under this Agreement. In the event MXR determines it can no longer provide effective corrective maintenance or planned maintenance services for the item(s) included in this Agreement, MXR may remove the affected Product from coverage upon thirty (30) days' prior written notice to the Customer, or upon mutual agreement with the Customer, MXR may elect to do one of the following: 1) to continue the Services and scheduled payment associated with this Agreement on a best effort basis, 2) reduce the level of coverage for the impacted equipment to a PM only level agreement, with the associated market pricing for altered coverage, or 3) remove from coverage the item impacted with no further obligation for the removed item other than Customer's payment of all current outstanding invoices.
31. **Force Majeure:** Neither party will be liable for any failure or delay in performing an obligation under this Agreement that is due to any of the following causes, to the extent beyond its reasonable control: acts of God, accident, riots, war, terrorist act, epidemic, pandemic, quarantine, civil commotion, breakdown of communication facilities, natural catastrophes, governmental acts or omissions, changes in laws or regulations, national strikes, fire, or explosion.  
For the avoidance of doubt, Force Majeure shall not include (a) financial distress nor the inability of either party to make a profit or avoid a financial loss, (b) changes in market prices or conditions, or (c) a party's financial inability to perform its obligations hereunder
32. **Breach of Contract:** If either party otherwise materially breaches this Agreement, the other party may notify the breaching party in writing, describing the breach, and the breaching party will have thirty (30) business days following such notice to remedy the breach. If the breaching party fails to remedy the breach during that period, the other party may, by written notice, terminate this Agreement.
33. **Termination For Cause:** This Agreement may be terminated by the Customer with thirty (30) days written notice to MXR should: (a) the equipment covered be de-installed, sold or removed from service; or (b) the facility is shut down and the equipment covered is no longer being used on patients; or (c) the Customer becomes insolvent or the subject of a bankruptcy proceeding.  
In the event this Agreement is terminated prior to expiration for one of the 3 reasons listed above, MXR will recalculate all services (travel, labor, and parts) on a Time and Materials basis using the Travel and Labor rates listed on the Equipment Details page for the Equipment being removed, and Customer agrees to pay the difference between what Customer has paid to date for service on Equipment being removed vs. the calculated amount for what service would have been using the Times and Material rate calculated.
34. **Termination Without Cause:** In the event this agreement or portions of this agreement are terminated by Customer for a reason not listed in section 32, or if Customer is in breach of this contract as described in section 31, MXR will either;
- 1.) Invoice Customer for an amount equal to twenty percent (20%) of the remaining contract value for Equipment being removed
  - 2.) Calculate all services (travel, labor, and parts) on a Time and Materials basis for the Equipment being removed and invoice customer the difference between what Customer has paid to date vs. the calculated amount for what service would have been using MXR's then billable rates at the time of termination
- MXR will invoice Customer for whichever is the larger amount due to the Customer between these two options. Customer will have 30 days to remit payment

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**Contract Number:** SC-006932  
**Proposal Valid To:** January 31, 2023

Authorized Customer Signature		Authorized MXR Imaging Signature	
Upon signing and acceptance by an authorized Customer representative, this document constitutes a contract and customer agrees to be bound by all the terms hereof, including the attached Terms and Conditions		MNR Imaging, by its acceptance hereof, agrees to provide equipment and maintenance for the equipment listed on attachment in accordance with the terms listed here and on attachment.	
<b>Signature:</b>		<b>Signature:</b>	
<b>Printed Name:</b>		<b>Printed Name:</b>	
<b>Title:</b>	<b>Date:</b>	<b>Title:</b>	<b>Date:</b>
<b>PO Number:</b>			

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