Washington Township Health Care District

Board of Directors

Jacob Eapen, MD
William F. Nicholson, MD
Bernard Stewart, DDS
Michael J. Wallace
Jeannie Yee

BOARD OF DIRECTORS' MEETING
Wednesday, November 11, 2026 – 6:00 P.M.
Board Room of Washington Hospital, 2000 Mowry Avenue, Fremont and via Zoom
https://whhs.zoom.us/j/93615952152?pwd=DzkvYBbbFRP1PGlB2tWoOOjaIyFxRP.1
Passcode: 723683

Board Agenda and Packet can be found at:
November 2026 | Washington Health

AGENDA

		PRESENTED BY:
I.	**CALL TO ORDER & PLEDGE OF ALLEGIANCE**	William Nicholson, MD President
II.	**ROLL CALL**	Cheryl Renaud District Clerk
III.	**COMMUNICATIONS**	
	A. Oral *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not on the agenda and within the subject matter of jurisdiction of the Board. "Request to Speak" cards should be filled out in advance and presented to the District Clerk. For the record, please state your name.*	
	B. Written	
IV.	**CONSENT CALENDAR** *Items listed under the Consent Calendar include reviewed reports and recommendations and are acted upon by one motion of the Board. Any Board Member or member of the public may remove an item for discussion before a motion is made.*	William Nicholson, MD President
	A. Consideration of Minutes of the Regular Meetings of the District Board: October 14, 19, 26 & 28, 2026	*Motion Required*

V.	**PRESENTATIONS**	**PRESENTED BY:**
	A. Veterans Day Recognition	Kimberly Hartz Chief Executive Officer
	B. Annual Audit Report FY 2026	Will Cobb, Partner PricewaterhouseCoopers
	C. HEDIC / DEI	Gisela Hernandez Chief Inclusion Officer
VI.	**REPORTS**	
	A. Medical Staff Report	Aaron Barry, MD Chief of Staff
	B. Service League Report	Jill Ziman Service League President
	C. Quality Report: Quality Dashboard Quarter Ending September 2026	Mary Bowron Assistant Vice President & Chief Quality Officer
	D. Finance Report	Ajay Sial Senior Vice President & Chief Financial Officer
	E. Hospital Operations Report	Kimberly Hartz Chief Executive Officer
	F. Health System Calendar Report	Kimberly Hartz Chief Executive Officer
VII.	**ACTION**	
	A. Consideration of Annual Audit Report FY 2026	*Motion Required*
VIII.	**ANNOUNCEMENTS**	
IX.	**ADJOURNMENT**	William Nicholson, MD President

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the District Clerk at (510) 818-6500. Notification two working days prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

If a disruption of telephonic or internet-based service occurs during this meeting and prevents or materially impairs members of the public from observing the meeting or offering public comment through the telephonic or internet-based option provided by the District, the District will suspend further action on agenda items and recess the open session for the period required by District policy and applicable law. The District will make good faith efforts to restore public access. The District may not reconvene the open session until public access is restored or until one hour has elapsed after the disruption began, whichever occurs earlier. If the District reconvenes before public access is restored, the District Board must first adopt required findings by roll call vote in accordance with District policy and applicable law.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, September 9, 2026 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Nicholson called the meeting to order at 6:00 p.m. and led those in attendance of the meeting in the Pledge of Allegiance.

ROLL CALL

Roll call was taken: Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace

Staff Present: Kimberly Hartz, Chief Executive Officer; Ajay Sial, Senior Vice President & Chief Financial Officer; Tina Nunez, Senior Vice President & Chief Administrative Officer; Terri Hunter, Vice President & Chief Nursing Officer; Larry LaBossiere, Senior Vice President & Chief Operating Officer; Jordan Melick, Senior Director of Treasury; Paul Kozachenko, Legal Counsel; Cheryl Renaud, Assistant to the Chief Executive Officer & District Clerk; Sri Boddu; Shirley Ehrlich, Executive Assistant II

Zoom Attendees: Jill Ziman; Kristin Ferguson; Laura Anning; Ed Hernandez; Mary Bowron; Gina Gholston; Brian Smith, MD; Kayla Gupta; Angus Cochran; Julia Phelps; Felipe Villanueva; Doug Jones; Maria Fuentes; John Lee; Tammi Tyson; Melissa Garcia; Jeanie Ahn, MD; Gisela Hernandez; Tigist Awel; Sean Barwis; Walter Choto

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting.

COMMUNICATIONS: ORAL

The following persons commented: Ed Hernandez; Doug Jones

COMMUNICATIONS: WRITTEN

Cheryl Renaud, Assistant to the Chief Executive Officer & District Clerk, advised the Board of Directors that there were two written communications, in which copies were placed in their binders.

1. Letter from Doug Jones from SEIU-UHW in support of Proposition 40

2. Letter from AC Transit regarding a Public Hearing and Open House on Wednesday, October 14, 2026 regarding possible major service cuts

Director Nicholson replied, "I understand why Proposition 40 is of interest to health care organizations, and I respect the arguments being made in its favor. My concern is about the precedent we establish when the District might take positions on statewide ballot initiatives and on matters that are outside our jurisdiction. Our traditional practice has been to refrain from endorsing statewide measures and other matters outside of our jurisdiction; I think there is value in applying that approach consistently. As the Board cannot act on this matter tonight, I will refer it to the Chief Executive Officer for appropriate review in light of our District's longstanding practice".

CONSENT CALENDAR

Director Nicholson presented the Consent Calendar for consideration:

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A. Consideration of the Minutes of the Regular Meetings of the District Board: September 9, 21, 23 & 28, 2026

Director Wallace moved that the Board of Directors approve the Consent Calendar, Item A. Director Stewart seconded the motion.

Roll call was taken:

William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – aye
Michael Wallace – aye

Motion Approved.

PRESENTATION: 2026 GO FINANCING RECAP – POST ISSUANCE

Kimberly Hartz, Chief Executive Officer, introduced Ajay Sial, Senior Vice President & Chief Financial Officer, and Jordan Melick, Senior Director of Treasury, who presented the 2026 GO Financing Recap – Post Issuance.

Ajay Sial, Senior Vice President & Chief Financial Officer, reported that Washington Health successfully closed its 2026 GO Bond issue on October 6, 2026. The financing was very successful as the bonds were significantly over-subscribed and resulted in strong savings for the refunding portion of the bond issue and attractive interest rates for the new money portion of the bond issue.

PRESENTATION: COMMUNITY OUTREACH AND ENGAGEMENT OVERVIEW

Kimberly Hartz, Chief Executive Officer, introduced Angus Cochran, Chief of Community Support Services, and Kayla Gupta, Community Outreach Manager, who presented the Community Outreach and Engagement Overview.

Angus Cochran, Chief of Community Support Services, stated how important access to healthcare resources is for the community, whether it is language barriers, transportation difficulties or economic challenges or wait times. Kayla Gupta, Community Outreach Manager, reported that the outreach programs are determined by the top ten key health needs from the Community Health Needs Assessment. The Outreach programs include, but not limited to, Health Fairs, Health Education and Community Programs. The top four focus areas for the 2026-2028 Community Health Improvement Plan (CHIP) are Healthcare Access & Delivery, Healthy Lifestyles, Cancer and Unintended Injuries.

There are various health education topics provided at health fairs, such as Blood Pressure Checks, Stop the Bleed Training, Choking First Aid Training, Bike Helmet Safety, Stroke Education, Nutrition Education, Health Insurance Information and more. Kayla highlighted the partnership with the City of Fremont and the Summer Concert Series, which is held for six weeks every year and has a broad outreach to the residents of the District. The Speaker's Bureau provides one-hour on-site health education seminars across the District. Special Events include annual events like Earth Day, partnered with City of Fremont and Celebration of Life for Cancer Survivors, Employee Health & Safety Fairs, Welcome Teacher Days, Road to

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Wellness Health Fairs and Think Pink Breast Cancer Awareness Events. Kayla highlighted The Road to Wellness Health Fair that celebrated two years of Trauma Care at Washington Health, which showcased 38 resource booths with 1,000 community attendees.

The Heart Smart Walking Challenge began in 2025 in Partnership with the Union City Recreation Department and expanded to Newark in 2026, with an upcoming expansion to Fremont in 2027. This combines a sense of community and promotes physical activity through step tracking.

The Community Advisory Board started in December of 2024. They hold quarterly meetings of community members from diverse backgrounds, cultures, ages, abilities and geographic areas of the District. Some recent discussion items include a Patient Welcome Guide, Service Animal Policy, Organ Donation, Meditation Room Spaces and End of Life Care Considerations.

The Impact of Community Outreach in 2026 has had 20,365 interactions with attendees across 97 events.

MEDICAL STAFF REPORT

Dr. Jeanie Ahn, Chief of Medical Staff-Elect, joined the meeting and reported that there are 7 new applicants for Medical Staff. There are now a total of 701 Medical Staff members, including 379 active members. Dr. Ahn stated that the Top Hat Gala was enjoyed by all who attended.

SERVICE LEAGUE REPORT

Jill Ziman, Service League President, reported that during the month of September, the Service League Volunteers contributed 3,119 hours of service to the hospital. At this time, there are 225 active adult volunteers and 184 college volunteers, 153 junior volunteers, and 26 spiritual care volunteers.

There was one vigil request for the NODA group during the week of September 4-7.

The Mended Hearts Team met with 53 patients and 26 family members and caregivers.

The WOOF Canine Therapy teams met with 96 patients in September. Teams also spend quality time with staff on each of these visits.

Several of the Baby Cuddlers helped check in families, and monitor arts & crafts and reading tables at the Special Care Nursery Reunion that took place on September 19.

QUALITY REPORT: DIALYSIS ANNUAL UPDATE

Kimberly Hartz, Chief Executive Officer, introduced Dr. Jeanie Ahn, Medical Director, Acute Dialysis Services, and Gina Gholston, Nurse Manager, Washington Health Dialysis Program, who presented the Quality Report on the Dialysis Annual Update.
Dr. Jeanie Ahn spoke about The Mission of the Washington Health Acute Dialysis Unit and its purpose to serve the community by providing high quality care, clinical excellence, and efficiency in the Dialysis Department. This service began in August

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of 2018 and Dr. Ahn explained the process and different types of dialysis, which includes Hemodialysis, Peritoneal dialysis and Plasmapheresis. Dr. Ahn also noted that the hemodialysis volume in 2026 was 2,812 treatments compared to 3,130 treatments in 2025, reflecting a continued utilization of hemodialysis services. Dr. Ahn also discussed Patient & Staff Safety measures that involve Time-Out Documentation, Hepatitis B Surface Antigen Unknown, Hypotensive events, Rapid Response/Code Blue responses during dialysis and Infection Control. The Performance Improvement Plan is to reduce dialysis catheter-related Central Line-Associated BloodStream Infections (CLABSI) events. Dr. Ahn stated that the quality improvement process indicators for FY2027 are as follows: Patient Education, Procedure Time Out, Compliance with Bacterial/Endotoxin Testing, Compliance with Chlorine/Chloramine Water Testing, Stat Treatment Completion and Hand Hygiene.

FINANCE REPORT

Ajay Sial, Senior Vice President & Chief Financial Officer, presented the Finance Report for August 2026. The average daily inpatient census was 187.1 with discharges of 1,138 resulting in 5,801 patient days. Outpatient observation equivalent days were 190. The average length of stay was 4.96 days. The case mix index was 1.583. Deliveries were 154. Surgical cases were 516. The Outpatient visits were 10,727. Cath Lab cases were 226. Emergency visits were 5,353. Joint Replacement cases were 224. Neurosurgical cases were 30. Cardiac Surgical cases were 31. Total FTEs were 1,806.6. FTEs per adjusted occupied bed was 5.64. Overall, the net income for August was $3,694,000.

HOSPITAL OPERATIONS REPORT

Kimberly Hartz, Chief Executive Officer, presented the Hospital Operations Report for September 2026. Patient gross revenue of $246.2 million for September was favorable to the budget of $231.2 million by $15.1 million (6.5%), and favorable compared to September 2025 by $15.9 million (6.0%).

Trauma Cases of 196 for September was favorable to the budget of 192 and was consistent with September 2025. Trauma gross revenue of $23.9 million for September was favorable to the budget of $22.4 million by $1.5 million (6.5%). Urgent Care Visits of 867 were unfavorable to budget by 247 (22.2%). YTD visits of 2,705 were unfavorable to budget by 655 (19.5%).

The Average Length of Stay was 5.23. The Average Daily Inpatient Census was 183.8 and was favorable to budget of 165.5 by 18.2 (11.0%). There were 1,088 discharges that was favorable to budget of 1,028 by 60 (5.8%). There were 5,513 patient days which was favorable to budget of 4,966 by 547 days (11.0%). There were 528 Surgical Cases and 218 Cath Lab cases at the Hospital. Deliveries were 146. Non-Emergency Outpatient visits were 10,511. Emergency Room visits were 5,297. Total Government Sponsored Preliminary Payor Mix was 74.7%, against the budget of 73.6%. Total FTEs per Adjusted Occupied Bed were 5.58. For September, the Days Cash On Hand was 101 days. There was $463k in charity care adjustments in September 2026.

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EMPLOYEE OF THE MONTH

October Employee of the Month is Dyna Agbanlog, Staff Nurse II Weekend, 4West.

HOSPITAL CALENDAR

Past Health Promotions & Community Outreach Events:

- September 10: Stop the Bleed Training – YouthAlive! – Oakland
- September 10: Washington Health Podcast: Finding the Words: Life After Stroke – YouTube
- September 10: Stroke Awareness & Prevention Presentation – Acacia Creek, Union City
- September 13: Sociedade do Divino Espirito Santo (SDES) Portuguese Fraternal Group Community Wellness Festival – SDES Alvarado Hall, Union City
- September 16: Polly's Heart Health Fair – Ruggieri Senior Center, Union City
- September 18: Fremont Movies Under the Stars – Fremont Central Park
- September 19: Special Care Nursery Reunion – Anderson Auditorium, Washington West
- September 19: Newark Days Parade – Newark
- September 20: Newark Days Community Information Faire – Newark Community Center Park
- September 23: Vitalant Blood Mobile, Blood Drive – Washington West Parking Lot
- September 24: Washington Health Podcast: When Your Heart Skips a Beat, Not in a Good Way – YouTube
- September 25: UCFC Toddler to Career Fair – Barnard-White Middle School, Union City
- September 26: HERS Breast Cancer Foundation Run/Walk – Quarry Lakes, Fremont
- September 27: FCSN 5th Annual Disability Resource Fair – Fremont Downtown Event Center
- September 30: Fall Prevention Seminar – Age Well Center – Lake Elizabeth
- October 2: Fremont Movies Under the Stars – Fremont Central Park
- October 3: Our Lady of the Rosary Parish Festival – Our Lady of the Rosary Church, Union City
- October 3: Fremont Police Department Safety Fair – Fremont Police Department
- October 3: Science in the Park, hosted by County Supervisor Elisa Marquez – Cal State East Bay
- October 7: Washington Health Walk: Weight Management – Birch Grove Park, Newark
- October 7: Washington Health Podcast: I Found a Lump. Now What? – YouTube

Upcoming Health Promotions & Community Outreach Events:

- October 15: 18th Annual Think Pink – Washington West Grand Tent
- October 17: Dia de los Muertos Event – Magnolia Plaza, Newark

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- October 21: Fremont Age Well – Wellness Expo – Age Well Center, Lake Elizabeth
- October 22: WH Podcast: Sudden Cardiac Arrest – Take Control with CPR – YouTube
- October 23: City of Fremont Trick or Treat – Fremont Downtown Event Center
- October 24: 2026 Drive - Thru Flu Vaccination Event – Washington West Parking Lot
- October 24: Salaam Food Pantry – Islamic Center of Fremont
- October 24: New Haven Schools Foundation Mutt Strut – Masonic Homes, Union City
- October 29: Understanding Arthritis – Acacia Creek, Union City
- November 3: Breast Cancer Awareness – Country Club of Washington Township Women's Club – Newark
- November 4: Washington Health Walk: Diabetes Friendly Nutrition – Newark Community Center
- November 4: The Power of Gratitude to Strengthen the Mind & Body – Acacia Creek Retirement Community
- November 5: WH Podcast: Eat Well, Live Well: Diabetes Edition – YouTube

Kimberly Hartz, Chief Executive Officer, acknowledged the Foundation's 40th Annual Top Hat Gala was a huge success raising over $1M during in the Fund-a-Need from the community. Over 675 guests were in attendance, and enjoyed an evening in support of the ongoing growth of the Robotics Program at Washington Health. The event was co-chaired by Dr. Rajiv Saigal and Washington Health Foundation, Honorary Trustee, Rod Silveira. Kimberly stated it was a wonderful event and appreciated Fremont Bank's $500,000 contribution. The Foundation team is working on final gross revenue totals to share in next month's report. As it stands, we are tracking towards our goal of $2M.

Save the date for the 41st Anniversary Top Hat Gala for October 9, 2027.

The Foundation hosted its annual Founders & Friends Luncheon last month at Casa Bella Restaurant in Sunol. The event was attended by over 60 guests, including major donors, community members, and hospital leadership. Guests enjoyed an educational afternoon with Dr. Sandeep Kunwar, who spoke about his work in minimally invasive brain and spine surgery, and the impact philanthropy has on our community.

ACTION ITEMS

There were no Action Items.

ANNOUNCEMENTS

Kimberly Hartz, Chief Executive Officer, announced that Board of Director, Dr. Jacob Eapen, has informed the Board, that he will be traveling to India, to attend and speak at the 73rd Annual National Conference of the Indian Society of Anesthesiologists. While he is traveling, he will not be able to attend meetings in person and intends to attend via zoom when possible.

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ADJOURNMENT

There being no further business, Director Nicholson adjourned the meeting at 7:35 p.m.

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William Nicholson, MD	Michael Wallace
President	Secretary

DRAFT

CALL TO ORDER

A meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, October 19, 2026 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Nicholson called the meeting to order at 6:00 p.m. and led those present in the Pledge of Allegiance.

ROLL CALL

Roll call was taken: Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS

Absent: Jacob Eapen, MD; Michael Wallace

Staff Present: Kimberly Hartz, Chief Executive Officer; Tina Nunez, Senior Vice President & Chief Administrative Officer; Ajay Sial, Senior Vice President & Chief Financial Officer; Terri Hunter, Vice President & Chief Nursing Officer; Paul Kozachenko, Legal Counsel

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting.

Director Nicholson noted that Public Notice for this meeting, including Zoom information, was posted appropriately on our website. This meeting is being conducted in the Board Room and by Zoom.

COMMUNICATIONS: ORAL

There were no Oral Communications.

COMMUNICATIONS: WRITTEN

There were no Written Communications.

CONSENT CALENDAR

There were no items on the Consent Calendar.

ACTION ITEM

There were no Action Items.

ANNOUNCEMENTS

There were no Announcements.

ADJOURN TO CLOSED SESSION

Director Nicholson adjourned the meeting to closed session at 6:03 p.m., as the discussion pertained to reports regarding Conference Involving Trade Secrets pursuant to Health & Safety Code Section 32106 - Strategic Planning and Conference Involving Personnel Matters: Chief Executive Officer.

Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this meeting was being conducted in the Board Room and via Zoom, there is no way of knowing when the closed session will end. The public was informed they could contact the District Clerk for the Board's report beginning October 20, 2026. The minutes of this meeting will reflect any reportable actions.

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RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 7:39 p.m. He reported that there were no reportable actions taken during closed session.

ADJOURNMENT

There being no further business, Director Nicholson adjourned the meeting at 7:40 p.m.

_____ _____

William Nicholson, MD
President

Michael Wallace
Secretary

DRAFT

CALL TO ORDER

A meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, October 26, 2026 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Nicholson called the meeting to order at 7:30 a.m. and led those in attendance of the meeting in the Pledge of Allegiance.

ROLL CALL

Roll call was taken. Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS

Absent: Jacob Eapen, MD; Michael Wallace

Also present: Kimberly Hartz, Chief Executive Officer; Terri Hunter, Vice President & Chief Nursing Officer; Larry LaBossiere, Senior Vice President & Chief Operating Officer; Brian Smith, MD; Kristin Ferguson, Vice President & Chief Compliance and Risk Officer; Aaron Barry, MD; Jeanie Ahn, MD; John Romano, MD; Mark Saleh, MD; Rohit Arora, MD

COMMUNICATIONS: ORAL

There were no Oral communications.

COMMUNICATIONS: WRITTEN

There were no Written communications.

ADJOURN TO CLOSED SESSION

Director Nicholson adjourned the meeting to closed session at 7:32 a.m. as the discussion pertained to Medical Audit and Quality Assurance Matters pursuant to Health & Safety Code Section 32155.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:42 a.m. and reported no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, the meeting adjourned at 8:42 a.m.

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William Nicholson, MD
President

Michael Wallace
Secretary

CALL TO ORDER

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, October 28, 2026 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Nicholson called the meeting to order at 6:00 p.m. and led those present in the Pledge of Allegiance.

ROLL CALL

Roll call was taken: Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS

Absent: Jacob Eapen, MD; Michael Wallace

Also present: Kimberly Hartz, Chief Executive Officer; Tina Nunez, Senior Vice President & Chief Administrative Officer; Ajay Sial, Senior Vice President & Chief Financial Officer; Larry LaBossiere, Senior Vice President & Chief Operating Officer; Paul Kozachenko, Legal Counsel; Cheryl Renaud, Executive Assistant to the CEO & District Clerk; Shirley Ehrlich, Executive Assistant II

Zoom Attendees: Jessica Ulloa

OPENING REMARKS

Director Nicholson welcomed any members of the general public to the meeting.

Director Nicholson noted that Public Notice for this meeting, including Zoom information, was posted appropriately on our website. This meeting is being conducted in the Board Room and by Zoom.

COMMUNICATIONS: ORAL

The following persons commented: Jessica Ulloa

COMMUNICATIONS: WRITTEN

There were no Written Communications.

CONSENT CALENDAR

There were no items on the Consent Calendar.

ACTION ITEM: CONSIDERATION OF BOARD POLICY #A-019: DISRUPTION OF TELEPHONIC OR INTERNET SERVICE DURING PUBLIC MEETINGS

Kimberly Hartz, Chief Executive Officer, introduced Paul Kozachenko, Legal Counsel, who proposed that the District adopt a service-disruption policy at a noticed public meeting in open session, outside the consent calendar. The proposed policy implements that statutory framework of the California Government Code. The proposed policy establishes three principal procedures for qualifying disruption of a telephonic or internet service during an open meeting: a mandatory recess, a limitation on when the meeting may reconvene, and required findings by roll call vote if the Board reconvenes before remote public access has been restored.

Director Yee moved that the Board of Directors adopt the Board Policy # A-019: Disruption of Telephonic or Internet Service During Meetings. Director Stewart seconded the motion.

Roll call was taken:

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William Nicholson, MD – aye
Jeannie Yee – aye
Bernard Stewart, DDS – aye
Jacob Eapen, MD – absent
Michael Wallace – absent

Motion Approved.

ANNOUNCEMENTS

Kimberly Hartz, Chief Executive Officer, announced that at the previous Board Meeting, the Board heard from Doug Jones of SEIU during Oral Communications and received his letter requesting that the Board support Proposition 40, the Billionaire's Tax, on the November 3, 2026 ballot. Dr. Nicholson referred the request to Kimberly Hartz, Chief Executive Officer, for review in light of the District's longstanding practice of not endorsing statewide measures or other matters outside its jurisdiction.

Due to the timing of the request, there was insufficient time to complete the necessary review and bring the matter before the Board prior to the election. The request also raised the broader question of whether the Board wishes to reconsider its longstanding practice of not endorsing statewide ballot measures. The Board at this time expressed to Kimberly Hartz, Chief Executive Officer, that they did not wish to revisit this practice.

ADJOURN TO CLOSED SESSION

Director Nicholson adjourned the meeting to closed session at 6:10 p.m., as the discussion pertained to reports regarding Conference with Legal Counsel – Anticipated Litigation pursuant to Government Code Section 54956.9(d)(2), Medical Audit & Quality Assurance Matters pursuant to Health & Safety Code Section 32155, Conference Involving Trade Secrets pursuant to Health & Safety Code Section 32106 - Strategic Planning, and Conference with Labor Negotiators Pursuant to Government Code Section 54957.6; Agency designated representative(s): Kimberly Hartz, Chief Executive Officer.

Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this meeting was being conducted in the Board Room and via Zoom, there is no way of knowing when the closed session will end. The public was informed they could contact the District Clerk for the Board's report beginning October 29, 2026. The minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Nicholson reconvened the meeting to open session at 8:49 p.m. During closed session, the District Clerk reported that the Board of Directors approved the closed session minutes of September 21 & 23, 2026 and the Medical Staff Credentials Committee Report by unanimous vote of all directors present. Also, the Board of Directors authorized the Chief Executive Officer to sign the notice of

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return of late claim to Shannon Price, John Price & Sarah Price for Bradley Price (decedent) because it was not presented within six months after the event or occurrence as required by law.

ADJOURNMENT

There being no further business, Director Nicholson adjourned the meeting at 8:50 p.m.

_____ _____

William Nicholson, MD
President

Michael Wallace
Secretary

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Washington Township Health Care District

Annual Financial Report
June 30, 2026 and 2025

Washington Township Health Care District
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June 30, 2026 and 2025

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Report of Independent Auditors

To the Board of Directors of Washington Township Health Care District

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and fiduciary activities of the Washington Township Health Care District (the "District") as of and for the years ended June 30, 2026 and 2025, including the related notes, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and fiduciary activities of the District as of June 30, 2026 and 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with US GAAS, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 53 through 59 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

[PricewaterhouseCoopers LLP (signed)]

San Francisco, California
November XX, 2026

DRAFT

Overview of the Financial Statements

The annual financial report consists of Management's Discussion and Analysis, financial statements and notes to those statements and required supplementary information. These statements are organized to present the Washington Township Health Care District doing business as Washington Health (the District), the Washington Hospital Healthcare Foundation doing business as Washington Health Foundation (the Foundation), the Warm Springs Health Center (JV-Warm Springs), and the WHHS & UCSF Health Cancer Services Joint Venture, LLC (JV-Oncology) as discrete financial entities, operating as a financial whole. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's, Foundation's, JV-Warm Springs', and JV-Oncology's financial statements.

The District is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. Included within the District's boundaries are the cities of Fremont, Newark, Union City, southern portions of Hayward and an unincorporated area of the County known as Sunol. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO), which is reported as a blended component unit in the District's financial statements. DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public. The DEVCO Board is appointed by the District's Board. DEVCO currently operates an outpatient rehabilitation center and an urgent care clinic. In July 2010, DEVCO purchased a controlling interest in the Washington Outpatient Surgery Center, LLC (WOSC) and has blended its financial statements since this date.

Peninsula Surgery Center LLC (PSC) is a joint venture between DEVCO, WOSC and private physicians that was formed in 2022. DEVCO holds the majority interest in the operating entity, PSC, and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in DEVCO's financial statements.

DEVCO is the sole corporate member of Washington Township Medical Foundation doing business as Washington Health Medical Group (WHMG). WHMG was formed in 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WHMG is a blended component unit of DEVCO.

The accompanying financial statements include the accounts and transactions of the Hospital and DEVCO. All significant inter-company accounts and transactions have been eliminated in the financial statements.

The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. JV-Warm Springs was established to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District. JV-Oncology was established to provide radiation oncology services at the District and is the beginning phase of a larger ambulatory cancer services affiliation between the District and the University of California, San Francisco (UCSF) which is committed to providing the preeminent regional cancer program in the southeast Bay Area.

The statements of net position and the statements of revenues, expenses, and changes in net position provide an indication of the District's, the Foundation's, JV-Warm Springs', and JV-Oncology's financial health. The statements of net position include all of the District's, Foundation's, JV-Warm Springs' and

JV-Oncology's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, as well as an indication about which portions of net position can be utilized for general purposes and which are restricted as a result of bond covenants, donor restrictions or other purposes. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses and increases and decreases in net position during the time period indicated that resulted from the District's, the Foundation's, JV-Warm Springs', and JV-Oncology's operating and other nonoperating transactions during the year. For the District, the statements of cash flows report the cash provided by and used in operating activities, as well as other cash sources and uses such as investment income, repayment of bonds, and capital additions and improvements. Two of the primary statements, the statements of fiduciary net position and the statements of changes in fiduciary net position, present the financial position and operating activities for the District's pension and other post-employment medical benefits. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 103

Effective July 1, 2025, the District adopted GASB Statement No. 103, Financial Reporting Model Improvements. This Statement improves key components of the financial reporting model, including the presentation of proprietary fund financial statements and the classification of operating and nonoperating revenues and expenses. The Statement also establishes specific presentation and disclosure requirements for subsidies received or provided by proprietary funds. The adoption of this Statement did not have a material impact on the District's consolidated financial statements.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 104

Effective July 1, 2025, the District adopted GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement establishes disclosure requirements for certain capital assets, including assets held for sale and certain capital assets that are not being depreciated. The District updated its disclosures to comply with the requirements of GASB Statement No. 104. The resulting disclosure updates were not material to the District's Consolidated financial statements.

Financial Highlights

- The District experienced continued growth in patient volumes during fiscal year 2026, contributing to a 9.1 percent ($63.5 million) increase in net patient service revenue compared with fiscal year 2025. This follows a 9.8 percent ($61.9 million) increase in fiscal year 2025 compared with fiscal year 2024. The sustained growth reflects increasing community demand for the District's services and continued expansion of its service lines.

- Improved volumes and revenue growth contributed to stronger operating performance in fiscal year 2026. The operating loss decreased to $21.8 million in fiscal year 2026, an improvement of 29 percent ($9.0 million), from the $30.8 million operating loss reported in fiscal year 2025. The District reported an operating loss of $29.5 million in fiscal year 2024.

- Operating results continued to be affected by the District's high proportion of government-sponsored payers and ongoing cost pressures related to salaries, employee benefits, and supplies. Labor costs remain particularly impacted by the competitive regional labor market and the area's high cost of living. Supply costs also increased due to higher patient volumes and inflation-related price increases.

- After including nonoperating revenues and expenses, the District reported a decrease in net position of $11.3 million in fiscal year 2026, compared with decreases of $9.6 million in fiscal year 2025 and $14.8 million in fiscal year 2024.

- The District continues to pursue strategic and operational initiatives focused on sustaining patient volume and revenue growth, achieving cost efficiencies, improving operating performance, and strengthening its long-term financial position.

- In November 2025, District voters approved Measure B, a 12-year parcel tax estimated to generate approximately $13.0 million annually to support emergency and trauma care, cardiac and stroke services, cancer care, medical equipment and technology, health care workforce recruitment and retention, and other health care services. The District expects to receive its first parcel tax remittance in January 2027.

Analysis of the District's Net Position

- Total assets and deferred outflows of resources were approximately $1.25 billion for all June 30, 2026, 2025, and 2024. In fiscal year 2026, reductions in long-term investments and restricted bonds used to support operations and ongoing capital expenditures were largely offset by increases in net capital assets as construction progressed. Fiscal year 2025 reflected higher revenues, improved collections, and favorable financial market returns.

- Total liabilities decreased by $32.6 million to $952.4 million at June 30, 2026, compared to a larger increase of $13.7 million to $984.9 million at June 30, 2025. The fiscal year 2026 decrease was primarily driven by a $35.3 million reduction in the pension liability resulting largely from favorable investment performance of pension plan assets. Favorable pension-related changes also contributed to higher deferred inflows of resources, which totaled $66.5 million, $28.7 million and $27.9 million for fiscal years 2026, 2025 and 2024, respectively. The fiscal year 2025 increase in liabilities was primarily attributable to higher current liabilities associated with increased patient volumes, expanded services, and related growth in operating activity.

- Total net position was $228.7 million at June 30, 2026, representing a decrease of $11.3 million from the $240.0 million reported at June 30, 2025. This follows a $9.6 million decrease in fiscal year 2025, from $249.6 million at June 30, 2024. The consecutive decreases in net position were primarily driven by continued operating losses, partially offset by other nonoperating revenues and other sources of financial support.

Table 1 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30:

(in thousands)	2026	2025	2024
Assets			
Current assets	$ 253,699	$ 212,337	$ 195,937
Long-term investments and restricted funds	296,559	378,523	371,885
Capital assets, net	637,562	594,993	599,235
Other assets	40,063	49,272	43,367
Total assets	1,227,883	1,235,125	1,210,424
Deferred outflows of resources	19,708	18,489	38,355
Total assets and deferred outflows of resources	$ 1,247,591	$ 1,253,614	$ 1,248,779
Liabilities and Net Position			
Current liabilities	$ 184,725	$ 172,945	$ 150,919
Net pension liability	15,115	50,459	52,379
Net postemployment medical benefits (OPEB)	50,834	46,109	41,143
Long-term lease and SBITA liabilities	18,758	19,881	18,523
Long-term debt	674,498	686,910	699,969
Other long-term liabilities	8,465	8,645	8,288
Total liabilities	952,395	984,949	971,221
Deferred inflows of resources	66,517	28,694	27,946
Net position			
Net investment in capital assets	30,549	34,045	47,060
Restricted − expendable	34,865	34,759	34,531
Restricted for minority interest	3,181	2,269	1,527
Unrestricted	160,084	168,898	166,494
Total net position	228,679	239,971	249,612
Total liabilities, net position and deferred inflows of resources	$ 1,247,591	$ 1,253,614	$ 1,248,779

Table 2 provides a summary of total available cash and investments as of June 30:

(in thousands)	2026	2025	2024
Cash and cash equivalents and short-term investments	$ 93,346	$ 75,877	$ 66,073
Board-designated funds for capital and debt	170,841 [1]	181,651 [1]	180,886 [1]
Workers' compensation fund	50	9,855	9,332
Unexpended capital bond funds, excluding amounts required for current liabilities	125,668	186,970	181,622
Restricted funds	-	47	45
Total available cash and investments	$ 389,905	$ 454,400	$ 437,958

[1] Amount includes funds held on behalf of the Foundation.

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Net Capital Assets

Net capital assets increased by $42.6 million to $637.6 million at June 30, 2026, compared to $595.0 million at June 30, 2025, and $599.2 million at June 30, 2024. The increase in fiscal year 2026 was primarily attributable to capital additions on Morris Hyman Critical Care Pavilion. The decrease in fiscal year 2025 was due to the increase of accumulated depreciation that outpaced net capital additions. Net capital additions amounted to $79.1 million in fiscal year 2026 and $34.2 million in fiscal year 2025, while increases in accumulated depreciation amounted to $51.2 million and $48.9 million in fiscal years 2026

and 2025, respectively. Capital additions during these periods primarily consisted of purchases of equipment, ongoing construction projects, and building and land improvements.

Debt Administration

In January 2026, the District entered into a revolving line of credit agreement with Fremont Bank with a maximum borrowing capacity of $20.0 million. The line of credit provides the District with an additional source of liquidity for working capital and other general operating purposes. As of June 30, 2026, there were no outstanding borrowings under the revolving line of credit.

In its report issued June 15, 2026, Moody's affirmed the District's Baa3 rating with a stable outlook on its outstanding revenue bonds.

Subsequent to fiscal year-end, the Hospital issued $180.3 million of general obligation bonds in September 2026. A portion of the proceeds was used to refund certain outstanding general obligation bonds, while $55.0 million represented new-money proceeds to finance eligible capital projects of the District. As the bonds were issued subsequent to fiscal year-end, the transaction is not reflected in the District's outstanding debt as of June 30, 2026.

Analysis of the District's Results of Operations

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30:

(in thousands)	**2026**	**2025**	**2024**
Operating revenues			
Net patient service revenues	$ 759,478	$ 696,025	$ 634,120
Other	24,575	23,375	18,391
Total operating revenues	784,053	719,400	652,511
Operating expenses			
Salaries and wages	347,896	321,926	297,224
Employee benefits	115,784	112,350	98,223
Supplies	112,974	98,015	89,719
Professional fees	105,797	96,963	88,350
Purchased services	53,827	54,647	45,803
Depreciation	48,545	46,650	45,144
Insurance	4,016	3,751	4,002
Other operating expenses	17,063	15,875	13,559
Total operating expenses	805,902	750,177	682,024
Operating loss	(21,849)	(30,777)	(29,513)
Other nonoperating revenues and expenses			
Interest expense, net	(23,909)	(21,573)	(21,376)
Property tax revenue	24,546	25,507	16,626
Other nonoperating revenues and expenses, net	9,920	17,202	19,494
Total other nonoperating revenues	10,557	21,136	14,744
Decrease in net position	(11,292)	(9,641)	(14,769)
Net position			
Beginning of year	239,971	249,612	264,381
End of year	$ 228,679	$ 239,971	$ 249,612

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors accounted for approximately 72.5 percent, 72.3 percent, and 71.8 percent of the District's gross revenues in fiscal years 2026, 2025, and 2024, respectively. Commercial preferred provider organization (PPOs) and health maintenance organizations (HMOs) together comprised approximately 24.8 percent, 26.1 percent, and 26.4 percent of gross revenues in fiscal years 2026, 2025, and 2024, respectively, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased $63.5 million (9.1 percent) to $759.5 million in fiscal year 2026, and $61.9 million (9.8 percent) to $696.0 million in fiscal year 2025. The continued growth in net patient service revenue reflects higher patient volumes and service utilization, reimbursement improvements, and the impact of strategic revenue initiatives implemented throughout the fiscal year. Despite this growth, the District's high concentration of government-sponsored payers continues to place pressure on operating results, as reimbursement under these programs is generally lower than reimbursement from commercial payers.

In June 2022, after an extensive year-long evaluation of Alameda County's existing trauma system, the Health Emergency Medical Services Agency designated Washington Health as the county's new Level II Trauma Center, the first new designation awarded since 1987. Since receiving this designation, the District has undertaken a coordinated, systemwide effort to develop and build the trauma program, culminating in the official opening of the Trauma Center on July 1, 2024. The Trauma Center has contributed to increased patient volumes and expanded the District's capacity to provide emergency and trauma services to residents of the District and the surrounding community.

Inpatient Business Activity

The District's gross inpatient revenue increased by $131.2 million (8.2 percent) to $1.7 billion in fiscal year 2026, compared to $1.6 billion in fiscal years 2025 and $1.4 billion in fiscal years 2024.

Table 4 presents the patient days for each year and the percentage changes:

	2026 Days	2025 Days	% Change 2026 v 2025	2024 Days	% Change 2025 v 2024
Specialty					
Medical/surgical	54,772	50,273	8.9%	45,886	9.6%
Critical care	6,420	6,337	1.3%	5,640	12.4%
Special care nursery	1,092	1,277	-14.5%	1,265	0.9%
Pediatrics	-	48	-100.0%	263	-81.7%
Obstetrics	4,363	4,600	-5.2%	4,080	12.7%
Subtotal adult and pediatric patient days	66,647	62,535	6.6%	57,134	9.5%
Newborn	3,043	3,099	-1.8%	2,877	7.7%
Total patient days	69,690	65,634	6.2%	60,011	9.4%

Admissions increased by 1,657 (13.6 percent) to 13,806 in fiscal year 2026, compared to 12,149 in fiscal year 2025, and 10,459 in fiscal year 2024. Similarly, inpatient surgeries increased to 3,417 in fiscal year 2026, compared to 3,030 in fiscal year 2025, and to 2,450 in fiscal year 2024.

The average length of stay decreased to 4.96 days in fiscal year 2026, compared to 5.22 days in fiscal year 2025, and 5.38 in fiscal year 2024. The overall case mix index, which measures patient acuity, increased to 1.630 in fiscal year 2026, compared to 1.627 in fiscal year 2025 and 1.593 in fiscal year 2024. The reduction in average length of stay reflects on-going operational improvement initiatives aimed

at reducing excess days by ensuring patients are transitioned appropriately through the system and receive care at the most suitable level.

Outpatient Business Activity

The District's gross outpatient revenue increased by $28.4 million (2.2 percent) to $1.33 billion in fiscal year 2026, compared to $1.30 billion in fiscal year 2025, and $1.22 billion in fiscal year 2024. This growth was primarily driven by an overall increase in outpatient volumes, as well as the implementation of various operational initiatives aimed at enhancing the quality of care delivered to patients and ensuring they receive the appropriate level of care.

Emergency room visits decreased by 1,037 (-1.6 percent) to 62,223 in fiscal year 2026, compared to 63,260 in fiscal year 2025, and 60,723 in fiscal year 2024.

Non-Emergency Outpatient visits increased to 116,150 in fiscal year 2026, compared to 107,403 in fiscal year 2025, and 103,069 in fiscal year 2024.

Outpatient surgeries performed at the Hospital decreased by 63 (-1.9 percent) to 3,211 compared to 3,274 in fiscal year 2025 and 3,215 in fiscal year 2024.

Visits at WHMG increased 5,325 (2.4 percent) to 223,361 in fiscal year 2026, compared to 218,036 in fiscal year 2025, and 213,565 in fiscal year 2024. WHMG's telehealth visit platform provided over 16,200 telehealth visits in fiscal year 2026, over 16,000 telehealth visits in fiscal year 2025, and over 19,000 telehealth visits in fiscal year 2024. The decreasing trend in telehealth visits is due to more competition from other virtual care providers.

Deductions from Revenue

Overall deductions from revenue, expressed as a percentage of gross revenues, were 75.0 percent, 75.9 percent, and 75.5 percent for fiscal years 2026, 2025, and 2024, respectively. The current year rate slightly improved compared to the prior two years, as the District continues to implement revenue improvement initiatives focused on streamlining billing processes, reducing claim denials and enhancing collections. The favorable impact from these initiatives was offset by a growing proportion of government payors and lower average payment rates from commercial payors.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $6.3 million, $3.0 million, and $2.7 million in foregone charges related to charity care for patient services during fiscal years 2026, 2025, and 2024, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased to $82.7 million in fiscal year 2026 from $48.0 million in fiscal year 2025 and $48.2 million in fiscal year 2024.

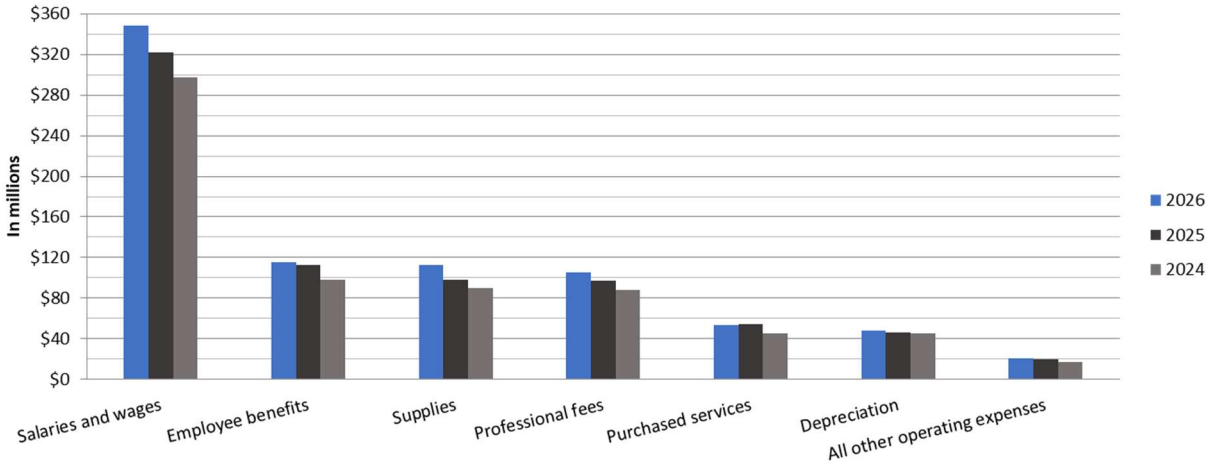
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was estimated at $85.2 million in 2026, $88.0 million in 2025, and $75.0 million in 2024. Uncompensated services with an estimated total cost of $189.8 million in fiscal year 2026, $175.8 million in fiscal year 2025, and $168.0 million in fiscal year 2024 were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.70 percent in fiscal year 2026, 1.65 percent in fiscal year 2025, and 1.66 percent in fiscal year 2024.

Operating Expenses

Total operating expenses were $805.9 million, $750.2 million, and $682.0 million for fiscal years 2026, 2025, and 2024, respectively, the components of which are summarized in the graph below:



Total operating expenses increased by $55.7 million (7.4 percent) from fiscal year 2025 to fiscal year 2026. The primary driver of this increase was higher spending on salaries and wages, which reflects the District's ongoing investments in workforce growth and retention. The second-largest increase was in employee benefits, which is consistent with overall compensation trends. By comparison, total operating expenses increased by $68.2 million (10.0 percent), from fiscal year 2024 to fiscal year 2025, also primarily due to increases in salaries and wages, followed by employee benefits.

Salaries and Benefits

- Salaries and wages increased by $26.0 million (8.1 percent) in fiscal year 2026 and by $24.7 million (8.3 percent) in fiscal year 2025. As of June 30, 2026, approximately 66.51 percent of the District's employees were represented by collective bargaining groups. Represented employees receive periodic pay increases in accordance with the various Memoranda of Understanding (MOUs) approved by the District's Board of Directors.

  The increase in salaries and wages in fiscal year 2026 was driven by negotiated wage rate increases under the MOUs, compensation adjustments for non-represented employees, and higher staffing costs associated with the increased patient volumes and service activity. Continued competition for health care professionals in the regional labor market also contributed to higher labor costs and overtime utilization during the year.

- District-wide full-time equivalent employees (FTEs) were 2,096, 2,058, and 1,971 FTEs at June 30, 2026, 2025, and 2024, respectively.

- Employee benefits increased by $3.4 million (3.1 percent) in fiscal year 2026, increased by $14.1 million (14.4 percent) in fiscal year 2025, and decreased by $3.6 million (3.5 percent) in fiscal year

2024. The largest component of the increase in 2026 was attributable to continued growth in healthcare benefit costs, while the increases in 2025 and 2024 were primarily driven by higher pension expense and healthcare benefit costs.

Other Operating Expenses

- The increases in professional services and supplies expenses in fiscal years 2026, 2025 and 2024 are related to the increase in volumes and inflationary pressures that have generally driven up the costs of supplies and services.

- Depreciation expense increased by $1.9 million (4.1 percent), increased by $1.5 million (3.3 percent), and decreased by $7.3 million (13.8%) in fiscal years 2026, 2025 and 2024, respectively.

- The change in other operating expenses was not significant.

Net Other Nonoperating Revenues and Expenses

Net other nonoperating revenues decreased by $10.6 million in fiscal year 2026 and increased by $6.4 million in fiscal year 2025. The most significant change in other nonoperating activity was unfavorable market returns in fiscal year 2026 resulting in a $5.7 million decrease in investment income and fair value of investments, compared to $11.7 million investment gains in fiscal year 2025.

Economic Factors Expected to Affect the District's 2027 Operations

The District's Board of Directors approved the fiscal year 2027 operating budget at its June 2026 meeting. The operating budget was developed after a thorough analysis of both internal and external factors, including patient volume trends, reimbursement levels, labor and supply costs, inflation, financial market conditions, and evolving health care regulatory environment. The fiscal year 2027 budget reflects the District's continued focus on strategic growth and operational improvement initiatives intended to enhance financial performance and support long-term financial stability.

Downward pressures on reimbursement are expected to continue in fiscal year 2027, particularly given the District's significant concentration of government-sponsored payers. Projected net patient service revenues incorporate anticipated changes in reimbursement from government programs, commercial health plans, and other third-party payors based on information available when the budget was developed. Changes in federal or State health care policy, reimbursement methodologies, or broader economic conditions could affect the District's actual results relative to these assumptions.

The fiscal year 2027 budget anticipates increases in both operating revenues and expenditures compared to fiscal year 2026. Expense growth is expected to be primarily driven by salaries and employee benefits, purchased and professional services, and supplies. Staffing levels are also expected to increase in support of expanded services and anticipated patient volumes. In addition, continued investments in technology and operational improvements are expected to increase software and related technology costs.

In November 2025, District voters approved Measure B, a 12-year parcel tax estimated to generate approximately $13.0 million annually. Revenue from Measure B is expected to provide an additional source of funding beginning in fiscal year 2027 to support health care services to the community and other purposes authorized under the measure. The fiscal year 2027 budget incorporates the anticipated financial impact of Measure B based on information available at the time the budget was developed.

The District continues to pursue initiatives intended to improve operating performance and support its long-term financial position. These efforts include cost-saving and operational improvement initiatives, as well as strategic investments in key service areas such as cancer care, level II adult trauma, urgent care, Warm Springs Health Center and Morris Hyman Critical Care Pavilion.

Washington Township Health Care District
Statements of Net Position
June 30, 2026 and 2025

(in thousands)	District		Foundation		JV-Warm Springs		JV-Oncology	
	2026	2025	2026	2025	2026	2025	2026	2025
Assets								
Current assets								
Cash and cash equivalents	$ 58,481	$ 41,118	$ 643	$ 15,050	$ 2,916	$ 3,226	$ 2,706	$ 793
Short-term investments	34,865	34,759	8,319	109	-	-	-	-
Short-term investments held by District on behalf of Foundation	-	-	4,732	1,066	-	-	-	-
Patient accounts receivable, less allowance for estimated uncollectibles of $29,967 and $27,184 for the District, and $3,497 and $3,307 for the JV-Oncology in 2026 and 2025, respectively	98,938	98,186	-	-	-	-	1,235	1,596
Contributions receivable, net	-	-	596	297	-	-	-	-
Supplies	8,853	7,285	-	-	-	-	-	-
Other receivables	45,355	23,900	-	-	-	-	8,050	23,311
Prepaid expenses and other	7,207	7,089	74	15	-	-	636	607
Total current assets	253,699	212,337	14,364	16,538	2,916	3,226	12,627	26,307
Long-term investments and restricted funds								
Board-designated funds for capital, debt and workers' compensation	170,891	191,506	-	-	-	-	-	-
Held by trustee	125,668	186,970	-	-	-	-	-	-
Restricted funds	-	47	-	-	-	-	-	-
Capital assets, net	637,562	594,993	-	-	24,392	24,579	4,840	5,701
Other assets								
Contributions receivable, net	-	-	346	1,528	-	-	-	-
Other noncurrent assets	40,063	49,272	-	-	-	-	-	-
Total assets	1,227,883	1,235,125	14,710	18,066	27,308	27,805	17,467	32,008
Deferred outflows of resources								
Deferred outflows of resources − Goodwill	13	14	-	-	-	-	-	-
Deferred outflows of resources − Postemployment medical benefits (OPEB)	10,015	8,003	-	-	-	-	-	-
Deferred outflows of resources − Pension	9,680	10,472	-	-	-	-	-	-
Total deferred outflows	19,708	18,489	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 1,247,591	$ 1,253,614	$ 14,710	$ 18,066	$ 27,308	$ 27,805	$ 17,467	$ 32,008

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Net Position
June 30, 2026 and 2025

(in thousands)	District		Foundation		JV-Warm Springs		JV-Oncology	
	2026	2025	2026	2025	2026	2025	2026	2025
Liabilities and Net Position								
Current liabilities								
Current portion of long-term debt	$ 11,252	$ 10,764	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued expenses	56,710	43,666	-	-	231	146	3,764	7,730
Due to Foundation	4,775	1,078	-	-	-	-	-	-
Due to third party payors and unearned revenue	6,968	6,096	-	-	-	-	-	-
Accrued liabilities								
Payroll related	17,278	17,220	-	-	-	-	-	-
Vacation	24,513	22,515	-	-	-	-	-	-
Health benefits	6,978	4,782	-	-	-	-	-	-
Interest	13,656	13,866	-	-	-	-	37	43
Other	42,595	52,958	-	-	-	-	296	273
Total current liabilities	184,725	172,945	-	-	231	146	4,097	8,046
Long-term liabilities								
Workers' compensation claims	8,465	8,645	-	-	-	-	-	-
Net postemployment medical benefits (OPEB)	50,834	46,109	-	-	-	-	-	-
Long-term lease and SBITA liabilities	18,758	19,881	-	-	-	-	1,951	2,241
Net Pension Liability	15,115	50,459	-	-	-	-	-	-
Long-term debt, revenue bonds and other, net of current maturities	210,476	220,733	-	-	-	-	-	-
Long-term debt, general obligation bonds, net of current maturities	464,022	466,177	-	-	-	-	-	-
Total long-term liabilities	767,670	812,004	-	-	-	-	1,951	2,241
Total liabilities	952,395	984,949	-	-	231	146	6,048	10,287
Deferred inflows of resources								
Deferred inflows of resources − Postemployment medical benefits (OPEB)	5,890	4,439	-	-	-	-	-	-
Deferred inflows of resources − Pension	40,457	170	-	-	-	-	-	-
Deferred inflows of resources − Lease obligations	20,170	24,085	-	-	-	-	-	-
Total deferred inflows	66,517	28,694	-	-	-	-	-	-
Net position								
Net investment in capital assets	30,549	34,045	-	-	12,440	12,535	2,556	3,144
Restricted − expendable	34,865	34,759	4,560	3,799	-	-	-	-
Restricted for minority interest − nonexpendable	3,181	2,269	-	-	13,268	13,553	5,593	10,641
Unrestricted	160,084	168,898	10,150	14,266	1,369	1,571	3,270	7,936
Total net position	228,679	239,971	14,710	18,066	27,077	27,659	11,419	21,721
Total liabilities, deferred inflows of resources and net position	$ 1,247,591	$ 1,253,614	$ 14,710	$ 18,066	$ 27,308	$ 27,805	$ 17,467	$ 32,008

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2026 and 2025

(in thousands)	District		Foundation		JV-Warm Springs		JV - Oncology	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Operating revenues								
Net patient service revenues	$ 759,478	$ 696,025	$ -	$ -	$ -	$ -	$ 7,667	$ 10,782
Other	24,575	23,375	-	-	-	-	-	-
Contributions	-	-	2,662	7,718	-	-	-	-
Contributed services	-	-	993	951	-	-	-	-
Total operating revenues	784,053	719,400	3,655	8,669	-	-	7,667	10,782
Operating expenses								
Salaries and wages	347,896	321,926	-	-	-	-	-	-
Employee benefits	115,784	112,350	-	-	-	-	-	-
Supplies	112,974	98,015	-	-	-	-	-	4
Professional services	105,797	96,963	-	-	-	-	151	118
Purchased services	53,827	54,647	-	-	205	217	4,011	4,057
Depreciation	48,545	46,650	-	-	226	-	923	934
Insurance	4,016	3,751	-	-	72	76	40	41
Donations	-	-	6,494	5,713	-	-	-	-
Other operating expenses	17,063	15,875	1,431	1,463	79	54	201	147
Total operating expenses	805,902	750,177	7,925	7,176	582	347	5,326	5,301
Operating (loss) income	(21,849)	(30,777)	(4,270)	1,493	(582)	(347)	2,341	5,480
Noncapital Subsidies								
Members' distribution	-	-	-	-	-	-	(12,549)	-
Total noncapital subsidies	-	-	-	-	-	-	(12,549)	-
Operating (loss) income and noncapital subsidies	(21,849)	(30,777)	(4,270)	1,493	(582)	(347)	(10,208)	5,480
Other nonoperating revenues and expenses								
Investment income and change in fair value of investments	5,962	11,697	914	595	-	-	-	-
Interest expense, net	(23,909)	(21,573)	-	-	-	-	(94)	(102)
Property tax revenue	24,546	25,507	-	-	-	-	-	-
Minority interest − Distributions to	(2,195)	(2,238)	-	-	-	-	-	-
Contributions used for capital expenditures	5,648	4,649	-	-	-	-	-	-
Other nonoperating income	505	3,094	-	-	-	-	-	-
Total other nonoperating revenues and (expenses), net	10,557	21,136	914	595	-	-	(94)	(102)
(Decrease) increase in net position	(11,292)	(9,641)	(3,356)	2,088	(582)	(347)	(10,302)	5,378
Net position								
Beginning of year	239,971	249,612	18,066	15,978	27,659	28,006	21,721	16,343
End of year	$ 228,679	$ 239,971	$ 14,710	$ 18,066	$ 27,077	$ 27,659	$ 11,419	$ 21,721

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

(in thousands)	District 2026	District 2025
Cash flows from operating activities		
Cash received from patient service activities	$ 758,726	$ 688,776
Other cash receipts	24,575	23,375
Cash payments to suppliers	(304,878)	(256,786)
Cash payments to employees and employee benefit programs	(453,443)	(408,208)
Net cash provided by operating activities	24,980	47,157
Cash flows from noncapital financing activities		
Donation from Foundation to District	290	593
Net assets distributed to minority shareholders in WOSC, LLC	(2,195)	(2,238)
Federal grant receipts	47	264
Net cash used in noncapital financing activities	(1,858)	(1,381)
Cash flows from capital and related financing activities		
Purchases of capital assets	(79,103)	(34,228)
Rental receipts	4,379	4,424
Donation from Foundation to District	5,648	4,649
Principal paid on debt, lease and SBITA	(17,697)	(17,788)
Interest paid on debt	(32,357)	(32,762)
Proceeds from property taxes levied by the County	26,435	27,043
Net cash used in capital and related financing activities	(92,695)	(48,662)
Cash flows from investing activities		
Purchases of investments	(182,701)	(150,593)
Sales of investments	262,046	153,244
Investment income	7,428	7,573
Other nonoperating income	163	2,238
Net cash provided by investing activities	86,936	12,462
Net increase in cash and cash equivalents	17,363	9,576
Cash and cash equivalents		
Beginning of year	41,118	31,542
End of year	$ 58,481	$ 41,118
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (21,849)	$ (30,777)
Adjustments to reconcile operating loss to net cash		
Loss on disposal of fixed asset	347	38
Depreciation and amortization	51,182	48,937
Provision for doubtful accounts	51,847	47,844
Amortization of goodwill	1	673
Pension funding	(5,000)	-
Postemployment medical benefits (OPEB) funding	(2,793)	(2,790)
Net change in deferred outflows and inflows	13,777	25,777
Changes in assets and liabilities		
Accounts receivable	(52,599)	(55,093)
Supplies, prepaid expenses, and other current assets	(10,118)	(2,266)
Other assets	11,048	(11,093)
Due to Foundation	3,697	48
Due from/to third party payors	(16,793)	(781)
Accounts payable and accrued expenses	1,802	(5,225)
Payroll, vacation, and health accrued liabilities	4,252	2,408
Other liabilities	(6,961)	29,457
Net cash provided by operating activities	$ 21,840	$ 47,157
Noncash transactions		
Change in accounts payable and accrued expenses for purchases of capital assets	$ 11,247	$ (930)
Change in fair value of investments	(1,391)	4,108
Capital assets acquired through leases	2,757	5,218
Capital assets acquired through SBITA's	4,660	4,825

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2025 and 2024[1]

(in thousands)	Pension and OPEB Trust Funds 2025	2024
Assets		
Cash and cash equivalents	$ 5,226	$ 4,287
Investments at fair value		
Mutual funds		
Fixed income funds	146,515	137,765
Domestic equity funds	190,919	170,166
International equity funds	107,818	86,328
Balanced real asset funds	91,763	83,948
Commodity funds	1,779	1,594
Real estate funds	574	1,588
Infrastructure funds	2,986	518
Total investments	542,354	481,907
Total assets	$ 547,580	$ 486,194
Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	$ -	$ -
Total liabilities	-	-
Net position		
Restricted for		
Pensions	512,202	455,876
OPEB	35,378	30,318
Total liabilities and net position	$ 547,580	$ 486,194

1 Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2025 and 2024[1]

(in thousands)	Pension and OPEB Trust Funds Years ended 2025	2024
Additions		
Contributions		
Members	$ 3,735	$ 3,111
Employers	-	2,125
Total contributions	3,735	5,236
Investment earnings		
Net increase in fair value of investments	81,103	47,817
Interest, dividends, and other	3,674	910
Total investment income	84,777	48,727
Less: Investment costs:		
Investment activity (credit) costs	(3,356)	(1,078)
Net investment income	88,133	49,805
Total additions	91,868	55,041
Deductions		
Benefits paid to participants or beneficiaries	27,306	25,919
Administrative expense	216	258
Other disbursements	2,959	1,101
Total deductions	30,481	27,278
Net increase in fiduciary net position	61,387	27,763
Net position		
Beginning	486,194	458,431
Ending	$ 547,581	$ 486,194

1 Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

District

Washington Township Health Care District doing business as Washington Health (the District) is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency (Local Agency). It is exempt from federal and state income taxes. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portions of the city of Hayward and the unincorporated area known as Sunol.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public. The DEVCO Board is appointed by the District's Board. DEVCO operates an outpatient rehabilitation center and an urgent care clinic. In July 2010, DEVCO purchased a controlling interest in the Washington Outpatient Surgery Center, LLC (WOSC) and has blended its financial statements since this date.

Peninsula Surgery Center LLC (PSC) is a joint venture between DEVCO, WOSC and private physicians that was formed in 2022. DEVCO holds the majority interest in the operating entity, PSC, and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are blended component units of DEVCO.

DEVCO is the sole corporate member of its blended component unit, Washington Township Medical Foundation doing business as Washington Health Medical Group (WHMG). WHMG was formed in November 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WHMG is a blended component unit of DEVCO.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO, WOSC, PSC, PSP and WHMG. All significant inter-company accounts and transactions have been eliminated in the financial statements.

Foundation

Washington Hospital Healthcare Foundation (the Foundation), founded in 1982, is a California non-profit corporation. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Accordingly, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation at 2000 Mowry Avenue, Fremont, CA 94538.

JV-Warm Springs and JV-Oncology

Warm Springs Health Center Partnership, LLC (JV-Warm Springs) was established in October 2021 and is a California limited liability corporation for federal and state tax purposes. JV-Warm Springs is a joint venture between the District and the University of California, San Francisco (UCSF). This joint venture was established to handle the management, design and construction of the building that these two entities own through a Tenants In Common Agreement, and to provide a combination of

primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District.

WHHS & UCSF Health Cancer Services Joint Venture, LLC (JV-Oncology) was established in February 2023 to jointly provide radiation oncology services at the Hospital. The radiation oncology joint venture is the beginning phase of a larger ambulatory cancer services affiliation between the District and UCSF. Through the evolution of this joint venture in cancer care, the District and UCSF are committed to providing the preeminent regional cancer program in the southeast Bay Area.

The District's holding of a majority equity interest in JV-Warm Springs and JV-Oncology does not meet the definition of an investment and the holding of the majority equity interest results in the District being financially accountable for the organizations. JV-Warm Springs and JV-Oncology do not meet the criteria for blending, and therefore are discretely presented component units in the District's financial statements.

Accounting Standards

District

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The District follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

Foundation

As a non-profit organization, the Foundation reports under the Financial Accounting Standards Board (FASB) standards, including generally accepted accounting principles for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. For purposes of the District's financial statements, the Foundation's financial statements have been conformed to GASB presentation.

JV-Warm Springs and JV-Oncology

As the District's and UCSF's officials appoint a controlling majority of the members of the JV-Warm Springs and JV-Oncology's governing body, these two organizations are considered governmental. As such, JV-Warm Springs' and JV-Oncology's financial statements are reported under GASB requirements.

Fiduciary Component Units

The District administers a pension plan and an OPEB plan through trust arrangements. The District is obligated to make contributions to the plans, and, as such, the plans meet the criteria for being considered fiduciary component units of the District.

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 amounts of revenues and expenses during the reporting period. The District's most significant estimates relate to patient accounts receivable allowances, amounts due to third-party payors, self-insurance liabilities and employee benefit costs. Estimates related to employee benefit costs include actuarial estimates of pension and OPEB obligations.

Proprietary Fund Accounting
The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and financial statements are prepared using the economic resources measurement focus.

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid debt instruments with an original maturity of three months or less. Cash equivalents held in short-term investments and long-term investments and restricted funds are treated as investments and are not included in cash and cash equivalents on the Statement of Cash Flows.

Due to the District's status as a local agency under California law, amounts held in the District's deposit accounts are considered public funds and are subject to the collateral requirements of the California Local Agency Security Law. Depository institutions holding public funds are required to pledge eligible securities as collateral for such deposits in amounts established by State statute. The market value of pledged collateral, together with Federal Deposit Insurance Corporation (FDIC) insurance coverage and other eligible forms of collateral, equals or exceeds the carrying value of the District's deposits.

Collateral is maintained by an independent third-party custodian in accordance with California law and is pledged on an aggregate basis for all public agency deposits subject to the collateralization requirements of the Local Agency Security Law. The pledged collateral portfolio consists predominantly of governmental fixed-income securities, with a limited portion represented by other eligible forms of collateral authorized under California law.

Inventories
Inventories, which consist primarily of hospital operating supplies and pharmaceuticals, are stated at the lower of cost or market value determined using the first-in, first-out method.

Long-Term Investments and Restricted Funds
Long-term investments and restricted funds are invested in corporate debt securities, United States Treasury bonds and government agency debt issues. These investments are measured at fair value, which is determined based upon quoted market prices. These investments are exposed to various risks, such as interest rate, market and credit risks. Investments set aside for future capital improvements, or for funding insurance are considered to be Board-designated funds. These and other investments, whose use has been limited by financial arrangements, are classified as long- or short-term investment funds. Investments whose use by the District has been limited by Foundation donors to a specific time period or purpose are classified as restricted funds.

Capital Assets
Capital assets are recorded at cost. District assets with an original cost of $2,500 or more are considered capital assets. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method.

Depreciable lives by property classification are as follows:

Land improvements	2–25 years
Buildings	10–40 years
Right-to-use lease and subscription-based IT arrangement assets	5–17 years
Fixed and moveable equipment	3–20 years

Deferred Inflows and Outflows of Resources
In addition to assets, liabilities and net position, the statements of net position include separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow represents a consumption or use of net position, applicable to a future period that will not be recognized as an outflow (expense) until that future period. Conversely, a deferred inflow represents an acquisition of net position, applicable to a future period that will not be recognized as an inflow (revenue) until that future period. The District has deferred outflows of resources related to goodwill, and both deferred inflows and deferred outflows of resources related to pension and other postemployment medical benefits (OPEB) both of which are described further under Note 9, Employee Benefit Plans. The District also records deferred inflows related to lessor arrangements.

Net Position
Net position is composed of the following categories:

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation and amortization reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable
Net position, whose use is subject to externally-imposed restrictions that can be fulfilled by actions of the District, pursuant to those restrictions, or that expire by the passage of time.

Restricted for Minority Interest - Nonexpendable
The District is involved in several joint ventures with outside entities in which it maintains majority ownership interest. The minority interest in these joint ventures includes:

(in thousands)	2026	2025
Washington Outpatient Surgery Center	$ 2,152	$ 1,555
Peninsula Surgical Partnership and Peninsula Surgery Center	$ 1,029	$ 714
Restricted for minority interest − nonexpendable	$ 3,181	$ 2,269

Unrestricted
Net position that is neither restricted nor included in net investment in capital assets. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

When an expense is incurred where both restricted and unrestricted net positions are available for use, the restricted net position is applied first.

Risk Management
The District 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; employee health, dental, and accident claims; and medical malpractice. The District utilizes both commercial insurance and self-insurance for claims arising from such matters. The District is self-insured with excess insurance above specified retention amounts for workers' compensation claims, health, vision and dental claims. The District has commercial insurance coverage for professional and general liability, directors' and officers' liability, and property damage claims.

Self-Insurance Plans
The District is self-insured for workers' compensation benefits for employees, up to a specified retention amount. An actuarial estimate of future claims payments, up to the retention amount, is accrued as a long-term liability. This estimate is based on expected, undiscounted payments. Assets have historically been set aside for future payments of workers' compensation benefits, related expenses, and the costs of administering the plan. These assets have historically been classified as long-term investment funds in the accompanying financial statements. At June 30, 2025, the District had approximately $9.9 million of assets set aside for workers' compensation benefits. During fiscal year 2026, the amount set aside was reduced to approximately $50,000, as management determined that there is no regulatory requirement to maintain a significant dedicated asset balance and the District has not experienced significant claims activity. The approximate $50,000 amount is intended to be used only for administrative costs, as opposed to workers' compensation benefits, and any remaining balance will be returned to the District as unrestricted funds after three years.

The District provides eligible employees with health, vision and dental benefits through self-insured programs administered by Health Comp, OptumRx, Vision Service Plan and Delta Dental, respectively. The accrued liabilities for claims arising from these programs are estimated based upon annual actuarial reviews and are recorded at the expected, undiscounted amounts.

The District is a member of and participates in a professional and general liability and also directors' and officers' liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

The District's BETA professional and general liability insured program is on a "claims-made" basis, with a deductible and $40.0 million limits. The District converted coverage for these liabilities from occurrence-based to claims-made on July 1, 2004. The District records actuarially determined liabilities related to this coverage for 1) deductible amounts for currently open claims, 2) tail liability (based on claims associated with occurrences subsequent to July 1, 2004), and 3) unreported claims from occurrences prior to July 1, 2004 (subject to the deductible limit). The accrued liabilities are recorded at the expected, undiscounted amounts.

Concentration of Credit Risk
District
Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash equivalents and patient accounts receivable.

The District invests its cash and cash equivalents in highly rated financial instruments including insured deposits and the Local Agency Investment Fund (LAIF). All of the District's investments, including assets held by trustees, are collateralized and/or are held by the District, or its agent, in the District's name. Other than U.S. Treasury obligations, LAIF funds, and money market mutual funds, there is no significant concentration in one investment or group of similar investments.

The District's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the District's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Medicare (25.2 percent), Medicare HMO (21.9 percent) and Medi-Cal HMO (14.4 percent) are the only payors representing more than ten percent of the

District's net patient accounts receivable as of June 30, 2026. The District maintains an allowance for doubtful accounts based on the expected collectability of patient accounts receivable.

Statements of Revenues, Expenses, and Changes in Net Position
For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions, which include federal grant revenues, property tax revenues, interest expense, investment income, changes in unrealized gains and losses, rental income, bond issuance costs, minority interest distribution, non-capital subsidy transfers, and contributions used for capital expenditures, are reported as other nonoperating revenues and expenses.

Net Patient Service Revenues
Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Reimbursement from third-party payors under various methodologies is based on the level of care provided. 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. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, decreased net patient service revenues by approximately $1.2 million in fiscal year 2026 and approximately $6.2 million in fiscal year 2025.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change.

Charity Care
The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenues. The District subsidizes the cost of treating patients who are on governmental assistance, where reimbursement is below cost. The District recorded $6.3 million and $3.0 million in foregone charges related to charity care for patient services during fiscal years 2026 and 2025, respectively.

Other Revenues
Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Quality Incentive Pool (QIP) program. Amounts recorded for the QIP program were $7.1 million and $7.0 million in fiscal year 2026 and fiscal year 2025, respectively.

Interest Income and Expense
Interest expense on debt issued for construction projects and income earned on the funds held pending use are recognized in the period they are incurred or earned.

Impairment of Long-Lived Assets
The District is required to evaluate material events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no material impairment losses in fiscal years 2026 and 2025.

Income Taxes
District
The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state

or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

DEVCO, WHMG and Foundation
DEVCO, WHMG and the Foundation are California non-profit corporations and are therefore exempt from federal and state income tax as 501(c) (3) organizations.

PSP, PSC, WOSC, JV-Warm Springs and JV-Oncology
These entities are all California limited liability corporations and are subject to state tax but are treated as pass-through entities for federal income tax purposes.

Property Tax Revenue
The District receives property taxes that are assessed by Alameda County for the service of the general obligation bond principal and interest payments. The District records these revenues as other nonoperating revenues.

Contributions used for Capital Items
Donations received that are restricted as to use, and have been used, for the purchase of capital items are reported as other nonoperating revenues.

New Accounting Pronouncements
In December 2025, the GASB issued Statement No. 105, Subsequent Events. This Statement establishes updated accounting and financial reporting requirements for subsequent events, including clarification of the subsequent events evaluation period and the distinction between recognized and nonrecognized subsequent events. The Statement also establishes specific disclosure requirements for certain nonrecognized subsequent events and requires disclosure of the date through which subsequent events have been evaluated.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter, with earlier application encouraged. The District will adopt the Statement in fiscal year 2027 and is currently evaluating the impact of its adoption on the District's financial statements and related disclosures.

Accounting Pronouncements Adopted
Effective July 1, 2025, the District adopted GASB Statement No. 103, Financial Reporting Model Improvements. This Statement improves key components of the financial reporting model, including management's discussion and analysis (MD&A), the presentation of proprietary fund financial statements, and the classification of operating and nonoperating revenues and expenses. The Statement also establishes specific presentation and disclosure requirements for subsidies received and provided. The District evaluated the requirements and appropriately implemented GASB Statement No. 103 for FY2026, incorporating the applicable financial reporting and disclosure requirements. The District also evaluated the existing MD&A and concluded that no substantive changes were necessary to comply with the Statement.

Effective July 1, 2025, the District also adopted GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement establishes disclosure requirements for certain capital assets to be presented by major class. The District evaluated the requirements of the Statement and determined that its adoption did not have a material effect on the District's consolidated financial statements.

2. Patient Revenues

Patient revenues consist of the following:

(in thousands)	2026	2025
Gross patient charges		
Routine inpatient services	$ 546,752	$ 521,547
Ancillary inpatient services	1,187,026	1,080,982
Outpatient services	1,329,206	1,300,845
	3,062,984	2,903,374
Less: Charity care	(6,329)	(2,989)
Gross patient service revenues	3,056,655	2,900,385
Deductions from gross patient service revenues		
Contractual allowances for statutory and negotiated rates	2,245,329	2,156,516
Provision for doubtful accounts	51,848	47,844
	2,297,177	2,204,360
Net patient service revenues	$ 759,478	$ 696,025

The District has agreements with third-party payors that provide for payments to the District at amounts that differ from established rates. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District also receives Medicare Disproportionate Share (DSH) reimbursements for services provided to a disproportionate percentage of low-income patients. The Medicare program pays hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the District is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory are paid based upon prospectively determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been finalized for all fiscal years through June 30, 2020. Inpatient services provided to Medi-Cal program beneficiaries are reimbursed under an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. Outpatient services provided to Medi-Cal beneficiaries are reimbursed according to a state fee schedule.

The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The methods for payment under these agreements include prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates. The District receives reimbursement from various payors under the State of California Division of Workers' Compensation program, based upon a pre-determined fee schedule.

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances, which represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in estimated reserves for uncollectible accounts are recorded as an adjustment to the provision for bad debts.

There is ongoing uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates that, if finalized, could result in decreases in Medicare reimbursements for hospitals and providers. Similarly, the State of California's proposed budget includes healthcare-related spending cuts that may affect reimbursements for Medi-Cal services. It also includes potential delays or reductions in Medi-Cal program expansions and provider rate increases, further contributing to the financial uncertainty facing the District. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The District participates in several State and Federal supplemental payment programs that allow it and other governmental agencies to draw down unspent Medi-Cal funds, up to the Federal upper payment limit. The primary mechanism used for drawing down these funds is intergovernmental transfers, whereby Districts transfer funds to the State, who then transmits the funds to the Federal government to draw down the Federal matching funds.

The District recognizes supplemental revenues in the applicable program period when the applicable recognition criteria have been met and the amounts expected to be realized can be reasonably estimated. The estimated amounts recognized are based on available program information, historical payment experience, payment methodologies, and other relevant information available as of the financial statement date. These estimates are subject to change as additional information becomes available and final program payments or settlements are determined.

In fiscal years 2026 and 2025, the District recognized $45.6 million and $33.2 million, respectively, in supplemental funding obtained through these programs, including the following:

(in thousands)	**2026**	**2025**
Hospital Quality Assurance Fee	$ 3	$ 6,629
District Hospital Directed Payment	22,500	-
Rate Range	15,191	17,178
Public Hospital Redesign and Incentives in Medi-Cal Program	7,059	7,013
AB915 Public Hospital Outpatient Services Supplemental Reimbursement Program	577	1,000
AB113 Medi-Cal Fee-for-Service Payment Supplement	266	1,400
Total State and Federal Supplemental Payments	$ 45,596	$ 33,220

The composition of gross patient revenues by major payor type is as follows:

(in thousands)	2026	2025
Medicare and Medicare HMO	$ 1,629,515	$ 1,485,957
Medi-Cal and Medi-Cal HMO	591,116	612,196
Commercial PPO, HMO and others	759,607	757,210
Private pay	82,746	48,011
Total gross patient revenues	$ 3,062,984	$ 2,903,374

3. Related-Party Transactions

One of the District board members is an officer of the District's primary banking institution. As of June 30, 2026 and June 30, 2025, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents $58.5 million and $41.1 million, Board-designated for capital and workers' compensation $154.9 million and $160.1 million.

4. Fair Value

The fair value of certain assets has been estimated using available market information and appropriate valuation methodologies. A fair market value hierarchy for valuation inputs has been established to prioritize them into levels based on the extent to which inputs used in measuring fair value are observable in the market. The level assigned to a particular financial instrument is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are as follows:

Level 1 — Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities.

Level 2 — Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 — Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Types of investments which are measured at NAV include hedge funds, private equity investments and commingled funds.

Not Leveled — Cash and cash equivalents include cash on hand, deposits in banks, certificates of deposit and money market funds without underlying securities. Due to their short-term nature, the carrying amounts of these assets are considered to approximate their fair value. Certain deposits exceed FDIC limits.

The fair value of the District's investment assets, measured at June 30, 2026, is reflected in the following table:

(in thousands)	Level 1	Level 2	Not Leveled	Balance at June 30, 2026
District				
U.S. Treasuries	$ -	$ 82,767	$ -	$ 82,767
U.S. Agencies	-	13,590	-	13,590
Corporate and municipal bonds	-	57,379	-	57,379
Local Agency Investment Fund (LAIF)	-	-	15,978 [1]	15,978
Money market and mutual funds	161,710	-	-	161,710
Total Investments - District	$ 161,710	$ 153,736	$ 15,978	$ 331,424

[1] Amount includes funds held on behalf of the Foundation.

The fair value of the District's investment assets, measured at June 30, 2025, is reflected in the following table:

(in thousands)	Level 1	Level 2	Not Leveled	Balance at June 30, 2025
District				
U.S. Treasuries	$ -	$ 88,670	$ -	$ 88,670
U.S. Agencies	-	12,433	-	12,433
Corporate and municipal bonds	-	55,895	-	55,895
Local Agency Investment Fund (LAIF)	-	-	31,403 [1]	31,403
Money market and mutual funds	224,881	-	-	224,881
Total Investments - District	$ 224,881	$ 156,998	$ 31,403	$ 413,282

[1] Amount includes funds held on behalf of the Foundation.

Significant Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

Fixed income funds consist of government securities and corporate bonds. Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach.

Investments that are not leveled include the State of California Local Agency Investment Fund that consists of funds designated for operations and for Board-designated purposes which are highly liquid and for which there are no unfunded commitments. Excluding invested amounts related to bond proceeds, amounts may be withdrawn with 1 to 2 days' notice, depending on the amount. For bond proceeds invested in the commingled funds, withdrawals are subject to a delay of up to 30 days, depending on the timing of the request.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument therefore, changes in assumptions could significantly affect these estimates.

Since the fair value has been estimated as of June 30, 2026 and as of June 30, 2025, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be different.

5. Long-Term Investment and Restricted Funds

District
Investment and restricted funds, at fair value, have been set aside as follows as of June 30:

(in thousands)	2026	2025
Long-term investment and restricted funds		
Board-designated for capital and debt	$ 170,841	$ 181,651
Workers' compensation fund	50	9,855
Funds held by trustee under bond indenture	160,533	221,729
Restricted funds	-	47
Total funds	331,424	413,282
Short-term investments – required for current liabilities	(34,865)	(34,759)
Total long-term investment and restricted funds	$ 296,559	$ 378,523

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy, for assets that are Board-designated for capital, limits investments made by each investment manager to have an average maturity of not more than five years, except for US Treasury obligations and US government agency securities, both of which can have a maximum average maturity of ten years.

The District's investment policy permits the following investments:

	Maximum Average Maturity	Maximum Percentage	Maximum Investment
Authorized investment type			
U.S. Treasury obligations	10 years	100%	none
U.S. Government agency securities	10 years	100%	none
State of California or local agency obligations	5 years	100%	none
Corporate bonds	5 years	30%	none
Certificates of deposit	5 years	30%	none
Mortgage pass-throughs	5 years	20%	none
Commercial paper	270 days	40%	10%
Bankers acceptances	180 days	40%	30%
Repurchase agreements	1 year	100%	none
Mutual funds and money market mutual funds	N/A	20%	none
LAIF (State Pool Demand Deposits)	N/A	As permitted by law	As permitted by law

As of June 30, 2026, the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 82,767	$ 2,391	$ 80,376	$ -	$ -
U.S. Government agencies	13,590	1,523	4,948	1,252	5,867
Corporate and municipal bonds	57,379	891	54,510	1,978	-
LAIF (State Pool Demand Deposits)	15,978	15,978	-	-	-
Money market and mutual funds	161,710	161,710	-	-	-
Total investments	$ 331,424	$ 182,493	$ 139,834	$ 3,230	$ 5,867

As of June 30, 2025, the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 88,670	$ 649	$ 85,643	$ 2,378	$ -
U.S. Government agencies	12,433	1,581	5,890	1,640	3,322
Corporate and municipal bonds	55,895	3,302	51,953	640	-
LAIF (State Pool Demand Deposits)	31,403	31,403	-	-	-
Money market and mutual funds	224,880	224,679	201	-	-
Total investments	$ 413,282	$ 261,614	$ 143,687	$ 4,658	$ 3,322

Amounts invested in the State of California Local Agency Investment Fund include funds designated for operations and for Board-designated purposes.

Credit Risk

The District's investment policies are governed by State statutes that require the District to invest in highly rated and secure cash equivalents, and government and corporate debt securities. The District's policy requires that investments in corporate bonds be rated "A-" or its equivalent or better by a nationally recognized rating service under the "prudent man rule" (Civil Code Sect. 2261 et seq.) as long as the investment is deemed prudent and the type of investment is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). Should the rating fall below the required rating, the District's policies provide for a period under which corrective action is to be taken. As of June 30, 2026 and 2025, there were no investments below the required rating.

The District's investments at June 30 are rated as follows:

(in thousands)	Fair Value at June 30 2026	Fair Value at June 30 2025	Ratings
Investment type			
U.S. Treasuries	$ 82,767	$ 88,670	AAA
U.S. Government agencies	13,590	12,433	AAA
Corporate & municipal bonds	57,379	55,895	See below
Local agency investment fund	15,978	31,403	Not rated
Money market and mutual funds	161,710	224,881	Not rated
Total Investments	$ 331,424	$ 413,282	
Corporate & municipal bonds rating			
AAA	$ 11,656	$ 9,973	
AA+	2,405	576	
AA	3,033	3,534	
AA-	2,494	7,225	
A+	8,320	13,143	
A	13,163	10,485	
A-	14,119	8,422	
BBB	1,807	1,677	
Not rated	382	860	
Total corporate & municipal bonds	$ 57,379	$ 55,895	

6. Capital Assets

The District's capital assets activity for fiscal year 2026 consisted of the following:

(in thousands)	Beginning Balance June 30, 2025	Increase	Decrease	Ending Balance June 30, 2026
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	51,011	76,162	(23,729)	103,444
Total capital assets not being depreciated	78,627	76,162	(23,729)	131,060
Capital assets being depreciated				
Land improvements	16,287	-	-	16,287
Buildings	791,715	24,798	-	816,513
Lease assets:				
Building & office lease	15,889	1,637	(956)	16,570
Medical euqipment	17,555	1,120	(1,996)	16,679
Subscription assets	9,173	4,660	(1,490)	12,343
Fixed and moveable equipment	419,335	12,667	(7,313)	424,689
Total capital assets being depreciated	1,269,954	44,882	(11,755)	1,303,081
Less: Accumulated depreciation				
Land improvements	(13,156)	(625)	-	(13,781)
Buildings	(366,152)	(27,639)	-	(393,791)
Lease assets:				
Building & office lease	(7,246)	(2,903)	1,256	(8,893)
Medical euqipment	(5,787)	(3,083)	1,986	(6,884)
Subscription assets	(3,986)	(2,784)	1,521	(5,249)
Fixed and movable equipment	(357,261)	(14,574)	3,854	(367,981)
Total accumulated depreciation	(753,588)	(51,608)	8,617	(796,579)
Total capital assets being depreciated, net	516,366	(6,726)	(3,138)	506,502
Total capital assets, net	$ 594,993	$ 69,436	$ (26,867)	$ 637,562

The District's capital assets activity for fiscal year 2025 consisted of the following:

(in thousands)	Beginning Balance June 30, 2024	Increase	Decrease	Ending Balance June 30, 2025
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	30,942	25,950	(5,881)	51,011
Total capital assets not being depreciated	58,558	25,950	(5,881)	78,627
Capital assets being depreciated				
Land improvements	16,287	-	-	16,287
Buildings	787,529	4,186	-	791,715
Lease assets:				
Building & office lease	16,826	-	(937)	15,889
Medical euqipment	12,237	6,154	(836)	17,555
Subscription assets	4,517	4,824	(168)	9,173
Fixed and moveable equipment	410,219	10,553	(1,437)	419,335
Total capital assets being depreciated	1,247,615	25,717	(3,378)	1,269,954
Less: Accumulated depreciation				
Land improvements	(12,524)	(632)	-	(13,156)
Buildings	(339,735)	(26,417)	-	(366,152)
Lease assets:				
Building & office lease	(5,508)	(1,738)	-	(7,246)
Medical euqipment	(3,299)	(3,071)	583	(5,787)
Subscription assets	(1,945)	(2,209)	168	(3,986)
Fixed and movable equipment	(343,928)	(14,596)	1,263	(357,261)
Total accumulated depreciation	(706,939)	(48,663)	2,014	(753,588)
Total capital assets being depreciated, net	540,676	(22,946)	(1,364)	516,366
Total capital assets, net	$ 599,235	$ 3,004	$ (7,245)	$ 594,993

At June 30, 2026, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $19.1 million.

The increase in the District's accumulated depreciation includes both operating and other nonoperating depreciation as detailed below:

(in thousands)	2026	2025
Change in accumulated depreciation		
Operating depreciation expense	$ 48,545	$ 46,650
Nonoperating depreciation expense	2,637	2,287
Disposal/Adjustment of fixed assets	(8,192)	(2,013)
Total increase in accumulated depreciation	$ 42,990	$ 46,924

7. Credit Facilities

The District maintains an Irrevocable Standby Letter of Credit (LOC) related to Phase II of its Facility Master Plan construction project that was completed in 2018. The letter of credit had an available amount of $1.25 million as of June 30, 2026, and $1.5 million as of June 30, 2025. No amounts had been drawn under the LOC as of June 30, 2026.

In January 2026, the District entered into a revolving line of credit agreement with Fremont Bank with a maximum borrowing capacity of $20.0 million. The revolving line of credit provides the

District with an additional source of liquidity for working capital and other general operating purposes. As of June 30, 2026, the District had no outstanding borrowings under the revolving line of credit.

8. Long-Term Debt

The District directly finances the construction, renovation and acquisition of facilities and equipment, or such other purposes as authorized by the Board of Directors through the issuance of debt obligations. Long-term financing includes revenue and government bonds, financial obligations and other borrowings.

In November 2020, voters within the District approved Measure XX, which authorized the issuance of $425 million of general obligation bonds to fund certain capital building projects. In April 2022, the District issued $20.0 million of the 2020 Election General Obligation Bonds (2022 Series A), followed by an additional $125.0 million of 2023 Election General Obligation Bonds (2023 Series B) in September 2023. The proceeds from these issuances were used to finance a portion of the capital projects authorized under Measure XX. As of June 30, 2026, $280 million of the November 2020 bond authorization remains unissued.

In September 2026, the District issued $180.3 million of general obligation bonds (2026 Series A). A portion of the proceeds was used to refund certain outstanding general obligation bonds, while $55.0 million represented new money proceeds to finance eligible capital projects of the District.

The District is required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2026 and 2025. The Hospital is the sole member of the obligated group, as part of the obligations under the bond indentures for the 2015A, 2017A, 2017B, 2019A, 2020A and 2023A Series Revenue Bonds.

WOSC is party to several multi-year lease agreements for surgical equipment. Amounts related to these obligations are included in current maturities of long-term debt and long-term debt, as appropriate.

In November 2020, PSC entered into a business loan agreement (Loan) to finance construction of a surgery center in Redwood City, California. The Loan was guaranteed by PSP and the District, and had an original principal amount of $9.4 million and an original maturity date of December 1, 2031. The Loan was subsequently amended to extend the maturity date to December Statements1, 2036.

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2026 is as follows:

(in thousands)	Beginning Balance June 30, 2025	Additions	Amortization /Other	Principal Repayments	Ending Balance June 30, 2026	Due Within One Year
Bonds payable						
General Obligation Bonds	460,825	-	-	(1,530)	459,295	1,610
Revenue Bonds	218,590	-	-	(8,350)	210,240	8,755
Bonds premiums, net	11,824	-	(1,589)	-	10,235	-
Total Bonds payable	691,239	-	(1,589)	(9,880)	679,770	10,365
Notes payable						
WOSC 2020 Loans,						
principal and interest (at 5.25% to 6.75%) payable annually	438	399	-	(75)	762	85
Total WOSC 2020 Loans Payable	438	399	-	(75)	762	85
PSC 2021 Loan,						
principal and interest (at 4.25%) payable monthly	5,998	-	-	(780)	5,218	802
Total PSC 2021 Loan Payable	5,998	-	-	(780)	5,218	802
Lease & Software Subscription Obligations						
Lease & software obligations						
principal and interest (at 4.25%) payable monthly	26,183	7,266	-	(8,549)	24,900	6,142
Total lease obligations	26,183	7,266	-	(8,549)	24,900	6,142
Total long-term debt payable	$ 723,858	$ 7,665	$ (1,589)	$ (19,284)	$ 710,650	$ 17,394

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2025 is as follows:

(in thousands)	Beginning Balance June 30, 2024	Additions	Amortization /Other	Principal Repayments	Ending Balance June 30, 2025	Due Within One Year
Bonds payable						
General Obligation Bonds	462,295	-	-	(1,470)	460,825	1,530
Revenue Bonds	226,545	-	-	(7,955)	218,590	8,350
Bonds premiums, net	13,639	-	(1,815)	-	11,824	-
Total Bonds payable	702,479	-	(1,815)	(9,425)	691,239	9,880
Notes payable						
WOSC 2020 Loans,						
principal and interest (at 5.25% to 6.75%) payable annually	485	-	-	(47)	438	52
Total WOSC 2020 Loans Payable	485	-	-	(47)	438	52
PSC 2021 Loan,						
principal and interest (at 4.25%) payable monthly	7,338		-	(1,340)	5,998	832
Total PSC 2021 Loan Payable	7,338	-	-	(1,340)	5,998	832
Lease & Software Subscription Obligations						
Lease & software obligations						
principal and interest (at 4.25%) payable monthly	23,397	9,712	48	(6,974)	26,183	6,302
Total lease obligations	23,397	9,712	48	(6,974)	26,183	6,302
Total long-term debt payable	$ 733,700	$ 9,712	$ (1,767)	$ (17,786)	$ 723,858	$ 17,066

A summary of the District's revenue bonds and general obligation bonds issuance information is as follows:

(in thousands)	Original Issue Amount	Maturity Date	Effective Interest Rate 2026	Effective Interest Rate 2025
Bond issue				
2023B General Obligation Bonds	$ 125,000	8/1/2053	4.70%	4.81%
2023A Revenue Bonds	40,000	7/1/2053	5.44%	5.44%
2022A General Obligation Bonds	20,000	8/1/2051	3.84%	3.83%
2020A Revenue Refunding Bonds	40,865	7/1/2038	2.50%	2.42%
2019A Revenue Refunding Bonds	49,445	7/1/2048	3.25%	3.18%
2019A General Obligation Refunding Bonds	11,110	8/1/2039	3.06%	3.04%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.85%	3.81%
2017A Revenue Bonds	37,655	7/1/2047	4.15%	4.12%
2016 General Obligation Refunding Bonds	30,725	8/1/2036	2.69%	2.61%
2015A Revenue Bonds	30,290	7/1/2029	3.08%	3.70%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	5.02%	5.02%
2013A General Obligation Bonds	40,500	8/1/2043	5.02%	5.02%

The long-term debt payment requirements as of June 30, excluding unamortized discounts, premiums on bonds payable, leases and SBITAs are as follows:

(in thousands)	Private Long-Term Debt Principal	Private Long-Term Debt Interest	Public Long-Term Debt Principal	Public Long-Term Debt Interest	Total Long-Term Debt Principal	Total Long-Term Debt Interest
June 30,						
2027	8,755	9,350	1,610	21,026	10,365	30,376
2028	9,195	8,912	2,065	20,945	11,260	29,857
2029	9,605	8,499	2,980	20,865	12,585	29,364
2030	9,985	8,113	3,945	20,783	13,930	28,896
2031	10,800	7,649	5,070	20,632	15,870	28,281
2032 - 2036	61,575	30,648	46,490	99,044	108,065	129,692
2037 - 2041	44,435	18,553	103,800	83,975	148,235	102,528
2042 - 2046	22,490	12,439	190,190	51,864	212,680	64,303
2047 - 2051	23,200	6,447	53,745	20,721	76,945	27,168
2052 - 2056	10,200	1,173	49,400	5,072	59,600	6,245
Total long-term debt, excluding Total	$ 210,240	$ 111,783	$ 459,295	$ 364,927	$ 669,535	$ 476,710

9. Employee Benefit Plans

Defined Benefit Retirement Plan

The Board of Directors of the District administers a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan. The annual benefit is also subject to the maximum wage limitation on FICA tax for Social Security. There is no cost-of-living adjustment made to monthly retirement benefits.

Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed 20

years of service, or an employee who attains age 60 with 30 years of service, is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

The Board of Directors of the District is responsible for the fiduciary oversight of the Plan's investments, including approval and periodic review of investment policies. Management of the Plan's assets is delegated to an external investment advisory group authorized by the Board, which administers the portfolio in accordance with the established policies.

Under GASB Statement No. 68, the benefit discount rate is equal to the expected long-term (30-year) return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

The Plan's investment pool includes the Equity class, the Fixed Income class, and the Diversifier class. The Equity class investment portfolio may include both domestic and foreign stocks. The Fixed Income class investment portfolio may include bonds and cash equivalents instruments. The Diversifier class investment portfolio may include Public credit, Private credit, and Real Assets.

Tha Plan Target Allocation (shown as percentage)

Asset Class	Long-term Target		Range	
Equity Class	55	%	50-60	%
Core Fixed Income Class	12		9-20	
Diversifier Class	33		25-38	
Public Credit	10		7-20	
Private Credit	8		0-15	
Real Assets	15		10-20	

The money-weighted rate of return reflects the impact of the timing and amount of contributions and withdrawals during the reporting period, weighting investment performance by the proportion of time assets are available to earn a return. For the Plan, the annual money-weighted rates of return, net of investment expenses, were 18.1 percent and 10.9 percent for the fiscal years ended June 30, 2026 and 2025, respectively.

The District has flexibility in determining the amount to contribute to the Plan each year. In determining the amount of the annual contribution, the District considers the calculated actuarially determined contribution. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB Statement No. 68. In addition to the District's contributions, under the terms of the California Public Employees' Pension Reform Act (PEPRA), which became effective in January 1, 2013, new employees are required to contribute to the normal cost of their pension benefits. The projected amounts of these employee contributions have been considered in determining the actuarially determined contribution amounts.

Participant data for the Plan, as of the measurement date (December 31 of the prior year) for the indicated fiscal years, is shown in the table below:

	2026	2025
Active and suspended	1,758	1,695
Vested terminated	756	749
Retirees and beneficiaries	1,110	1,061
Total participants	3,624	3,505

Components of pension cost for years ended June 30, were as follows:

(in thousands)	2026	2025
Pension cost		
Service cost	$ 13,109	$ 11,600
Employee contributions	(3,735)	(3,111)
Interest	34,443	32,895
Expected return on plan assets	(31,094)	(29,440)
Administrative expenses	183	248
Effect of plan changes	-	920
Recognition of deferred amounts	(2,171)	3,650
Total pension cost	$ 10,735	$ 16,762

Components of deferred outflows and inflows of resources for the year ended June 30, 2026 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 4,677	$ -
Change of assumptions	3	(1,036)
Net differences between projected and actual earnings	-	(39,421)
Contributions made subsequent to measurement date	5,000	-
Total	$ 9,680	$ (40,457)

Components of deferred outflows and inflows of resources for the year ended June 30, 2025 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 4,703	$ (140)
Change of assumptions	190	(30)
Net differences between projected and actual earnings	5,579	-
Contributions made subsequent to measurement date	-	-
Total	$ 10,472	$ (170)

Amounts reported as deferred outflows and inflows of resources – pension will be recognized in pension expense as indicated in the following table:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2027	23,072	(19,076)	3,996
2028	1,223	(19,076)	(17,853)
2029	1,119	(13,369)	(12,250)
2030 and thereafter	351	(10,021)	(9,670)
Total deferred outflows and (inflows) of resources - pension	$ 25,765	$ (61,542)	$ (35,777)

The following table summarizes the changes in net pension liability for the years ended June 30:

(in thousands)	2026	2025
Total pension liability		
Service cost	$ 13,109	$ 11,601
Interest	34,443	32,895
Change of benefit terms	-	920
Change in assumptions	(1,306)	3
Difference between expected and actual experience	2,043	3,594
Benefit payments	(27,306)	(25,919)
Net change in total pension liability	20,983	23,093
Total pension liability (beginning of year)	506,335	483,241
Total pension liability (end of year)	527,318	506,335
Plan fiduciary net position		
Employer contributions	-	2,125
Employee contributions	3,735	3,111
Net investment income	80,081	45,944
Benefit payments	(27,306)	(25,919)
Administrative expense	(183)	(248)
Net change in fiduciary net position	56,327	25,013
Fiduciary net position (beginning of year)	455,876	430,862
Fiduciary net position (end of year)	512,203	455,876
Net pension liability (end of year)	$ 15,115	$ 50,459
Fiduciary net position as percent of liability	97.1%	90.0%
Covered payroll	$ 256,719	$ 245,187
Net pension liability as percent of covered payroll	5.9%	20.6%

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2026 and June 30, 2025 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00 %
Discount rate	7.00 %
Demographic assumptions	
Mortality table for healthy and disabled participants	Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis

Sensitivity of net pension liability at December 31, 2025 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$ 79,383,818
Current discount rate (7.0%)	15,115,259
1 percent increase (8.0%)	(38,708,009)
Sensitivity of net pension liability at December 31, 2024 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$ 111,910,876
Current discount rate (7.0%)	50,459,230
1 percent increase (8.0%)	(1,087,722)

The fair value of the District's pension investments measured as of December 31, 2025, and used for the purpose of the June 30, 2026 valuation, is reflected in the following table:

(in thousands)	**Level 1**	**Balance at Valuation Date**
Money market funds	$ 3,360	$ 3,360
Fixed income funds	136,582	136,582
Domestic equity funds	179,381	179,381
International equity funds	101,116	101,116
Balanced real asset funds	91,763	91,763
Total pension assets	$ 512,202	$ 512,202

The fair value of the District's pension investments measured as of December 31, 2024, and used for the purpose of the June 30, 2025 valuation, is reflected in the following table:

(in thousands)	Level 1	Balance at Valuation Date
Money market funds	$ 2,935	$ 2,935
Fixed income funds	128,521	128,521
Domestic equity funds	159,392	159,392
International equity funds	81,080	81,080
Balanced real asset funds	83,948	83,948
Total pension assets	$ 455,876	$ 455,876

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 4.

The District also has a Deferred Compensation Plan available to employees. Generally, any employee is eligible to voluntarily enter into an agreement with the District to defer current wages at amounts limited by federal law. Effective January 1, 2010, under the terms of the Washington Township Health Care District Employer Matching Contributions Plan (the Matching Plan), the District makes contributions to this plan, matching participant contributions to the Deferred Compensation Plan to a maximum of 1.5 percent of gross earnings for employees with a minimum of 1,000 hours in a benefitted status. Under the Deferred Compensation Plan and the Matching Plan agreements, participants select and manage their own investments in mutual fund options approved by the District. All investment earnings, including market value appreciation and depreciation, are set aside for the benefit of the participants.

Matching contributions made by the District were as follows:

(in thousands)

Contribution Year	Amount	Employee Deductions Being Matched
Fiscal Year 2027	$ 2,938	Calendar year 2025
Fiscal Year 2026	$ 2,798	Calendar year 2024

Defined Benefit Postemployment Medical Plan
Other postemployment benefits are provided by the District through a single employer defined benefit postemployment medical plan, the Washington Township Health Care District Postretirement Medical Plan (the OPEB Plan). The OPEB Plan provides benefits for salaried and non-salaried employees, as approved and/or amended by the Board of Directors of the District, and is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

Eligible retirees who are less than age 65, with at least fifteen years of service, are eligible for coverage under the Blue Shield Retiree Medical Plan, with the District providing premium subsidies ranging from 35 percent (with 15 years of service) to 100 percent (with 30 years of service). Eligible retirees with at least twenty years of service may elect coverage under the Blue Shield Retiree Medical Plan or may elect to receive a monthly reimbursement for medical expenses up to a stipulated amount under the Retiree Medical Reimbursement Plan. This reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan. Participation

in either the Blue Shield Retiree Medical Plan or the Retiree Medical Reimbursement Plan is only available until the retirees reach age 65.

Once eligible retirees reach age 65, the OPEB Plan allows for reimbursement to the retiree of the standard Medicare Part B insurance premium amounts, with automatic reimbursement increases when Medicare increases the standard premium amounts. Employees retiring at or after age 55 with 25 years of benefited service are also eligible for a prescription drug benefit which provides reimbursement up to a stipulated amount for 10 years beginning at the later of age 65 or retirement. The stipulated reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan.

A separate financial report is not prepared for the OPEB Plan.

The District has discretion in determining the amount to contribute to the OPEB Plan each year. The District currently pays OPEB benefits and claims directly from operating resources as they become due and payable. Accordingly, the District's current funding approach does not provide for additional contributions to prefund the OPEB trust beyond amounts necessary to support current benefit payments.

As of the December 31, 2025 and December 31, 2024 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2026	2025
Active	1,631	1,618
Retirees	657	642
Total participants	2,288	2,260

Components of postemployment medical benefits cost for years ended June 30, were as follows:

(in thousands)	2026	2025
Postemployment medical benefits cost		
Service cost	$ 2,600	$ 2,272
Interest	5,422	4,975
Expected return on plan assets	(2,122)	(1,928)
Administrative expenses	3	45
Recognition of deferred amounts	1,126	295
Total postemployment medical benefits cost	$ 7,029	$ 5,659

Components of deferred outflows and inflows of resources for the year ended June 30, 2026 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 4,325	$ (1,241)
Change of assumptions	4,129	(2,207)
Net differences between projected and actual earnings	-	(2,442)
Contributions made subsequent to measurement date	1,561	-
Total	$ 10,015	$ (5,890)

Components of deferred outflows and inflows of resources for the year ended June 30, 2025 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 2,512	$ (1,649)
Change of assumptions	3,896	(2,790)
Net differences between projected and actual earnings	247	-
Contributions made subsequent to measurement date	1,348	-
Total	$ 8,003	$ (4,439)

Amounts reported as deferred outflows and inflows of resources – postemployment medical benefits (OPEB) will be recognized in OPEB expense as indicated in the following tables:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2027	$ 3,169	$ (2,083)	$ 1,086
2028	1,470	(2,026)	(556)
2029	1,453	(1,537)	(84)
2030	1,301	(1,152)	149
2031	1,027	(206)	821
Thereafter	1,149	-	1,149
Total deferred inflows of resources - postemployment medical benefits (OPEB)	$ 9,569	$ (7,004)	$ 2,565

The following table summarizes changes in the net postemployment medical benefit liability from July 1, 2024 to June 30, 2026 and related ratios:

(in thousands)	2026	2025
Total postemployment medical benefits liability		
Service cost	$ 2,600	$ 2,272
Interest	5,422	4,975
Difference between expected and actual experience	2,575	1,807
Change of assumptions	1,840	994
Benefit payments	(2,580)	(2,498)
Net change in postemployment medical benefits liability	9,857	7,550
Total postemployment medical benefits liability (beginning of year)	76,354	68,804
Total postemployment medical benefits liability (end of year)	86,211	76,354
Plan fiduciary net position		
Employer contributions	2,580	2,498
Net investment income	5,064	2,793
Benefit payments	(2,580)	(2,498)
Administrative expense	(4)	(45)
Net change in fiduciary net position	5,060	2,748
Fiduciary net position (beginning of year)	30,318	27,570
Fiduciary net position (end of year)	35,378	30,318
Net postemployment medical benefits liability (end of year)	$ 50,833	$ 46,036
Fiduciary net position as percent of liability	41.0%	39.6%
Covered employee payroll	$ 256,719	$ 245,187
Net postemployment medical benefits liability as percent of covered employee payroll [1]	19.8%	18.8%

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2026 and June 30, 2025 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00 %
Discount rate	7.00 %
Demographic assumptions	
Mortality table for healthy and disabled participants	Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
Other assumptions	
Healthcare cost trend rate	For ages pre-65: 7.5% for 2026, graded to 4.25% for years 2035 For ages post-65: 5.75% for 2026, graded to 6.75% for years 2035

Sensitivity of postretirement employee medical benefits liability as of December 31, 2025 to changes in the discount rate, with no other changes -		
1 percent decrease (6.00%)	$	62,495,082
Current discount rate (7.00%)		50,833,906
1 percent increase (8.00%)		41,097,111
Sensitivity of postretirement employee medical benefits liability as of December 31, 2025 to changes in the health cost trend rate, with no other changes -		
1 percent decrease	$	40,057,720
Current healthcare cost trend rate		50,833,906
1 percent increase		64,095,408
Sensitivity of postretirement employee medical benefits liability as of December 31, 2024 to changes in the discount rate, with no other changes -		
1 percent decrease (6.00%)	$	56,270,675
Current discount rate (7.00%)		46,036,169
1 percent increase (8.00%)		37,487,874
Sensitivity of postretirement employee medical benefits liability as of December 31, 2024 to changes in the health cost trend rate, with no other changes -		
1 percent decrease	$	36,551,505
Current healthcare cost trend rate		46,036,169
1 percent increase		57,716,255

The fair value of the District's OPEB investments measured as of December 31, 2025, and used for the purpose of the June 30, 2026 valuation, is reflected in the following table:

(in thousands)	Level 1	Balance at Valuation Date
Money market funds	$ 1,866	$ 1,866
Fixed income funds	9,933	9,933
Domestic equity funds	11,538	11,538
International equity funds	6,702	6,702
Commodity funds	1,779	1,779
Real estate funds	574	574
Infrastructure funds	2,986	2,986
Total OPEB assets	$ 35,378	$ 35,378

The fair value of the District's OPEB investments measured as of December 31, 2024, and used for the purpose of the June 30, 2025 valuation, is reflected in the following table:

(in thousands)	Level 1	Balance at Valuation Date
Money market funds	$ 1,353	$ 1,353
Fixed income funds	9,244	9,244
Domestic equity funds	10,773	10,773
International equity funds	5,248	5,248
Commodity funds	1,594	1,594
Real estate funds	1,588	1,588
Infrastructure funds	518	518
Total OPEB assets	$ 30,318	$ 30,318

Pension Plan and OPEB Plan Portfolios

Long term (30-year) expected rate of returns are forecasted on a forward-looking basis by each asset class. Then the total portfolio's return is forecasted by combining returns of the asset classes based on the respective Plan's asset allocation targets as well as the asset classes' diversification benefits. The forecasting method takes into consideration current market conditions along with potential future changes such as yield shifts or valuation changes, as well as long term equilibrium return and risk considerations. For example, equity asset class methodology includes two models that focus on variables including expected earnings growth, dividend income and expected inflation to triangulate on a reasonable expected return. Fixed income models rely heavily on the existing yield environment but long-term equilibrium rates play a part in the long run expectations that incorporate current expectations of inflation and yield curve normalization. The forecasting methodology combines insights of expected returns for the next immediate period and a long-term equilibrium period, to maintain capital markets' long-term integrity.

The expected rates of return are presented as geometric means. The details are summarized in the following table:

	Long Term
Total portfolio	7.00 %

	Total Portfolio Asset Allocation	Asset Class Expected Returns
U.S. Stocks	33 %	7.5 %
Non-U.S. Stocks	22	7.0
Core Fixed Income	12	5.5
Credit Opportunities	10	6.0
Real Assets	15	7.1
Private credit	8	8.0
Total	100 %	

10. Insurance Plans

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group ("BETA"). The Hospital also purchases all-risk property insurance, including limited flood coverage, fiduciary and crime insurance, and cyber insurance from Aon plc ("AON"). The Hospital's liability coverage is provided under a claims-made policy with limits of $40 million per occurrence and $50 million in the annual aggregate, with a self-insured retention of $600,000 per claim.

A representative from the District occupies one seat on the BETA Council.

The District is self-funded for its workers' compensation claims and has been issued a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District purchases excess workers' compensation insurance coverage to provide protection for claims in excess of the District's self-insured retention.

Significant primary and excess insurance coverage types, limits and retention/deductible amounts are included below:

Coverage	Policy Limit	Self-insured Retention/ Deductible Per Occurrence
General		
All risk property	$ 1,000,000,000	$ 100,000
Hospital professional and general liability	40,000,000	50,000
Directors and officers liability	10,000,000	25,000/100,000
Employment practices liability insurance	10,000,000	50,000
Excess workers' compensation (A and B)	Statutory	1,250,000
	1,000,000	-
Commercial crime	10,000,000	50,000
Automobile insurance	10,000,000	250/500
Cyber liability	5,000,000	250,000
Fiduciary	5,000,000	25,000
Pollution	2,000,000	50,000
Environmental Storage Tank Liability	4,000,000	25,000

Settled claims have not exceeded the District's policy limits in any year.

The District has actuarial reviews performed annually on its self-insured claims programs, including professional and general liability, directors' and officers' coverage, workers' compensation, and employee health, vision and dental benefits. Estimated liabilities include amounts for incurred but not reported (IBNR) claims.

11. Compensated Absences

District employees earn paid leave at rates that vary based on their job classification and length of service. With the exception of eligible executives at Washington Health, who participate in a flexible time off program, employees can accumulate up to 640 hours of paid leave. All accumulated unused leave exceeding this limit is paid out annually on the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2026 and 2025, the approximate liability for unpaid compensated absences was $24.5 million and $22.5 million, respectively.

12. Blended Component Unit Information

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2026 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
Condensed statements of net position				
Current assets	$ 229,920	$ 28,185	$ (4,406)	$ 253,699
Long-term investment and restricted funds	296,559	-	-	296,559
Capital assets, net	612,120	43,570	(18,128)	637,562
Other assets	42,377	9,744	(12,058)	40,063
Total assets	1,180,976	81,499	(34,592)	1,227,883
Deferred outflows of resources	19,695	13	-	19,708
Total assets and deferred outflows of resources	$ 1,200,671	$ 81,512	$ (34,592)	$ 1,247,591
Liabilities				
Current liabilities	$ 176,738	$ 14,355	$ (6,368)	184,725
Other non-current liabilities	752,425	28,147	(12,902)	767,670
Total liabilities	929,163	42,502	(19,270)	952,395
Deferred inflows of resources	70,455	12,314	(16,252)	66,517
Net position				
Net investment in capital assets	20,155	(2,673)	13,067	30,549
Restricted - expendable	34,865	-	-	34,865
Restricted for minority interest	-	3,181	-	3,181
Unrestricted	146,033	26,188	(12,137)	160,084
Total net position	201,053	26,696	930	228,679
Total liabilities, net position and deferred inflows of resources	$ 1,200,671	$ 81,512	$ (34,592)	$ 1,247,591
Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$ 690,609	$ 114,147	$ (20,703)	$ 784,053
Operating expenses	(640,353)	(132,976)	15,972	(757,357)
Depreciation	(44,465)	(10,094)	6,014	(48,545)
Operating (loss) income	5,791	(28,923)	1,283	(21,849)
Non-capital subsidies				
Transfers in - Fiscal year 2026	-	34,396	-	34,396
Transfers in - Fiscal year 2025 and prior	-	357,665	209	357,874
Transfers out - Fiscal year 2026	(34,396)	-	-	(34,396)
Transfers out - Fiscal year 2025 and prior	(357,874)	-	-	(357,874)
Total noncapital subsidies	(392,270)	392,061	209	-
Operating (loss) income and noncapital subsidies	(386,479)	363,138	1,492	(21,849)
Other nonoperating revenues and expenses, net	15,765	(3,972)	(1,236)	10,557
(Decrease) increase in net position	(370,714)	359,166	256	(11,292)
Net position				
Beginning of year	571,767	(332,470)	674	239,971
End of year	$ 201,053	$ 26,696	$ 930	$ 228,679
Condensed statements of cash flows				
Net cash provided by (used in)				
Operating activities	$ 10,596	$ 14,384	$ -	$ 24,980
Noncapital financing activities	337	(2,195)	-	(1,858)
Capital and related financing activities	(83,483)	(9,212)	-	(92,695)
Investing activities	88,493	(1,557)	-	86,936
Net increase in cash and cash equivalents	15,943	1,420	-	17,363
Cash and cash equivalents - beginning of year	30,849	10,269	-	41,118
Cash and cash equivalents - end of year	$ 46,792	$ 11,689	$ -	$ 58,481

Note: In fiscal year 2026, the Hospital accounted for intercompany payments totaling $392.3 million as noncapital subsidies in the District's entity-level financial statements rather than as amounts due from DEVCO, of which approximately $357.9 million relates to amounts accumulated prior to the fiscal year ended June 30, 2025.

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2025, is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
Condensed statements of net position				
Current assets	$ 199,413	$ 28,344	$ (15,420)	$ 212,337
Long-term investment and restricted funds	378,523	-	-	378,523
Capital assets, net	565,182	48,121	(18,310)	594,993
Other assets	408,725	14,234	(373,687)	49,272
Total assets	1,551,843	90,699	(407,417)	1,235,125
Deferred outflows of resources	18,475	14	-	18,489
Total assets and deferred outflows of resources	$ 1,570,318	$ 90,713	$ (407,417)	$ 1,253,614
Liabilities				
Current liabilities	$ 167,506	$ 21,494	$ (16,055)	172,945
Other non-current liabilities	799,472	387,924	(375,392)	812,004
Total liabilities	966,978	409,418	(391,447)	984,949
Deferred inflows of resources	31,573	13,765	(16,644)	28,694
Net position				
Net investment in capital assets	19,238	(2,638)	17,445	34,045
Restricted - expendable	34,759	-	-	34,759
Restricted for minority interest	-	2,269	-	2,269
Unrestricted	517,770	(332,101)	(16,771)	168,898
Total net position	571,767	(332,470)	674	239,971
Total liabilities, net position and deferred inflows of resources	$ 1,570,318	$ 90,713	$ (407,417)	$ 1,253,614
Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$ 628,412	$ 109,650	$ (18,662)	$ 719,400
Operating expenses	(590,901)	(126,834)	14,208	(703,527)
Depreciation	(42,740)	(9,945)	6,035	(46,650)
Operating (loss) income	(5,229)	(27,129)	1,581	(30,777)
Other nonoperating revenues and expenses, net	26,136	(4,200)	(800)	21,136
Increase (decrease) in net position	20,907	(31,329)	781	(9,641)
Net position				
Beginning of year	550,860	(301,141)	(107)	249,612
End of year	$ 571,767	$ (332,470)	$ 674	$ 239,971
Condensed statements of cash flows				
Net cash provided (used) by				
Operating activities	$ 32,481	$ 14,676	$ -	$ 47,157
Noncapital financing activities	857	(2,238)	-	(1,381)
Capital and related financing activities	(43,265)	(5,397)	-	(48,662)
Investing activities	14,003	(1,541)	-	12,462
Net increase in cash and cash equivalents	4,076	5,500	-	9,576
Cash and cash equivalents - beginning of year	26,773	4,769	-	31,542
Cash and cash equivalents - end of year	$ 30,849	$ 10,269	$ -	$ 41,118

13. Commitments and Contingencies

Lease Commitments

The District has entered into leases for medical clinic facilities, administrative spaces, and equipment that extends through 2042. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years. Leases may also include options to terminate the leases.

Certain of the District's lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. The District also subleases certain real estate to third parties.

The District measures the lease liability at the present value of payments expected to be made during the lease term. Leases with a term of twelve months or less and with undiscounted payments of less than $150,000 are recognized as operating expense on a straight-line basis over the lease term. If the interest rate cannot be determined, the District will use an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

The District's future minimum payments on leases are as follows:

(in thousands)	**Principal**	**Interest**
2027	7,475	1,274
2028	5,412	963
2029	4,363	725
2030	2,729	544
2031	1,955	429
Thereafter	8,534	1,647
Total lease commitments	$ 30,468	$ 5,582

The District is a lessor of buildings under agreements that extend through 2062. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to five years. Certain of the District's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties. The District measures the deferred inflow of resources at the present value of payments expected to be received, including any advance lease payments or lease incentives during the lease term. The District recorded $4.4 million in lease revenue during the fiscal years ended June 30, 2026 and 2025.

Subscription-based Information Technology Arrangements

The District has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2031. Some SBITAs include one or more options to renew and may also include options to terminate the subscription. SBITAs do not contain any material incentive paid, material restrictive covenants or material termination penalties. The District measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less and with undiscounted payments of less than $150,000 are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the District uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

The District's future minimum payments on SBITAs are as follows:

(in thousands)	**Principal**	**Interest**
2027	1,879	269
2028	1,632	176
2029	1,272	94
2030	679	36
Total SBITA commitments	$ 5,462	$ 575

Litigation
The District is involved in various claims and litigation, as both plaintiff and defendant, arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect on the District's financial position.

Regulatory Environment
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, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, 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. While no 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 not asserted at this time.

Required Supplementary Information

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

Defined Benefit Retirement Plan

The District's actuarially determined contribution and actual contributions, for this plan year and the nine plan years prior, are presented in the following table:

(in thousands)	Actuarially Determined Contribution	Actual Employer Contribution	Actual Employee Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as % of Covered Payroll
Fiscal Year Ended						
2017	$ 22,732	$ 22,000	$ 732	$ -	$ 146,438	15.52%
2018	23,280	22,300	980	-	168,165	13.84%
2019	24,335	23,100	1,235	-	165,710	14.69%
2020	24,755	23,100	1,655	-	177,841	13.92%
2021	25,019	23,100	1,919	-	182,973	13.67%
2022	10,333	8,400	2,140	(208)	181,577	5.80%
2023	9,513	8,100	2,180	(767)	210,819	4.88%
2024	11,089	1,875	2,620	6,594	216,805	2.07%
2025	12,729	2,125	3,111	7,493	245,187	2.14%
2026	16,781	-	3,735	13,046	256,719	1.46%
Total	$ 180,566	$ 134,100	$ 20,307			

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in net pension liability from July 1, 2016 to June 30, 2026:

(in thousands)	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability										
Service cost	$ 13,109	$ 11,601	$ 11,089	$ 9,513	$ 10,332	$ 9,548	$ 9,075	$ 8,190	$ 6,500	$ 6,494
Interest	34,443	32,895	31,624	30,239	28,992	27,890	27,395	26,693	24,436	24,263
Difference between expected and actual experience	2,043	3,594	420	4,053	(786)	1,001	(703)	(8,586)	15,019	8,244
Change of benefit terms	-	920	-	-	-	-	-	-	-	-
Change in assumptions	(1,306)	2	2	-	1,042	(2,992)	16,421	-	-	-
Benefit payments	(27,306)	(25,919)	(24,325)	(22,859)	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)
Net change in total pension liability	20,983	23,093	18,810	20,946	18,535	15,824	34,042	9,967	30,912	8,591
Total pension liability (beginning of year)	506,335	483,242	464,432	443,486	424,951	409,127	375,085	365,118	334,206	325,615
Total pension liability (end of year) (a)	527,318	506,335	483,242	464,432	443,486	424,951	409,127	375,085	365,118	334,206
Plan fiduciary net position										
Employer contributions	-	2,125	1,875	8,100	8,400	23,100	23,100	23,100	22,300	22,000
Employee contributions	3,735	3,111	2,620	2,180	2,140	1,919	1,655	1,235	980	732
Net investment (loss) income	80,081	45,944	55,522	(72,238)	61,077	47,613	59,371	(18,935)	42,293	7,817
Benefit payments	(27,306)	(25,919)	(24,325)	(22,859)	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)
Administrative expense	(183)	(248)	(196)	(272)	(228)	(226)	(226)	(224)	(252)	(216)
Other	-	-	-	-	-	-	-	-	(1)	(126)
Net change in fiduciary net position	56,327	25,013	35,496	(85,089)	50,344	52,783	65,754	(11,154)	50,277	(203)
Plan fiduciary net position (beginning of year)	455,876	430,863	395,367	480,456	430,112	377,329	311,575	322,729	272,452	272,655
Plan fiduciary net position (end of year) (b)	512,203	455,876	430,863	395,367	480,456	430,112	377,329	311,575	322,729	272,452
Net pension liability (end of year) (a) - (b)	$ 15,115	$ 50,459	$ 52,379	$ 69,065	$ (36,970)	$ (5,161)	$ 31,798	$ 63,510	$ 42,389	$ 61,754
Plan fiduciary net position as percent of total pension liability	97.1%	90.0%	89.2%	85.1%	108.3%	101.2%	92.2%	83.1%	88.4%	81.5%
Covered payroll	$ 256,719	$ 245,187	$ 216,805	$ 210,819	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438
Net pension liability as percent of covered payroll	5.9%	20.6%	24.2%	32.8%	(20.4)%	(2.8)%	17.9%	38.3%	25.2%	42.2%
Deferred outflows of resources										
Employer contributions after measurement date	$ -	$ -	$ 2,125	$ 1,875	$ 4,050	$ 5,775	$ 5,775	$ 5,775	$ -	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	97.1%	90.0%	89.6%	85.1%	109.2%	102.6%	93.6%	84.6%	88.4%	81.5%
Net pension liability as percent of covered payroll including deferred outflows of resources	5.9%	20.6%	23.9%	32.8%	(22.6)%	(6.0)%	14.6 %	34.8 %	25.2%	42.2%

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes the significant actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2025	7.00%
	December 31, 2017 - 2018	7.50%
Demographic assumptions		
Mortality table for healthy participants	December 31, 2021 - 2025	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 base table with two-dimensional projection scale BB projected generationally
Mortality table for disabled participants	December 31, 2021 - 2025	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 disabled mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 Disabled retiree table
	December 31, 2013	RP-2000 Disabled mortality tables for females and males

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

Defined Benefit Post-Employment Medical Plan (OPEB)

The following table summarizes contributions to the OPEB Plan from July 1, 2016 to June 30, 2026:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll [1]	Contributions as % of Covered Employee Payroll [1]
Fiscal Year Ended					
2017	$ 5,099	$ 1,455	$ (3,644)	$ 146,438	0.99%
2018	5,451	5,995	544	168,165	3.56%
2019	6,200	6,400	200	165,710	3.86%
2020	7,400	4,891	(2,509)	177,841	2.75%
2021	7,400	6,046	(1,354)	182,973	3.30%
2022	7,400	5,444	(1,956)	181,577	3.00%
2023	6,000	5,531	(469)	210,819	2.62%
2024	6,200	3,132	(3,068)	216,805	1.44%
2025	7,300	2,498	(4,802)	245,187	1.02%
2026	8,500	2,580	(5,920)	256,719	1.00%
	$ 66,950	$ 43,972	$ (22,978)		

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2016 to June 30, 2026, and related ratios:

(in thousands)	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability										
Service cost	$ 2,600	$ 2,272	$ 2,220	$ 1,939	$ 1,911	$ 1,885	$ 1,473	$ 3,049	$ 2,948	$ 3,007
Interest	5,422	4,975	4,692	4,372	4,155	3,948	3,461	2,495	2,457	2,260
Difference between expected and actual experience	2,575	1,807	1,055	(2,300)	349	(555)	(265)	368	-	-
Change of assumptions	1,840	994	(2,823)	2,551	(1,217)	(385)	6,880	(29,183)	3,541	(2,045)
Benefit payments	(2,580)	(2,498)	(2,307)	(2,230)	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Net change in postemployment medical benefits (OPEB) liability	9,857	7,550	2,837	4,332	3,193	2,989	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	76,354	68,804	65,967	61,635	58,442	55,453	45,412	70,252	62,800	60,990
Total postemployment medical benefits (OPEB) liability (end of year)	86,211	76,354	68,804	65,967	61,635	58,442	55,453	45,412	70,252	62,800
Plan fiduciary net position										
Employer contributions	2,580	2,498	3,132	5,531	5,305	5,204	4,808	9,969	1,494	1,412
Net investment income	5,064	2,793	3,378	(3,783)	2,689	1,900	1,510	(270)	-	-
Benefit payments	(2,580)	(2,498)	(2,307)	(2,231)	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(4)	(45)	(52)	(57)	(53)	(52)	(49)	(15)	-	-
Other	-	-	-	-	-	-	1	(2)	-	-
Net change in fiduciary net position	5,060	2,748	4,151	(540)	5,936	5,148	4,762	8,113	-	-
Fiduciary net position (beginning of year)	30,318	27,570	23,419	23,959	18,023	12,875	8,113	-	-	-
Fiduciary net position (end of year)	35,378	30,318	27,570	23,419	23,959	18,023	12,875	8,113	-	-
Net postemployment medical benefits (OPEB) liability (end of year)	$ 50,833	$ 46,036	$ 41,234	$ 42,548	$ 37,676	$ 40,419	$ 42,578	$ 37,299	$ 70,252	$ 62,800
Fiduciary net position as percent of liability	41.0%	39.7%	40.1%	35.5%	38.9%	30.8%	23.2%	17.9%	0.0%	0.0%
Covered employee payroll	$ 256,719	$ 245,187	$ 216,805	$ 210,819	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438
NOL as a % of Covered Employee Payroll	19.8%	18.8%	19.0%	20.2%	20.7%	22.1%	23.9%	21.5%	41.8%	42.9%
Deferred outflows of resources										
Employer contributions after measurement date	$ 1,561	$ 1,348	$ 1,056	$ 1,821	$ 2,750	$ 2,611	$ 1,769	$ 1,686	$ 4,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	42.8 %	41.5 %	41.6 %	38.3 %	43.3 %	35.3 %	26.4 %	21.6 %	6.4 %	0.0 %
Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	19.2 %	18.2 %	18.5 %	19.3 %	19.2 %	20.7 %	22.9 %	21.5 %	39.1 %	42.9 %

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes the significant actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2025	7.00%
	December 31, 2018	7.50%
	December 31, 2017	3.44%
Other assumptions		
Healthcare cost trend rate	Getzen model of long-run Medical cost trend, and Mdeicare Part B premium projections	

WASHINGTON HEALTH
INDEX TO BOARD FINANCIAL STATEMENTS
September 2026

Schedule Reference	Schedule Name
Board - 1	Statement of Revenues and Expenses
Board - 2	Balance Sheet
Board - 3	Operating Indicators

Washington Health

MEMORANDUM

Date: October 31, 2026

To: Board of Directors

From: Kimberly Hartz, Chief Executive Officer

Subject: Washington Health (Hospital) – September 2026 Operating & Financial Activity

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SUMMARY OF OPERATIONS

1. **Utilization – Schedule Board 3**

	September Actual	September Budget	Current 12 Month Avg.
ACUTE INPATIENT:			
IP Average Daily Census	183.8	165.5	186.3
Combined Average Daily Census	192.0	172.0	192.6
No. of Discharges	1,088	1,028	1,136
Patient Days	5,513	4,966	5,665
Discharge ALOS	5.21	4.83	5.00
OUTPATIENT:			
OP Visits	10,511	9,895	10,005
ER Visits	5,297	5,230	5,230
Observation Equivalent Days – OP	246	194	193

Comparison of September's actual Acute Inpatient Daily Statistics versus the budget showed a higher level of IP Average Daily Census, which translates into higher Patient Days. No. of Discharges were higher than budget, while the Average Length of Stay (ALOS), based on discharged days, was unfavorable to the Budget. Outpatient visits and Emergency Room visits were favorable to budget for the month. Outpatient Observation Equivalent days were unfavorable to budget.

2. **Staffing – Schedule Board 3**

Total FTEs were over budget by (32.0). Total productive FTEs for September came in at 1,558.4, over the budgeted level of 1,524.5. Non-Productive FTEs were under budget by 1.9. Total FTEs per Adjusted Occupied Bed were 5.58, or 0.52 better than the budgeted level of 6.10.

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3. **Income - Schedule Board 1**

Total Gross Patient Revenue of $246,226,000 for September was $15,053,000 above the budget, or 6.5%.

Deductions from Revenue totaled $187,852,000 which equates to a 76.29% blended contractual rate. This was unfavorable to the budgeted rate of 74.96%.

Total Net Operating Revenue of $59,712,000 was $459,000 or 0.8% above the Budget.

Total Operating Expenses for the month were $59,301,000, which was lower than the budget by $631,000, or 1.1%.

For the month of September, the Hospital reported a Net Operating Gain of $411,000 from Operations, a 0.7% Margin, favorable to the budget of ($679,000) by $1,090,000

Total Non-Operating Loss of ($180,000) was unfavorable to the budget by ($740,000) for the month, including an unrealized loss on investments of ($2,197,000).

The Net Income for September was $231,000, which equates to a 0.4% Margin, and was $350,000 above the Budgeted Net Income of ($119,000).

Non-Capital Transfer to DEVCO totaled $1,510,000 for September 2026, resulting in a ($1,279,000) decrease in net position for the month.

4. **Balance Sheet – Schedule Board 2**

There were no noteworthy changes in assets and liabilities when compared to August 2026.

KIMBERLY HARTZ
Chief Executive Officer

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SCHEDULE BOARD 1

Washington Health

WASHINGTON HEALTH
STATEMENT OF REVENUES AND EXPENSES
September 2026 - Management Reporting
(In thousands)

September							FISCAL YEAR TO DATE				
PRIOR YEAR	ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.			PRIOR YEAR	ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.
						OPERATING REVENUE					
$ 139,303	$ 142,398	$ 133,961	$ 8,437	6.3%	1	INPATIENT REVENUE	$ 413,036	$ 432,955	$ 412,018	$ 20,937	5.1%
91,001	103,828	97,212	6,616	6.8%	2	OUTPATIENT REVENUE	272,045	314,599	295,680	18,919	6.4%
230,304	**246,226**	**231,173**	**15,053**	6.5%	3	**TOTAL PATIENT REVENUE**	**685,081**	**747,554**	**707,698**	**39,856**	5.6%
(173,363)	(181,006)	(169,033)	(11,973)	-7.1%	4	CONTRACTUAL ALLOWANCES	(509,123)	(546,127)	(517,938)	(28,189)	-5.4%
(3,825)	(6,846)	(4,262)	(2,584)	-60.6%	5	PROVISION FOR DOUBTFUL ACCOUNTS	(14,959)	(22,151)	(12,785)	(9,366)	-73.3%
(177,188)	**(187,852)**	**(173,295)**	**(14,557)**	-8.4%	6	**DEDUCTIONS FROM REVENUE**	**(524,082)**	**(568,278)**	**(530,723)**	**(37,555)**	-7.1%
76.94%	**76.29%**	**74.96%**			7	**DEDUCTIONS AS % OF REVENUE**	**76.50%**	**76.02%**	**74.99%**		
53,116	**58,374**	**57,878**	**496**	0.9%	8	**NET PATIENT REVENUE**	**160,999**	**179,276**	**176,975**	**2,301**	1.3%
1,168	1,338	1,375	(37)	-2.7%	9	OTHER OPERATING INCOME	3,669	4,219	4,127	92	2.2%
54,284	**59,712**	**59,253**	**459**	0.8%	10	**TOTAL OPERATING REVENUE**	**164,668**	**183,495**	**181,102**	**2,393**	1.3%
						OPERATING EXPENSES					
25,447	28,305	26,682	(1,623)	-6.1%	11	SALARIES & WAGES	78,212	86,630	81,912	(4,718)	-5.8%
9,274	7,174	9,458	2,284	24.1%	12	EMPLOYEE BENEFITS	27,403	26,674	28,059	1,385	4.9%
7,665	8,642	8,566	(76)	-0.9%	13	SUPPLIES	22,260	25,885	26,154	269	1.0%
7,890	8,752	8,860	108	1.2%	14	PURCHASED SERVICES & PROF SVCS	23,230	25,596	26,470	874	3.3%
2,190	2,633	2,575	(58)	-2.3%	15	INSURANCE, UTILITIES & OTHER	6,511	7,832	7,927	95	1.2%
3,621	3,795	3,791	(4)	-0.1%	16	DEPRECIATION	10,768	11,268	11,411	143	1.3%
56,087	**59,301**	**59,932**	**631**	1.1%	17	**TOTAL OPERATING EXPENSE**	**168,384**	**183,885**	**181,933**	**(1,952)**	-1.1%
(1,803)	**411**	**(679)**	**1,090**	160.5%	18	**OPERATING INCOME (LOSS)**	**(3,716)**	**(390)**	**(831)**	**441**	53.1%
-3.3%	***0.7%***	***-1.2%***			***19***	***OPERATING INCOME MARGIN %***	***-2.3%***	***-0.2%***	***-0.5%***		
						NON-OPERATING INCOME (LOSS)					
619	540	550	(10)	-1.8%	20	INCOME (LOSS) ON INVESTMENT	1,969	1,794	1,650	144	8.7%
(38)	(2,196)	-	(2,196)	0.0%	21	UNREALIZED GAIN/(LOSS) ON INVESTMENTS	512	(3,124)	-	(3,124)	0.0%
(1,890)	(2,032)	(2,014)	(18)	-0.9%	22	INTEREST EXPENSE, NET	(5,275)	(5,932)	(5,965)	33	0.6%
98	7	48	(41)	-85.4%	23	RENTAL INCOME, NET	278	88	74	14	18.9%
2,032	2,030	1,918	112	5.8%	24	PROPERTY TAX REVENUE	6,258	6,093	5,868	225	3.8%
-	1,085	-	1,085	0.0%	25	PARCEL TAX REVENUE	-	3,254	-	3,254	0.0%
-	75	-	75	0.0%	26	GRANT REVENUE	-	75	-	75	0.0%
(14)	311	58	253	436.2%	27	OTHER EXPENSE	244	864	183	681	372.1%
807	**(180)**	**560**	**(740)**	-132.2%	28	**TOTAL NON-OPERATING INCOME & EXPENSE**	**3,986**	**3,112**	**1,810**	**1,302**	72.0%
$ (996)	**$ 231**	**$ (119)**	**$ 350**	293.7%	29	**NET INCOME (LOSS) BEFORE NON-CAPITAL SUBSIDIES**	**$ 270**	**$ 2,722**	**$ 979**	**$ 1,743**	178.1%
-1.8%	***0.4%***	***-0.2%***			***30***	***NET INCOME MARGIN %***	***0.2%***	***1.5%***	***0.5%***		
						CHANGES IN NET POSITION					
						NON-CAPITAL SUBSIDIES					
-	**(1,510)**	**(3,083)**	**1,573**	51.0%		INTERCO FUNDING TO DEVCO (WHMG)	**(8,840)**	**(7,943)**	**(9,249)**	**1,306**	14.1%
$ (996)	**$ (1,279)**	**$ (3,202)**	**$ 1,923**	60.0%		**INCREASE (DECREASE) IN NET POSITION**	**$ (8,570)**	**$ (5,221)**	**$ (8,270)**	**$ 3,049**	36.9%

Washington Health

WASHINGTON HEALTH
BALANCE SHEET
September 2026
(In thousands)

	ASSETS AND DEFERRED OUTFLOWS	September 2026	Audited June 2025
	CURRENT ASSETS		
1	CASH & CASH EQUIVALENTS	$ 18,084	$ 46,792
2	ACCOUNTS REC NET OF ALLOWANCES	85,501	81,651
3	OTHER CURRENT ASSETS	41,706	29,927
4	TOTAL CURRENT ASSETS	145,291	158,370
	ASSETS LIMITED AS TO USE		
5	BOARD DESIGNATED FOR CAPITAL AND OTHER	169,453	170,842
6	GENERAL OBLIGATION BOND FUNDS	83,207	87,629
7	REVENUE BOND FUNDS	24,118	25,941
8	BOND DEBT SERVICE FUNDS	21,424	46,962
9	OTHER ASSETS LIMITED AS TO USE	52	50
10	**TOTAL ASSETS LIMITED AS TO USE**	298,254	331,424
11	**OTHER ASSETS**	23,465	23,391
12	**OTHER INVESTMENTS**	21,446	20,582
13	**NET PROPERTY, PLANT & EQUIPMENT**	604,285	612,120
14	**TOTAL ASSETS**	**$ 1,092,741**	**$ 1,145,887**
15	**DEFERRED OUTFLOWS**	17,836	19,695
16	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	**$ 1,110,577**	**$ 1,165,582**

	LIABILITIES, NET POSITION AND DEFERRED INFLOWS	September 2026	Audited June 2025
	CURRENT LIABILITIES		
1	CURRENT MATURITIES OF L/T OBLIG	$ 11,260	$ 10,365
2	ACCOUNTS PAYABLE	40,333	53,202
3	OTHER ACCRUED LIABILITIES	41,572	62,298
4	INTEREST	5,920	13,560
5	TOTAL CURRENT LIABILITIES	99,085	139,425
	LONG-TERM DEBT OBLIGATIONS		
6	REVENUE BONDS AND OTHER	195,974	205,383
7	GENERAL OBLIGATION BONDS	461,830	464,022
	OTHER LIABILITIES		
8	SUPPLEMENTAL MEDICAL RETIREMENT	52,154	50,834
9	WORKERS' COMP AND OTHER	10,756	10,689
10	NET PENSION	17,565	15,115
11	ROU ASSET LONG-TERM	8,246	8,606
12	**NET POSITION**	195,830	201,053
13	**TOTAL LIABILITIES AND NET POSITION**	**$ 1,041,440**	**$ 1,095,127**
14	**DEFERRED INFLOWS**	69,137	70,455
15	**TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS**	**$ 1,110,577**	**$ 1,165,582**

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WASHINGTON HEALTH
OPERATING INDICATORS
September 2026

12 MONTH AVERAGE	September ACTUAL	September BUDGET	September FAV (UNFAV) VAR	September % VAR.			FISCAL YEAR TO DATE ACTUAL	FISCAL YEAR TO DATE BUDGET	FISCAL YEAR TO DATE FAV (UNFAV) VAR	FISCAL YEAR TO DATE % VAR.
						PATIENTS IN HOSPITAL				
186.3	183.8	165.5	18.3	11%	**1**	ADULT & SCN AVERAGE DAILY CENSUS	184.6	166.0	18.6	11%
6.3	8.2	6.5	1.7	26%	**2**	OUTPT OBSERVATION AVERAGE DAILY CENSUS	7.1	6.4	0.7	11%
192.6	192.0	172.0	20.0	12%	**3**	COMBINED AVERAGE DAILY CENSUS	191.7	172.4	19.3	11%
8.3	9.2	7.8	1.4	18%	**4**	NURSERY AVERAGE DAILY CENSUS	8.9	7.8	1.1	14%
200.9	201.2	179.8	21.4	12%	**5**	TOTAL	200.6	180.2	20.4	11%
2.8	2.9	3.5	(0.6)	-17%	**6**	SPECIAL CARE NURSERY AVERAGE DAILY CENSUS	3.3	3.5	(0.2)	-6%
5,665	5,513	4,966	547	11%	**7**	ADULT & SCN PATIENT DAYS	16,986	15,273	1,713	11%
193	246	194	(52)	-27%	**8**	OBSERVATION EQUIVALENT DAYS - OP	653	589	(64)	-11%
1,136	1,088	1,028	60	6%	**9**	DISCHARGES-ADULTS & SCN	3,370	3,161	209	7%
5.00	5.21	4.83	(0.4)	-8%	**10**	AVERAGE LENGTH OF STAY-ADULTS & SCN	5.12	4.83	(0.3)	-6%
3.08	3.20	2.88	(0.3)	-11%	**11**	AVERAGE LENGTH OF STAY-ADULTS & SCN / CASE MIX INDEX	3.18	2.88	(0.3)	-11%
						OTHER KEY UTILIZATION STATISTICS				
1.623	1.626	1.680	(0.054)	-3%	**12**	OVERALL CASE MIX INDEX (CMI)	1.611	1.680	(0.069)	-4%
						SURGICAL CASES				
44	37	42	(5)	-12%	**13**	CARDIAC	106	133	(27)	-20%
128	108	121	(13)	-11%	**14**	GASTROENTEROLOGY	336	373	(37)	-10%
57	62	56	6	11%	**15**	GENERAL	162	171	(9)	-5%
28	31	26	5	19%	**16**	NEUROSURGERY	100	77	23	30%
203	189	192	(3)	-2%	**17**	ORTHOPEDICS	611	584	27	5%
25	21	26	(5)	-19%	**18**	UROLOGY	75	79	(4)	-5%
32	43	30	13	43%	**19**	VASCULAR	98	93	5	5%
35	37	39	(2)	-5%	**20**	OTHER	105	116	(11)	-9%
551	528	532	(4)	-1%	**21**		1,593	1,626	(33)	-2%
210	218	195	23	12%	**22**	CATH LAB CASES	687	595	92	15%
132	146	128	18	14%	**23**	DELIVERIES	439	393	46	12%
10,005	10,511	9,895	616	6%	**24**	OUTPATIENT VISITS	32,107	29,903	2,204	7%
5,230	5,297	5,230	67	1%	**25**	EMERGENCY VISITS	15,975	15,529	446	3%
						LABOR INDICATORS				
1,545.8	1,558.4	1,524.5	(33.9)	-2%	**26**	PRODUCTIVE FTE'S	1,569.3	1,522.5	(46.8)	-3%
212.1	216.0	217.9	1.9	1%	**27**	NON PRODUCTIVE FTE'S	220.0	218.3	(1.7)	-1%
1,757.9	1,774.4	1,742.4	(32.0)	-2%	**28**	TOTAL FTE'S	1,789.3	1,740.8	(48.5)	-3%
5.00	4.90	5.34	0.44	8%	**29**	PRODUCTIVE FTE/ADJ. OCCUPIED BED	4.92	5.34	0.42	8%
5.69	5.58	6.10	0.52	9%	**30**	TOTAL FTE/ADJ. OCCUPIED BED	5.61	6.11	0.50	8%