Hazel Hawkins
MEMORIAL HOSPITAL

REGULAR MEETING OF THE FACILITIES AND FINANCE COMMITTEE
SAN BENITO HEALTH CARE DISTRICT
911 SUNSET DRIVE, HOLLISTER, CALIFORNIA
MONDAY, NOVEMBER 17, 2025 - 4:30 P.M.
SUPPORT SERVICES BUILDING, 2ND FLOOR – GREAT ROOM

San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians and the community.

1. Call to Order

2. Update on Current Projects
   - Project Dashboard – October 2025

3. Review Financial Updates
   - Financial Statements – October 2025
   - Finance Dashboard – October 2025
   - Supplemental Payments – October 2025

4. Review Pension Plan GASB 68 Report FYE June 30, 2025

5. Review Audited Financial Statements FYE June 30, 2025

6. Public Comment
   This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on matters within the jurisdiction of this District Board **Committee,** which are not on this agenda.

7. Adjournment

   The next Facilities and Finance Committee meeting is scheduled for **Monday, December 15, 2025** at **4:30 p.m.**

The complete Facilities and Finance Committee packet, including subsequently distributed materials and presentations, is available at the Facilities and Finance Committee meeting and in the Administrative Offices of the District. All items appearing on the agenda are subject to action by the Facilities and Finance Committee. Staff and Committee recommendations are subject to change by the Facilities and Finance Committee.

Notes: Requests for a disability-related modification or accommodation, including auxiliary aids or services, to attend or participate in a meeting should be made to District Administration during regular business hours at 831-636-2673. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

NOV Project Dashboard - Facilities

Project Name	Purpose	Start Date	Go Live	Duration	Status	Priority	Key Stakeholder	Role	Update
BD Installation	New Pyxis Machines	12/4/2024	TBD		In Progress	Medium	Naveen Ravela	Pharmacy Director	Pending approval for pharmacy location proposal from architect. ICU and OB are ready for construction to begin.
Lab Phase 1	Upgrading Analyzers (Validation Only)	6/1/2024	2/1/2026	610	In Progress	High	Bernadette Enderez	Lab/Radiology Director	currently on 60-70% of the validation process. (project will not officially close out until Lab Phase 2 is completed and ready analyzers to move to permanent location)
Lab Phase 2	Analyzer Replacment	6/3/2024	2/1/2026	608	In Progress	High	Bernadette Enderez	Lab/Radiology Director	Construction is underway. Apprx 25-30% through schedule. No current impediments to progress.
OR Rebuild	Updating OR per OSHPD Requirements	11/20/2024	12/31/2025	406	In Progress	High	Mendi Suber-Ventura	Director of Surgical Services	Pending internal investigation for smaller/cheaper part replacement to see if sufficient fix

NOV Project Dashboard - Facilities

Sterilizer Replacement	installation of new AMSCO 400 48 SD equipment for Sterile Processing Department	9/16/2025	TBD		In Progress	High	Doug Mays	Senior Director Support Services	Initial kickoff meetings with architects and engineering team. Once receive 50% CD set with set up advertisement for bid
Seismic	Upgrade to Meet HCAI Seismic Compliance & Safety Standards	TBD	TBD		Ongoing	High	Doug Mays	Senior Director Support Services	Planning with architects
*Imaging Trailer Pad Make Ready	Treanor to help when MP starts	10/1/2025	TBD		In Progress	Medium	Bernadette Enderez	Lab/Radiology Director	Architect proposal submitted, Working with vendor to determine suitable method of installation/trailer delivery method.
*Verkada	Security / SSO + Door Access	3/11/2025	TBD		In Progress	High	Jorge Ramirez	Director of Emerg Mgmt & Security	HCAI has approved the project, pending contractor being assigned to issue building permit. (awaiting proposal) Test door has been activated, planning for other equipment to be programmed.
HUGS/Securitas	Infant Security	4/12/2024	TBD		In Progress	High	Jac Fernandez	Senior Director of Acute Care Services	Subcontractors are back onsite 11/10 to finish med surg/icu. Pending WC cabling and installation per HCAI requirements
ED Helipad	System is an AFFF system and no longer allowed in CA. Is required to be phased out due to being a hazardous chemical.	1/14/2025	4/1/2023		In Progress	High	Doug Mays	Senior Director Support Services	(E) Emergency HCAI project planned for demolition, proposal received from The Core Group. (S) Regular HCAI project planned for installation. Awaiting finalized proposals

NOV Project Dashboard - Facilities

Focus Sports Therapy	Rennovate and expand Focus sports thereapy clinic	7/1/2025	TBD		In Progress	Medium	Doug Mays	Senior Director Support Services	2nd schematic design meeting completed, onsite visit scheduled 10/14 to solidify design.
Totals									

TASK STATUS %

STATUS	COUNT	%
Not Started	0	0%
In Progress	10	91%
Overdue	0	0%
On Hold	0	0%
Ongoing	1	9%
Completed	0	0%
TOTAL	**11**	**100%**

PROJECT PRIORITY %

PRIORITY	COUNT	%
High	8	73%
Medium	3	27%
Low	0	0%
TOTAL	**11**	**100%**

estimated go-live
planned go live

Hazel Hawkins
MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY
San Benito Health Care District

San Benito Health Care District
A Public Agency
911 Sunset Drive
Hollister, CA 95023-5695
(831) 637-5711

November 17, 2025

CFO Financial Summary for the District Board:

For the month ending October 31, 2025, the District's Net Surplus (Loss) is $588,788 compared to a budgeted Surplus (Loss) of $1,425,670. The District is under budget for the month by $836,882.

YTD as of October 31, 2025, the District's Net Surplus (Loss) is $3,832,594 compared to a budgeted Surplus (Loss) of $4,975,133. The District is under budget YTD by $1,142,539.

Acute discharges were 148 for the month, one less more budgeted amount. The ADC was 12.45 compared to a budget of 13.20. The ALOS was 2.61. The acute I/P gross revenue was under budget by **$321,480** or 5**%** while O/P services gross revenue was under budget by **$1.06 million** or **3%**. ER I/P visits were 103 and ER O/P visits were over budget by 16 visits or 1%. The RHCs & Specialty Clinics treated 4,028 (includes 618 visits at the Diabetes Clinic) and 1,237 visits respectively.

Other Operating revenue exceeded budget by **$319,453** due mainly to:

1) $235,000 in additional supplemental payments.
2) Physician collections exceeding budget.

Operating Expenses exceeded budget by **$239,340** due mainly to: overages in Employee Benefits of $175,562 from health insurance costs, Registry of $113,682 slightly offset by Salaries & Wages Expense reductions of $35,829.

Non-operating Revenue was slightly lower than budget by **$9,800** due to the timing of donations from the Foundation.

The SNFs ADC was **87.90** for the month. The Net Surplus (Loss) is $316,652 compared to a budget of $105,078. YTD, the Net Surplus (Loss) is $544,754 exceeding budget by $119,887 due to an accrual for the CY 2024 DP/NF Passthrough Program offsetting the reduction in net revenue due to the lower census.

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 10/31/25

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24
GROSS PATIENT REVENUE:										
ACUTE ROUTINE REVENUE	3,342,151	3,098,366	243,785	8	3,328,187	14,505,918	14,007,867	498,051	4	14,705,010
SNF ROUTINE REVENUE	2,473,588	2,092,500	381,088	18	1,926,030	8,584,558	8,302,500	282,058	3	7,874,160
ANCILLARY INPATIENT REVENUE	3,463,308	4,117,520	(654,212)	(16)	4,071,277	15,701,713	17,865,107	(2,163,394)	(12)	17,833,437
HOSPITALIST\PEDS I\P REVENUE	144,957	0	144,957		0	742,604	0	742,604		0
TOTAL GROSS INPATIENT REVENUE	9,424,004	9,308,386	115,618	1	9,325,494	39,534,793	40,175,474	(640,681)	(2)	40,412,606
ANCILLARY OUTPATIENT REVENUE	31,804,523	32,968,607	(1,164,084)	(4)	30,536,497	123,358,170	124,933,789	(1,575,619)	(1)	116,649,727
HOSPITALIST\PEDS O\P REVENUE	107,815	0	107,815		0	456,651	0	456,651		0
TOTAL GROSS OUTPATIENT REVENUE	31,912,338	32,968,607	(1,056,269)	(3)	30,536,497	123,814,821	124,933,789	(1,118,968)	(1)	116,649,727
TOTAL GROSS PATIENT REVENUE	41,336,342	42,276,993	(940,651)	(2)	39,861,991	163,349,614	165,109,263	(1,759,649)	(1)	157,062,333
DEDUCTIONS FROM REVENUE:										
MEDICARE CONTRACTUAL ALLOWANCES	12,317,831	11,393,642	924,189	8	11,494,556	46,865,544	44,470,525	2,395,019	5	42,893,629
MEDI-CAL CONTRACTUAL ALLOWANCES	10,703,826	10,815,240	(111,414)	(1)	9,030,536	43,619,995	42,202,795	1,417,200	3	39,826,517
BAD DEBT EXPENSE	73,982	1,051,067	(977,086)	(93)	819,246	2,535,515	4,125,891	(1,590,376)	(39)	2,953,576
CHARITY CARE	49,567	32,742	16,825	51	7,188	183,799	127,745	56,054	44	144,570
OTHER CONTRACTUALS AND ADJUSTMENTS	5,150,421	5,059,102	91,319	2	4,524,158	20,186,448	19,740,624	445,824	2	18,655,056
HOSPITALIST\PEDS CONTRACTUAL ALLOW	(13,800)	0	(13,800)		0	131,441	0	131,441		0
TOTAL DEDUCTIONS FROM REVENUE	28,281,826	28,351,793	(69,967)	0	25,875,684	113,522,742	110,667,580	2,855,162	3	104,473,348
NET PATIENT REVENUE	13,054,517	13,925,200	(870,683)	(6)	13,986,307	49,826,873	54,441,683	(4,614,811)	(9)	52,588,985
OTHER OPERATING REVENUE	1,467,912	1,148,459	319,453	28	606,036	7,693,775	4,693,464	3,000,311	64	2,540,405
NET OPERATING REVENUE	14,522,429	15,073,659	(551,230)	(4)	14,592,343	57,520,647	59,135,147	(1,614,500)	(3)	55,129,390
OPERATING EXPENSES:										
SALARIES & WAGES	5,500,520	5,610,520	(110,000)	(2)	5,081,028	21,504,411	22,163,229	(658,818)	(3)	19,875,839
REGISTRY	644,983	525,384	119,599	23	545,595	2,537,597	2,101,538	436,059	21	2,011,950
EMPLOYEE BENEFITS	2,735,452	2,461,475	273,977	11	2,239,375	9,234,291	9,850,579	(616,288)	(6)	8,763,426
PROFESSIONAL FEES	1,745,065	1,644,784	100,281	6	1,677,266	7,097,377	6,578,946	518,431	8	6,236,027
SUPPLIES	1,274,503	1,283,430	(8,927)	(1)	1,116,402	5,206,061	5,167,293	38,768	1	4,220,196
PURCHASED SERVICES	1,280,100	1,404,427	(124,327)	(9)	1,507,370	5,455,865	5,441,279	14,586	0	5,285,281
RENTAL	167,054	169,755	(2,701)	(2)	166,834	710,243	679,020	31,223	5	627,795
DEPRECIATION & AMORT	353,153	315,203	37,950	12	318,591	1,326,787	1,260,812	65,975	5	1,277,320
INTEREST	4,340	19,701	(15,361)	(78)	5,434	86,508	79,142	7,366	9	23,027
OTHER	602,387	597,026	5,361	1	478,075	2,131,262	2,373,040	(241,778)	(10)	1,809,464
TOTAL EXPENSES	14,307,558	14,031,705	275,853	2	13,135,970	55,290,401	55,694,878	(404,477)	(1)	50,130,325
NET OPERATING INCOME (LOSS)	214,872	1,041,954	(827,083)	(79)	1,456,373	2,230,246	3,440,269	(1,210,023)	(35)	4,999,064

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 10/31/25

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	4,026	20,000	(15,974)	(80)	61,013	146,667	80,000	66,667	83	74,889
PROPERTY TAX REVENUE	248,434	248,434	0	0	241,122	993,736	993,736	0	0	964,488
GO BOND PROP TAXES	181,114	181,114	0	0	175,915	724,454	724,456	(2)	0	703,659
GO BOND INT REVENUE\EXPENSE	(61,114)	(61,114)	0	0	(65,081)	(244,454)	(244,456)	2	0	(260,326)
OTHER NON-OPER REVENUE	21,030	16,399	4,631	28	16,058	63,199	65,596	(2,397)	(4)	63,025
OTHER NON-OPER EXPENSE	(22,730)	(22,742)	12	0	(27,794)	(90,680)	(90,968)	288	0	(111,244)
INVESTMENT INCOME	3,157	1,625	1,532	94	(3,934)	9,426	6,500	2,926	45	8,780
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	373,916	383,716	(9,800)	(3)	397,298	1,602,348	1,534,864	67,484	4	1,443,272
NET SURPLUS (LOSS)	588,788	1,425,670	(836,882)	(59)	1,853,671	3,832,594	4,975,133	(1,142,539)	(23)	6,442,336
EBIDA	$ 844,670	$ 1,643,615	$ (798,945)	(48.60)%	$ 2,089,223	$ 4,770,061	$ 5,846,913	$ (1,076,852)	(18.41)%	$ 7,387,566
EBIDA MARGIN	5.82%	10.90%	(5.09)%	(46.65)%	14.32%	8.29%	9.89%	(1.59)%	(16.12)%	13.40%
OPERATING MARGIN	1.48%	6.91%	(5.43)%	(78.59)%	9.98%	3.88%	5.82%	(1.94)%	(33.35)%	9.07%
NET SURPLUS (LOSS) MARGIN	4.05%	9.46%	(5.40)%	(57.13)%	12.70%	6.66%	8.41%	(1.75)%	(20.80)%	11.69%

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY
HOLLISTER, CA 95023
FOR PERIOD 10/31/25

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24
GROSS PATIENT REVENUE:										
ROUTINE REVENUE	3,342,151	3,098,366	243,785	8	3,328,187	14,505,918	14,007,867	498,051	4	14,705,010
ANCILLARY INPATIENT REVENUE	3,026,172	3,736,395	(710,223)	(19)	3,705,897	14,092,861	16,352,900	(2,260,040)	(14)	16,541,532
HOSPITALIST I\P REVENUE	144,957	0	144,957		0	742,604	0	742,604		0
TOTAL GROSS INPATIENT REVENUE	6,513,281	6,834,761	(321,480)	(5)	7,034,084	29,341,383	30,360,767	(1,019,384)	(3)	31,246,541
ANCILLARY OUTPATIENT REVENUE	31,804,523	32,968,607	(1,164,084)	(4)	30,536,497	123,358,170	124,933,789	(1,575,619)	(1)	116,649,727
HOSPITALIST O\P REVENUE	107,815	0	107,815		0	456,651	0	456,651		0
TOTAL GROSS OUTPATIENT REVENUE	31,912,338	32,968,607	(1,056,269)	(3)	30,536,497	123,814,821	124,933,789	(1,118,968)	(1)	116,649,727
TOTAL GROSS ACUTE PATIENT REVENUE	38,425,619	39,803,368	(1,377,749)	(4)	37,570,581	153,156,204	155,294,556	(2,138,353)	(1)	147,896,268
DEDUCTIONS FROM REVENUE ACUTE:										
MEDICARE CONTRACTUAL ALLOWANCES	12,019,894	11,119,831	900,063	8	11,261,899	45,702,503	43,384,499	2,318,004	5	41,949,279
MEDI-CAL CONTRACTUAL ALLOWANCES	10,448,360	10,714,488	(266,129)	(3)	9,049,467	42,975,996	41,803,037	1,172,959	3	39,429,537
BAD DEBT EXPENSE	64,885	1,046,067	(981,183)	(94)	812,752	2,522,493	4,105,891	(1,583,398)	(39)	2,990,621
CHARITY CARE	49,567	32,742	16,825	51	7,188	180,775	127,745	53,030	42	144,570
OTHER CONTRACTUALS AND ADJUSTMENTS	5,108,885	5,024,038	84,847	2	4,496,255	20,109,611	19,601,501	508,110	3	18,541,477
HOSPITALIST\PEDS CONTRACTUAL ALLOW	(13,800)	0	(13,800)		0	131,441	0	131,441		0
TOTAL ACUTE DEDUCTIONS FROM REVENUE	27,677,789	27,937,166	(259,378)	(1)	25,627,560	111,622,818	109,022,673	2,600,145	2	103,055,484
NET ACUTE PATIENT REVENUE	10,747,830	11,866,202	(1,118,372)	(9)	11,943,021	41,533,385	46,271,883	(4,738,498)	(10)	44,840,784
OTHER OPERATING REVENUE	1,467,912	1,148,459	319,453	28	606,036	7,693,775	4,693,464	3,000,311	64	2,540,405
NET ACUTE OPERATING REVENUE	12,215,743	13,014,661	(798,918)	(6)	12,549,057	49,227,160	50,965,347	(1,738,187)	(3)	47,381,189
OPERATING EXPENSES:										
SALARIES & WAGES	4,461,792	4,497,621	(35,829)	(1)	4,059,326	17,301,340	17,770,006	(468,667)	(3)	15,773,398
REGISTRY	589,842	476,160	113,682	24	475,722	2,281,568	1,904,640	376,928	20	1,815,480
EMPLOYEE BENEFITS	2,126,929	1,951,367	175,562	9	1,687,265	7,197,263	7,827,749	(630,486)	(8)	6,779,001
PROFESSIONAL FEES	1,742,855	1,642,284	100,571	6	1,675,056	7,088,537	6,568,946	519,591	8	6,227,187
SUPPLIES	1,147,774	1,184,723	(36,949)	(3)	1,011,188	4,738,115	4,776,446	(38,331)	(1)	3,826,021
PURCHASED SERVICES	1,180,240	1,300,214	(119,974)	(9)	1,366,347	5,060,017	5,027,958	32,059	1	4,886,790
RENTAL	149,997	161,839	(11,842)	(7)	165,792	630,310	645,136	(14,826)	(2)	622,230
DEPRECIATION & AMORT	313,208	276,162	37,046	13	279,264	1,167,577	1,104,648	62,929	6	1,120,622
INTEREST	4,340	19,701	(15,361)	(78)	5,434	86,508	79,142	7,366	9	23,027
OTHER	568,353	535,920	32,433	6	420,881	1,861,666	2,116,506	(254,840)	(12)	1,573,129
TOTAL EXPENSES	12,285,331	12,045,991	239,340	2	11,146,276	47,412,900	47,821,177	(408,277)	(1)	42,646,886
NET OPERATING INCOME (LOSS)	(69,588)	968,670	(1,038,258)	(107)	1,402,781	1,814,260	3,144,170	(1,329,910)	(42)	4,734,302

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY
HOLLISTER, CA 95023
FOR PERIOD 10/31/25

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	4,026	20,000	(15,974)	(80)	61,013	146,667	80,000	66,667	83	74,889
PROPERTY TAX REVENUE	211,194	211,194	0	0	204,954	844,776	844,776	0	0	819,816
GO BOND PROP TAXES	181,114	181,114	0	0	175,915	724,454	724,456	(2)	0	703,659
GO BOND INT REVENUE\EXPENSE	(61,114)	(61,114)	0	0	(65,081)	(244,454)	(244,456)	2	0	(260,326)
OTHER NON-OPER REVENUE	21,030	16,399	4,631	28	16,058	63,199	65,596	(2,397)	(4)	63,025
OTHER NON-OPER EXPENSE	(17,682)	(17,694)	12	0	(21,606)	(70,488)	(70,776)	288	0	(86,491)
INVESTMENT INCOME	3,157	1,625	1,532	94	(3,934)	9,426	6,500	2,926	45	8,780
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	341,724	351,524	(9,800)	(3)	367,319	1,473,580	1,406,096	67,484	5	1,323,353
NET SURPLUS (LOSS)	272,136	1,320,194	(1,048,058)	(79)	1,770,100	3,287,840	4,550,266	(1,262,426)	(28)	6,057,655

HAZEL HAWKINS SKILLED NURSING FACILITIES
HOLLISTER, CA
FOR PERIOD 10/31/25

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24	ACTUAL 10/31/25	BUDGET 10/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 10/31/24
GROSS SNF PATIENT REVENUE:										
ROUTINE SNF REVENUE	2,473,588	2,092,500	381,088	18	1,926,030	8,584,558	8,302,500	282,058	3	7,874,160
ANCILLARY SNF REVENUE	437,136	381,125	56,011	15	365,379	1,608,853	1,512,207	96,646	6	1,291,905
TOTAL GROSS SNF PATIENT REVENUE	2,910,724	2,473,625	437,099	18	2,291,409	10,193,411	9,814,707	378,704	4	9,166,065
DEDUCTIONS FROM REVENUE SNF:										
MEDICARE CONTRACTUAL ALLOWANCES	297,938	273,811	24,127	9	232,658	1,163,041	1,086,026	77,015	7	944,350
MEDI-CAL CONTRACTUAL ALLOWANCES	255,467	100,752	154,715	154	(18,931)	643,999	399,758	244,241	61	396,980
BAD DEBT EXPENSE	9,097	5,000	4,097	82	6,494	13,022	20,000	(6,978)	(35)	(37,045)
CHARITY CARE	0	0	0	0	0	3,024	0	3,024		0
OTHER CONTRACTUALS AND ADJUSTMENTS	41,536	35,064	6,472	19	27,903	76,837	139,123	(62,286)	(45)	113,578
TOTAL SNF DEDUCTIONS FROM REVENUE	604,037	414,627	189,410	46	248,124	1,899,924	1,644,907	255,017	16	1,417,864
NET SNF PATIENT REVENUE	2,306,686	2,058,998	247,688	12	2,043,286	8,293,487	8,169,800	123,687	2	7,748,201
OTHER OPERATING REVENUE	0	0	0	0	0	0	0	0	0	0
NET SNF OPERATING REVENUE	2,306,686	2,058,998	247,688	12	2,043,286	8,293,487	8,169,800	123,687	2	7,748,201
OPERATING EXPENSES:										
SALARIES & WAGES	1,038,728	1,112,899	(74,171)	(7)	1,021,702	4,203,071	4,393,223	(190,152)	(4)	4,102,441
REGISTRY	55,141	49,224	5,917	12	69,873	256,029	196,898	59,131	30	196,470
EMPLOYEE BENEFITS	608,523	510,108	98,415	19	552,110	2,037,029	2,022,830	14,199	1	1,984,424
PROFESSIONAL FEES	2,210	2,500	(290)	(12)	2,210	8,840	10,000	(1,160)	(12)	8,840
SUPPLIES	126,730	98,707	28,023	28	105,214	467,946	390,847	77,099	20	394,175
PURCHASED SERVICES	99,861	104,213	(4,352)	(4)	141,023	395,849	413,321	(17,472)	(4)	398,492
RENTAL	17,057	7,916	9,141	116	1,041	79,932	33,884	46,048	136	5,566
DEPRECIATION	39,945	39,041	904	2	39,327	159,210	156,164	3,046	2	156,697
INTEREST	0	0	0	0	0	0	0	0	0	0
OTHER	34,034	61,106	(27,073)	(44)	57,194	269,596	256,534	13,062	5	236,335
TOTAL EXPENSES	2,022,227	1,985,714	36,513	2	1,989,694	7,877,501	7,873,701	3,800	0	7,483,439
NET OPERATING INCOME (LOSS)	284,460	73,284	211,176	288	53,592	415,986	296,099	119,887	41	264,762
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	0	0	0	0	0	0	0	0	0	0
PROPERTY TAX REVENUE	37,240	37,240	0	0	36,168	148,960	148,960	0	0	144,672
OTHER NON-OPER EXPENSE	(5,048)	(5,048)	0	0	(6,188)	(20,192)	(20,192)	0	0	(24,753)
TOTAL NON-OPERATING REVENUE/(EXPENSE)	32,192	32,192	0	0	29,980	128,768	128,768	0	0	119,919
NET SURPLUS (LOSS)	316,652	105,476	211,176	200	83,572	544,754	424,867	119,887	28	384,681

HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 10/31/25

	CURR MONTH 10/31/25	PRIOR MONTH 09/30/25	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/25
CURRENT ASSETS					
CASH & CASH EQUIVALENT	43,724,439	41,358,446	2,365,993	6	46,670,217
PATIENT ACCOUNTS RECEIVABLE	63,284,211	65,389,168	(2,104,958)	(3)	66,556,290
BAD DEBT ALLOWANCE	(5,764,801)	(6,739,015)	974,214	(15)	(7,062,672)
CONTRACTUAL RESERVES	(36,100,660)	(37,634,480)	1,533,820	(4)	(38,404,377)
OTHER RECEIVABLES	8,745,735	11,328,929	(2,583,194)	(23)	5,156,947
INVENTORIES	5,014,637	5,004,777	9,861	0	4,981,471
PREPAID EXPENSES	2,579,749	3,007,788	(428,039)	(14)	2,599,584
DUE TO\FROM THIRD PARTIES	(181,860)	(181,860)	0	0	(181,860)
TOTAL CURRENT ASSETS	81,301,450	81,533,753	(232,303)	0	80,315,600
ASSETS WHOSE USE IS LIMITED					
BOARD DESIGNATED FUNDS	6,186,810	5,902,662	284,148	5	5,243,618
TOTAL LIMITED USE ASSETS	6,186,810	5,902,662	284,148	5	5,243,618
PROPERTY, PLANT, AND EQUIPMENT					
LAND & LAND IMPROVEMENTS	3,370,474	3,370,474	0	0	3,370,474
BLDGS & BLDG IMPROVEMENTS	100,098,374	100,098,374	0	0	100,098,374
EQUIPMENT	47,478,522	47,115,736	362,786	1	46,216,122
CONSTRUCTION IN PROGRESS	5,174,428	4,788,379	386,050	8	4,324,809
GROSS PROPERTY,PLANT, AND EQUIPMENT	156,121,798	155,372,962	748,835	1	154,009,779
ACCUMULATED DEPRECIATION	(99,779,604)	(99,411,539)	(368,065)	0	(98,393,920)
NET PROPERTY, PLANT, AND EQUIPMENT	56,342,193	55,961,423	380,771	1	55,615,859
OTHER ASSETS					
UNAMORTIZED LOAN COSTS	304,248	309,990	(5,742)	(2)	327,215
PENSION DEFERRED OUTFLOWS NET	7,038,149	7,038,149	0	0	7,038,149
TOTAL OTHER ASSETS	7,342,397	7,348,139	(5,742)	0	7,365,364
TOTAL UNRESTRICTED ASSETS	151,172,850	150,745,977	426,874	0	148,540,441
RESTRICTED ASSETS	128,244	127,776	468	0	127,208
TOTAL ASSETS	151,301,094	150,873,753	427,341	0	148,667,650

HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 10/31/25

	CURR MONTH 10/31/25	PRIOR MONTH 09/30/25	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/25
CURRENT LIABILITIES					
ACCOUNTS PAYABLE	6,720,355	7,631,338	910,983	(12)	6,221,841
ACCRUED PAYROLL	3,040,141	2,398,886	(641,255)	27	3,467,229
ACCRUED PAYROLL TAXES	189,868	143,122	(46,746)	33	257,552
ACCRUED BENEFITS	4,444,906	4,514,482	69,577	(2)	5,074,320
OTHER ACCRUED EXPENSES	80,470	92,144	11,674	(13)	80,907
PATIENT REFUNDS PAYABLE	1,310	3,101	1,792	(58)	1,310
DUE TO\FROM THIRD PARTIES	3,983,969	3,983,965	(4)	0	4,701,466
OTHER CURRENT LIABILITIES	1,091,958	908,494	(183,463)	20	756,834
TOTAL CURRENT LIABILITIES	19,552,976	19,675,533	122,557	(1)	20,561,459
LONG-TERM DEBT					
LEASES PAYABLE	4,607,562	4,614,513	6,951	0	4,635,296
BONDS PAYABLE	28,420,801	28,449,321	28,520	0	28,534,881
TOTAL LONG TERM DEBT	33,028,362	33,063,833	35,471	0	33,170,177
OTHER LONG-TERM LIABILITIES					
DEFERRED REVENUE	0	0	0	0	0
LONG-TERM PENSION LIABILITY	23,814,514	23,814,514	0	0	23,814,514
TOTAL OTHER LONG-TERM LIABILITIES	23,814,514	23,814,514	0	0	23,814,514
TOTAL LIABILITIES	76,395,852	76,553,880	158,028	0	77,546,150
NET ASSETS:					
UNRESTRICTED FUND BALANCE	71,069,106	71,069,106	0	0	70,971,926
RESTRICTED FUND BALANCE	100,722	104,141	3,419	(3)	149,573
NET REVENUE/(EXPENSES)	3,735,414	3,146,626	(588,788)	19	0
TOTAL NET ASSETS	74,905,242	74,319,873	(585,369)	1	71,121,500
TOTAL LIABILITIES AND NET ASSETS	151,301,094	150,873,753	(427,341)	0	148,667,650

Hazel Hawkins
MEMORIAL HOSPITAL

San Benito Health Care District
Hazel Hawkins Memorial Hospital
OCTOBER 2025

Description	MTD Budget	MTD Actual	YTD Actual	YTD Budget	FYE Budget
Average Daily Census - Acute	13.20	12.45	14.16	14.97	15.00
Average Daily Census - SNF	89.99	87.90	88.17	90.00	90.00
Acute Length of Stay	2.78	2.61	2.70	2.80	2.80
ER Visits:					
Inpatient	122	100	501	542	1,638
Outpatient	2,154	2,173	8,684	8,499	27,053
Total	2,276	2,273	9,185	9,041	28,691
Days in Accounts Receivable	50.0	48.4	48.4	50.0	50.0
Productive Full-Time Equivalents	575.17	555.93	540.92	575.17	575.17
Net Patient Revenue	13,925,200	13,054,517	49,826,873	54,441,683	157,730,532
Payment-to-Charge Ratio	32.9%	31.6%	30.5%	33.0%	32.4%
Medicare Traditional Payor Mix	29.82%	28.36%	28.89%	29.75%	28.71%
Commercial Payor Mix	22.20%	21.59%	23.17%	22.24%	23.36%
Bad Debt % of Gross Revenue	2.50%	0.18%	1.55%	2.50%	2.53%
EBIDA	1,643,615	844,670	4,770,061	5,846,913	13,769,729
EBIDA %	10.90%	5.82%	8.29%	9.89%	7.98%
Operating Margin	6.91%	1.48%	3.88%	5.82%	3.79%
Salaries, Wages, Registry & Benefits %:					
by Net Operating Revenue	57.04%	61.15%	57.85%	57.69%	59.06%
by Total Operating Expense	61.27%	62.07%	60.18%	61.25%	61.39%
Bond Covenants:					
Debt Service Ratio - 1.25	10.54	5.42	7.65	12.49	7.36
Current Ratio - 1.50	2.00	4.16	4.16	2.00	2.00
Days Cash on hand - 30.00	93.19	99.49	99.49	93.19	110.00

Met or Exceeded Target
Within 10% of Target
Not Within 10%

Statement of Cash Flows
Hazel Hawkins Memorial Hospital
Hollister, CA
Four month ending October 31, 2025

	CASH FLOW		COMMENTS
	Current Month 10/31/2025	Current Year-To-Date 10/31/2025	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	$588,788	$3,832,594	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	368,065	1,385,684	
(Increase)/Decrease in Net Patient Accounts Receivable	(403,077)	(329,509)	
(Increase)/Decrease in Other Receivables	2,583,194	(3,588,788)	
(Increase)/Decrease in Inventories	(9,861)	(33,167)	
(Increase)/Decrease in Pre-Paid Expenses	428,039	19,834	
(Increase)/Decrease in Due From Third Parties	0	0	
Increase/(Decrease) in Accounts Payable	(910,983)	498,513	
Increase/(Decrease) in Notes and Loans Payable	0	0	
Increase/(Decrease) in Accrued Payroll and Benefits	618,425	(1,124,180)	
Increase/(Decrease) in Accrued Expenses	(11,674)	(436)	
Increase/(Decrease) in Patient Refunds Payable	(1,792)	0	
Increase/(Decrease) in Third Party Advances/Liabilities	4	(717,497)	
Increase/(Decrease) in Other Current Liabilities	183,463	335,123	Semi-Annual Int. - 2005 GO & 2021 Revenue Bonds
Net Cash Provided by Operating Activities:	**2,843,803**	**(3,554,423)**	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment	(748,835)	(2,112,019)	
(Increase)/Decrease in Limited Use Cash and Investments	0	0	
(Increase)/Decrease in Other Limited Use Assets	(284,148)	(943,192)	Bond Principal & Int Payment - 2014 (2005) & 2021 Bonds
(Increase)/Decrease in Other Assets	5,742	22,968	Amortization
Net Cash Used by Investing Activities	**(1,027,241)**	**(3,032,243)**	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase/(Decrease) in Capital Lease Debt	(6,951)	(27,734)	
Increase/(Decrease) in Bond Mortgage Debt	(28,520)	(114,080)	2014 GO Principal & Refinancing of 2013 Bonds with 2021 Bonds
Increase/(Decrease) in Other Long Term Liabilities	0	0	
Net Cash Used for Financing Activities	**(35,471)**	**(141,814)**	
(INCREASE)/DECREASE IN RESTRICTED ASSETS	(3,886)	(49,886)	
Net Increase/(Decrease) in Cash	**2,365,993**	**(2,945,772)**	
Cash, Beginning of Period	41,358,446	46,670,211	
Cash, End of Period	**$43,724,439**	**$43,724,439**	$0

Cost per day to run the District	$439,465	$41,233,677	Budgeted Cash on Hand
Operational Days Cash on Hand	99.49	$2,490,762	Variance

Hazel Hawkins Memorial Hospital
Supplemental Payment Programs
YTD as of October 31, 2025
FYE June 30, 2026

	Payor	Actual FY 2026	Actual FY 2025	Notes:
Intergovernmental Transfer Programs:				**Requires District to fund program and wait for matching return.**
- AB 113 Non-Designated Public Hospital (NDPH)				
SFY 2023/2024 Final Payment SFY 2024/2025	DHCS	202,500	39,795	IGT due April 2026. Expect payment by June 2025.
SFY 2024/2025 Interim SFY 2025/2026	DHCS	202,500	305,302	IGT due April 2026. Expect payment by June 2025.
- SB 239 Hospital Quality Assurance Fund (HQAF) CY 2025	CCAH	2,160,000	2,407,056	Paid IGT of $1,067,193 in April. Rec. in May.
- Rate Range Jan. 1, 2023 through Dec. 31, 2023	Anthem	-	1,339,141	Received in February 2025.
- Rate Range Jan. 1, 2024 through Dec. 31, 2024	CCAH	2,902,041	-	
- QIP PY 6 Settlement CY 2023	DHCS	-	4,311,260	Sent IGT of $2,342,379 in March. Rec. in May.
- QIP PY 7 Settlement "Interim" Payment for CY 2024	CCAH	2,249,573		Funded IGT on Aug. 22nd, $900,434.15. Rec'd in Oct. 2025.
- QIP PY 7 Settlement "Final" Payment for CY 2024	CCAH	2,249,573		Funded IGT due Feb/Mar 2026, Rec. funding Apr/May 2026.
- District Hospital Directed Payments (DHDP) CY 2024	DHCS	643,091	710,853	Funded IGT on Aug. 22nd, $379,041.08. Expect payment in Oct/Nov '25.
- QIP PY 5 Loan Repayment	District	-	(3,090,086)	Paid on Decmber 9, 2024.
IGT sub-total		10,609,278	6,023,320	
Non-Intergovernmental Transfer Programs:				**Direct Payments.**
- AB 915 SY 2024-25	DHCS	-	1,802,585	Received on March 17, 2025. Based on FFS. County now under CCAH.
- SB 239 Hospital Quality Assurance Fund (HQAF)	DHCS	-	1,069,577	Rec. Sep. 4, 2024.
- SB 239 Hospital Quality Assurance Fund (HQAF) VIII	DHCS	-	1,081,621	Expected to Rec. 4th qtr payment by June 30, 2025.
- SB 239 Hospital Quality Assurance Fund (HQAF) VIII	DHCS	-	3,244,863	Rec'd 1st, 2nd, & 3rd Qtr payments YTD.
- SB 239 Hospital Quality Assurance Fund (HQAF) IX	DHCS	3,570,006		Qtrly Pmts expected March, May, July, & October 2026.
- Distinct Part, Nursing Facility (DP/NF)	-	-	-	Based on actual cost difference.
- Medi-Cal Disproportionate Share (DSH)	DHCS	480,878	1,260,151	H.R. 1 reduction of 60% effective 10/01/2025.
Non-IGT sub-total		4,050,884	8,458,797	
Program Grand Totals		14,660,162	14,482,117	
Total Received		3,373,542	17,572,203	
Total Pending		11,286,620		
Total Paid		-	(3,090,086)	
Net Supplemental Payments		14,660,162	14,482,117	

San Benito Healthcare District

Pension Plan

2025 GASB 68 Report

Valuation Date: December 31, 2024

Measurement Date: December 31, 2024

Fiscal Year Ending: June 30, 2025

www.nicolayconsulting.com

NICOLAY CONSULTING

September 30, 2025

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

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

Re: San Benito Healthcare District GASB 67/68 Report for FYE June 30, 2025

Dear Retirement Committee,

The San Benito Healthcare District has retained Nicolay Consulting Group to complete this valuation of the San Benito Healthcare District Pension Plan (the "Plan") using a December 31, 2024 measurement date in compliance with Governmental Accounting Standards Board (GASB) Statement 67 and 68.

The purpose of this valuation is to determine the value of the expected retirement benefits for current and future retirees, the Net Pension Liability and the Pension Expense for the fiscal year ending June 30, 2025. The amounts reported herein are not necessarily appropriate for use for a different fiscal year without adjustment.

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

The results included in this report may not be appropriate for other purposes and should not be relied on for any other purposes without first contacting Nicolay Consulting Group (NCG). This report should not be disclosed to other parties without prior consent from NCG. When shared, this report should be shared in its entirety. No party other than The District may rely on the results of this report for any reason.

The valuation assumes that the Plan will continue in its current form, without amendment. We make no determination about the Plan Sponsor's intentions to continue the Plan in its current form.

The results summarized in this report are based on participant data provided by the District as of 12/31/2024, and on financial data from the Trustee. We have reviewed the data provided for reasonableness compared to prior data collections, however, we have not audited the data. Where data was missing, we have made assumptions we believe to be reasonable given the purpose of the measurement. In general, we have relied on the data as provided. The accuracy of the valuation and results summarized in this report are directly contingent on the accuracy of the data provided. Any errors or omissions in the provided data will cause the results of our report to differ.

September 30, 2025

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

Prior year information is included for comparison purposes only and any assumptions, caveats, assumptions, or limitations on reliance from the prior year report should be reviewed prior to relying on the prior year information included. Results have not been rounded as a matter of convenience, and this does not imply a specific level of accuracy.

Actuarial assumptions were selected by the plan sponsor. NCG has reviewed the assumptions and believes them to reasonable and suitable for the purposes of this actuarial measurement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

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

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

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

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

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

NICOLAY CONSULTING GROUP

Malcolm Merrill, FSA, EA, FCA
Vice President & Senior Actuary

Sue Simon ASA, MAAA, EA, FCA
Vice President & Senior Actuary

Table of Contents

Table of Contents

Section I – Management Summary

A) Highlights

Summary of Key Valuation Results

Fiscal Year Ending June 30	2025	2024
Actuarial Accrued Liability or Total Pension Liability (TPL):	$66,060,591	$62,607,899
Plan Fiduciary Net Position (i.e. Fair Value of Assets)	40,172,470	38,793,385
Net Pension Liability (NPL)	$25,888,121	$23,814,514
Plan Fiduciary Net Position as a percentage of the TPL	61%	62%
Aggregate Pension Expense/ (Income) (Exhibit 4)	$3,837,537	($1,327,377)
Covered Payroll	$0	$0
Schedule of Contributions for measurement period ending June 30:		
Actuarially determined contributions (Exhibit 7)	$1,708,596	$3,401,336
Actual contributions	3,673	96,833
Contribution deficiency/(excess)	$1,702,923	$3,304,503
Demographic data for measurement period ending June 30:		
Number of active members	244	268
Number of retired members and beneficiaries	175	159
Inactive participants with deferred benefits	154	148
Total Participants	573	575
Key assumptions as of the Measurement Date:		
Discount rate	5.18%	5.44%
Long-term rate of return on assets	6.25%	6.50%

B) Gap Analysis

The Total Pension Liability has increased $3,452,692 from $62,607,899 as of 6/30/2024 to $66,060,591 as of 6/30/2025.

Change in Pension Liability	Amount
Expected benefits earned, benefit payments and interest	$1,143,212
Actual demographic and other experience	$113,816
Change in Assumptions	$2,195,664
Total	$3,452,692

C) 10 – Year Projection of Employer Benefit Payments

In this table we show the next ten years of expected benefit payments.

Fiscal Year Beginning July 1	Projected Benefit Payments
2025	$2,891,041
2026	$3,029,830
2027	$3,232,648
2028	$3,437,901
2029	$3,583,754
2030	$3,891,582
2031	$4,168,321
2032	$4,230,057
2033	$4,317,592
2034	$4,351,723

Section II – GASB 68 Exhibits

A) Schedule of Changes in Net Pension Liability

Fiscal Year Ending June 30	2025	2024
Total Pension Liability		
Service Cost	$0	$2,376,022
Interest	3,346,728	3,510,551
Change of benefit terms	0	(6,965,902)
Differences between expected and actual experience	113,816	(453,339)
Changes in assumptions	2,195,664	(5,736,563)
Benefit payments	(2,203,516)	(1,746,187)
Net change in Total Pension Liability	$3,452,692	($9,015,418)
Total Pension Liability – beginning (a)	$62,607,899	$71,623,317
Total Pension Liability - ending (b)	$66,060,591	$62,607,899
Plan Fiduciary Net Position		
Contributions – employer	$3,673	$96,833
Contributions – employee	12,714	173,193
Net investment income	3,591,926	5,155,028
Benefit payments	(2,203,516)	(1,746,187)
Administrative expense	(25,712)	(22,935)
Other	0	0
Net change in Plan Fiduciary Net Position	$1,379,085	$3,655,932
Plan Fiduciary Net Position – beginning (c)	$38,793,385	$35,137,453
Plan Fiduciary Net Position – ending (d)	$40,172,470	$38,793,385
Net Pension Liability – beginning (a) - (c)	$23,814,514	$36,485,864
Net Pension Liability – ending (b) - (d)	$25,888,121	$23,814,514
Plan Fiduciary Net Position as a percentage of the TPL:	61%	62%
Covered employee payroll	$0	$0
NPL as percentage of covered employee payroll	N/A	N/A

Section II – GASB 68 Exhibits

B) Summary of Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)– (b)
Fiscal Year Ending June 30, 2024	$62,607,899	$38,793,385	$23,814,514
Recognized Changes Resulting from:			
• Service cost	$0	0	$0
• Interest cost	3,346,728	0	3,346,728
• Diff. between expected and actual exp.	113,816	0	113,816
• Changes of assumptions	2,195,664	0	2,195,664
• Net investment income	0	3,591,926	(3,591,926)
• Benefit payments	(2,203,516)	(2,203,516)	0
• Contributions – employer	0	3,673	(3,673)
• Contributions – employee	0	12,714	(12,714)
• Administrative expense	0	(25,712)	25,712
• Other	0	0	0
• Change of benefit terms	0	0	0
• Net Changes	$3,452,692	$1,379,085	$2,073,607
Fiscal Year Ending June 30, 2025	$66,060,591	$40,172,470	$25,888,121

C) Derivation of Significant Actuarial Assumptions

Long-term Expected Rate of Return – As of December 31, 2024, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Current Allocation	Long-Term Expected Nominal Rate of Return[1]	Long-Term Expected Real Rate of Return
US Large Cap Equity	35%	7.91%	5.38%
US Mid Cap Equity	4%	8.51%	5.97%
US Small Cap Equity	6%	8.82%	6.27%
International Equity	21%	9.49%	6.92%
Emerging Markets Equity	0%	9.18%	6.62%
US Agg Bonds	31%	4.70%	2.25%
US High Yield Bonds	0%	6.44%	3.95%
REITs	0%	9.33%	6.77%
T-BILLS	0%	3.91%	1.47%
Cash and Cash Equivalents	3%	3.10%	0.68%
	100%	7.18%	4.67%

[1]JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.40%.

The above table shows the target asset allocation based on client provided Trust Statements. This analysis was used to assist in determining whether the current long-term rate of return assumption of 6.25% selected by the Plan Sponsor is reasonable.

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

	2025	2024
Discount Rate	5.18%	5.44%
Long-term Rate of Return	6.25%	6.50%
S&P Municipal Bond 20 Year High Grade Index	4.28%	4.00%

D) Sensitivity Analysis

Sensitivity of the Net Pension Liability to changes in the discount rate – The following presents the Net Pension Liability as if it were calculated using a discount rate that is 1% point lower (4.18%) or 1% point higher (6.18%) then the current rate:

Sensitivity Analysis:

	Net Pension Liability	$ Change	% Change
Discount Rate			
1%	$18,057,003	($7,831,118)	-30%
Base	$25,888,121		
-1%	$35,589,344	$9,701,223	37%

E) Schedule of Pension Expense

Fiscal Year Ending June 30	2025	2024
Components of Pension Expense:		
Service Cost	$0	$2,376,022
Interest on the Total Pension Liability (Exhibit 5)	3,346,728	3,510,551
Projected Earnings on Pension Plan Investments (Exhibit 6)	(2,450,785)	(2,235,980)
Employee Contributions	(12,714)	(173,193)
Administrative Expense	25,712	22,935
Change of Benefit Terms	0	(6,965,902)
Recognition of Deferred Resources Due to:		
• Changes of Assumptions	2,594,002	2,183,211
• Differences Between Expected and Actual Experience	(12,006)	19,116
• Differences Between Projected and Actual Earnings on Assets	346,600	(64,137)
Aggregate Pension Expense/(Income)	$3,837,537	($1,327,377)

F) Interest on the Total Pension Liability

	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total Pension Liability
Beginning Total Pension Liability	$62,607,899	100%	5.44%	$3,405,870
Service Cost	$0	100%	5.44%	0
Benefit Payments	(2,203,516)	50%	5.44%	(59,142)
Total Interest on the TPL				3,346,728

G) Earnings on Pension Plan Investments

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings
Beginning Plan Fiduciary Net Position	$38,793,385	100%	6.50%	$2,521,570
Employer Contributions	3,673	50%	6.50%	117
Employee Contributions	12,714	50%	6.50%	407
Benefit Payments	(2,203,516)	50%	6.50%	(70,487)
Administrative Expense and Other	(25,712)	50%	6.50%	(822)
Total Projected Earnings				$2,450,785

Comparison of Projected and Actual Investment Earnings	
Total Projected Earnings	$2,450,785
Actual Net Investment Income	3,591,926
Difference Between Projected and Actual Earnings on Assets	($1,141,141)

H) Schedule of Contributions

Fiscal Year Ending June 30:	2024	2023
Actuarially Determined Contribution	$1,708,596	$3,401,336
Employer Contributions to the Trust	$3,673	$96,833
Covered-employee payroll	$0	$0
Contributions as a percentage of covered-employee payroll	N/A	N/A

1. Employers setting a discount rate based on the assumption that assets will be sufficient to cover all future benefit payments under the plan are assumed to annually make contributions equal to the actuarially determined contribution. Annual contributions made that are substantially less than the ADC would require additional support for use of a discount rate equal to the long-term expected return on trust assets.

2. Covered-Employee Payroll, as defined by GASB 68, is the total payroll of employees eligible for benefits under the Pension Plan.

Section II – GASB 68 Exhibits

I) Deferred Inflows/Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unrecognized Deferred Resources due to:		
• Differences between expected and actual experience	$683,813	$520,822
• Changes in assumptions	7,722,012	3,264,911
• Net difference between projected and actual earnings	657,800	0
Contribution to Pension plan after measurement date	0	0
Total	$9,063,625	$3,785,733

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

Fiscal Year Ending June 30	Recognized Deferred Outflows/(Inflows) of resources
2026	$3,031,016
2027	2,888,628
2028	(413,523)
2029	(228,229)
2030	0
Thereafter	0
Total Deferred Resources	$5,277,892

J) Schedule of Deferred Inflows/Outflows of Resources

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognized In FYE 2025	Deferred Balances Outflows	Deferred Balances Inflows
Difference Between Expected and Actual Plan Experience						
2014	131,657	9	-	5,742	-	-
2015	74,961	9	-	3,492	-	-
2016	187,133	8	-	885	-	-
2017	398,336	8	-	27,546	-	-
2018	(237,050)	8	1	(30,977)	-	20,211
2019	(1,044,501)	7	1	(153,852)	-	121,389
2020	(546,664)	6	2	(84,991)	-	121,709
2021	485,864	6	2	88,179	133,148	-
2022	1,069,590	6	3	201,429	465,303	-
2023	(453,339)	5	3	(97,913)	-	257,513
2024	113,816	4	3	28,454	85,362	-
Total	179,878			(12,006)	683,813	520,822
					Net Future Amortizations:	162,991
Change in Assumptions						
2014	3,785,415	9	-	165,081	-	-
2015	(48,983)	9	-	(2,282)	-	-
2016	(506,429)	8	-	(2,397)	-	-
2017	(132,646)	8	-	(9,173)	-	-
2018	(74,412)	8	1	(9,724)	-	6,344
2019	1,939,682	7	1	285,710	225,422	-
2020	1,227,120	6	2	190,784	273,200	-
2021	4,008,624	6	2	727,518	1,098,552	-
2022	10,293,791	6	3	1,938,567	4,478,090	-
2023	(5,736,563)	5	3	(1,238,998)	-	3,258,567
2024	2,195,664	4	3	548,916	1,646,748	-
Total	16,951,263			2,594,002	7,722,012	3,264,911
					Net Future Amortizations:	4,457,101
Net Difference Between Projected and Actual Investment Earnings Investments						
2020	(1,524,970)	5	-	(304,994)	-	-
2021	(1,974,391)	5	1	(394,878)	-	394,879
2022	9,292,550	5	2	1,858,510	3,717,020	-
2023	(2,919,048)	5	3	(583,810)	-	1,751,428
2024	(1,141,141)	5	4	(228,228)	-	912,913
Total	1,733,000			346,600	3,717,020	3,059,220
					Net Future Amortizations:	657,800
Totals:				**2,928,596**	**12,122,845**	**6,844,953**
	Net:				**5,277,892**	

K) Reconciliation of the Net Position

Fiscal Year Ending June 30	2025	2024
Total Pension Liability (TPL)	$66,060,591	$62,607,899
Plan Fiduciary Net Position (PFNP)	40,172,470	$38,793,385
Net Pension Liability (NPL)	$25,888,121	$23,814,514
Deferred Inflows of resources (CR):		
• Differences between expected and actual experience	$520,822	$888,555
• Changes in assumptions	3,264,911	4,527,485
• Net differences between projected and actual earnings	0	0
Deferred Outflows of resources (DR):		
• Differences between expected and actual experience	(683,813)	(925,724)
• Changes in assumptions	(7,722,012)	(9,382,924)
• Net differences between projected and actual earnings	(657,800)	(2,145,541)
• Est. contributions post measurement date	0	0
Net Position	$20,610,229	$16,776,365

Reconciliation of Net Position	
Net Position at June 30, 2024	$16,776,365
Aggregate Pension Expense/(Income)	3,837,537
Total Pension Contribution	(3,673)
Difference in Post-Measurement Contributions	0
Net Position at June 30, 2025	$20,610,229

Section III – Data

A) Summary of Demographic Information

The participant data used in the valuation was provided by the client as of December 31, 2024. It is assumed that this data is representative of the population as of June 30, 2025. While the participant data was checked for reasonableness, the data was not audited. The valuation results presented in this report are dependent upon the accuracy of the participant data provided. The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan. More participant information can be found in the 2025 Actuarial Report for Funding.

Fiscal Year Ending	June 30, 2025	June 30, 2024
Active Participants		
• Total	244	268
• Average Age	53.1	53.0
• Average Service	18.8	18.1
Terminated Vested Participants		
• Total	154	148
• Average Age	56.2	55.3
Retired Participants and Beneficiaries		
• Number Retirees	166	151
• Number Beneficiaries	9	8
• Total	175	159
• Average Retiree Age	71.8	71.6
• Average Beneficiary Age	67.3	65.1

Summary of Plan Provisions

Effective Date:	January 1, 2005
Most Recent Restatement Date:	January 1, 2015
Most Recent Amendment Date:	July 3, 2023 (Plan Freeze)
Plan Year:	January 1 to December 31
Eligible Employee:	Benefited full-time or part-time employee. Hired prior to January 1, 2013.
Participation Entry Date:	January 1st following three years of consecutive employment (1,000 hours in each year) and attainment of age 21. No new entrants on or after the freeze date of July 3, 2023.
Normal Retirement Date:	First of month after reaching age 65 and completing five Years of Service.
Deferred Retirement Date:	First of any month following actual retirement after a participant's Normal Retirement Age. An employee can work beyond his normal retirement date and continue to earn pension benefits.
Early Retirement Date:	First of any month after reaching age 50 and completing 15 Years of Service and 5 years of Plan participation.
Normal Form of Payment For Unmarried Participants:	A retirement income payable monthly for life, with guaranteed payments for 120 months.
Normal Form of Payment For Married Participants:	A retirement income payable monthly for life, with guaranteed payments for 120 months; in addition, after the 120-month period, in the event of the participant's death, the participant's spouse will receive a monthly pension equal to 50% of the participant's pension for the remainder of the spouse's lifetime.
Optional Forms of Distribution of Retirement Benefit:	No other options available.

Summary of Plan Provisions (cont'd)

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

Summary of Plan Provisions (cont'd)

PEPRA Provisions

PEPRA Participant	"PEPRA Participant" means a participant who (i) was never a member of a California "public retirement system" as that term is defined in California Government Code section 7522.04(j), prior to January 1, 2013, (ii) was a member of a California public retirement system prior to January 1, 2013, other than the system through which this Plan is offered but was not subject to reciprocity under California Government Code section 7522.02(c), or (iii) was an active member in the system through which this Plan is offered but who returned to active membership in the system with a new employer after a break in service of more than six (6) months.
Classic Participant	Means a participant who is not a PEPRA Participant
Eligibility Requirements	Employees must be employed by the Employer in an eligible category of employment, have attained age 21, and completed three years of service in order to be eligible to participate in the plan. An eligible employee will become a participant upon the later of January 1, 2016, completion of three years of services, or attainment of age 21.
PEPRA Benefit Accrual Rates	Same as Retirement Benefit Formula for Future Service
Normal Retirement:	Normal retirement age under the plan is the later of age 65 or the date an employee completes 5 years of service. Normal retirement date is the first day of the month after reaching normal retirement age.

Summary of Plan Provisions (cont'd)

PEPRA Provisions (Continued)

Early Retirement:	The first day of the month following a Participant's attainment of age fifty (50) years and the completion of ten (10) Years of Service, or the first day of any subsequent month preceding the Participant's Normal Retirement Age; provided, however, that PEPRA Participant must have attained age fifty-two (52).
Maximum Benefit of PEPRA Participants	The Accrued Benefit of a PEPRA participant shall not exceed the amount defined in PEPRA and described in Appendix A of the plan document. The amount shall be determined by interpolating to the participant's nearest completed quarter of age at the date benefit are scheduled to commence, based on the rates shown opposite the participant's age in Appendix A of the plan document table.

Based on Appendix A table, Sample rates are:

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

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

Actuarial Assumptions and Methods

Measurement Date	December 31, 2024
Reporting Date	June 30, 2025
Discount Rate (CO)	5.18% per annum compounded annually
Long Term Expected Return on Assets (CO):	6.25% per annum, compounded annually. The investment return assumption was selected by the plan sponsor with recommendations by NCG. We believe the assumption is reasonable based on an analysis that incorporated 2025 capital market projections (based on analysis provided by JP Morgan) for assumed returns in the next 7 years. For years beyond 17 years from the valuation date, returns are based on historical average index real returns over the last 20 years assuming an approximate 66% equity, 31% bond and 3% cash investment mix and a 2.4% inflation rate. For years between 7 to 17 years from the valuation date, returns are blended between the short term and long term assumed returns. Investment expenses are assumed to be 48 basis points per year. The above returns are matched to expected cash flows to determine an equivalent single discount rate (investment return assumption). The analysis produces a long term expected return of approximately 6.25%.
Salary Scale (FE):	Not applicable due to freeze.
Mortality (FE):	PubG-2010 Public Retirement Mortality Tables for Males and Females with Projections using MP-2021.
Retirement (FE):*	100% at Normal Retirement Age
Turnover (FE):*	Based on T-4 Table, Sample Rates are: Age Rate 25 5.29% 35 4.70% 45 3.54% 55 0.94%

Actuarial Assumptions and Methods (cont'd)

Disability (FE):	None
Marital Status (FE)*:	Percentage married: 80% are assumed to be married. Age difference: Females are assumed to be three years younger than males.

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

FE: Indicates an assumption is an estimate of future experience.
MD: Indicates an assumption is an estimate inherent in market data.
CO: Indicates an assumption is based on a combination of estimated future experience and estimates inherent in market data.

Actuarial Assumptions and Methods (cont'd)

Actuarial Cost Method:	Entry Age Normal Cost Method This method was effective December 31, 2014. Under the Entry Age Normal Actuarial Cost Method, the actuarial value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability. As the plan is now frozen, future pensionable earnings are $0 and benefits are treated as fully accrued, resulting in a $0 normal cost.
Amortization Methodology	The District uses straight-line amortization. For assumption changes and experience gains/losses, we assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses use a fixed 5 year period. Plan changes are recognized immediately in the year they occurred.
Valuation of Assets:	The value of assets is determined as market value of assets as of the measurement date.
Measurement Date	December 31, 2024
Valuation Date	December 31, 2024
Reporting Date	Fiscal Year End: June 30, 2025

Glossary

Key Terms

Entry Age Normal:	Actuarial Present Value of Projected Benefits for each individual allocated on a level basis over the individual's earnings between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.
Annual Pension Expense:	Amount recognized in each accounting period for contributions to the pension plan on the modified accrual basis of accounting.
Deferred Inflows/Outflows:	Deferred inflows and outflows of resources related to the pension plan arising from certain changes in the collective Net Pension Liability and/or Total Pension Liability.
Covered Payroll:	Annual compensation paid (or expected to be paid) to active employees eligible for benefits from the pension plan.
Net Pension Liability:	Difference between Total Pension Liability and the Plan Fiduciary Net Position.
Normal Cost / Service Cost:	Portion of the Total Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method.
Plan Fiduciary Net Position:	Market Value of Assets
Present Value of Future Benefits:	Present value of projected benefits payable to all members for their expected future service, discounted to reflect the time value of money and adjusted for the probabilities of retirement, withdrawal, death and disability.
Total Pension Liability:	Present value of projected benefits payable to all members for their service accrued to date discounted to reflect the time value of money and adjusted for the probabilities of retirement, withdrawal, death and disability.

San Benito Healthcare District

Funding Projections as of January 1, 2025

NICOLAY CONSULTING

Certification

This report was prepared to provide the San Benito Healthcare District with a projection of contributions necessary to fund the Plan. It is not intended for any other purpose and should not be used for such. The report may not be shared without Nicolay Consulting's prior consent, and when shared, must be distributed in its entirety.

Except where otherwise indicated, the results included in this report are based on the same data, assumptions, methods and plan provisions as the "San Benito Healthcare District Pension Plan January 1, 2025 Funding Valuation Report". The summary of data, assumptions, methods, plan provisions as well as any certifications, restrictions on reliance, and restrictions on disclosures stated in the above-mentioned report should be considered part of this report.

The undersigned consultants are members of the American Academy of Actuaries, Conference of Consulting Actuary and/or Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" to render the actuarial opinion contained herein.

Malcolm Merrill
FSA, EA, FCA

Sue Simon
ASA, EA, FCA

Projections Overview

To assist San Benito Healthcare District with budgeting for future pension contributions, we have prepared projections to help illustrate the potential level of contributions needed to fund the Plan.

Unless otherwise stated, projections are based on the following assumptions:

- The plan remains frozen with no new entrants.
- Assets return 6.25% net of investment fees per year.
- Administrative expenses of 24,000 during 2025/26.
- Administrative expenses grow at 2.0% per year.
- No adjustment for actual returns since 1/1/2025 has been incorporated.
- All other demographic assumptions are the same as used in the 2025 funding valuation.

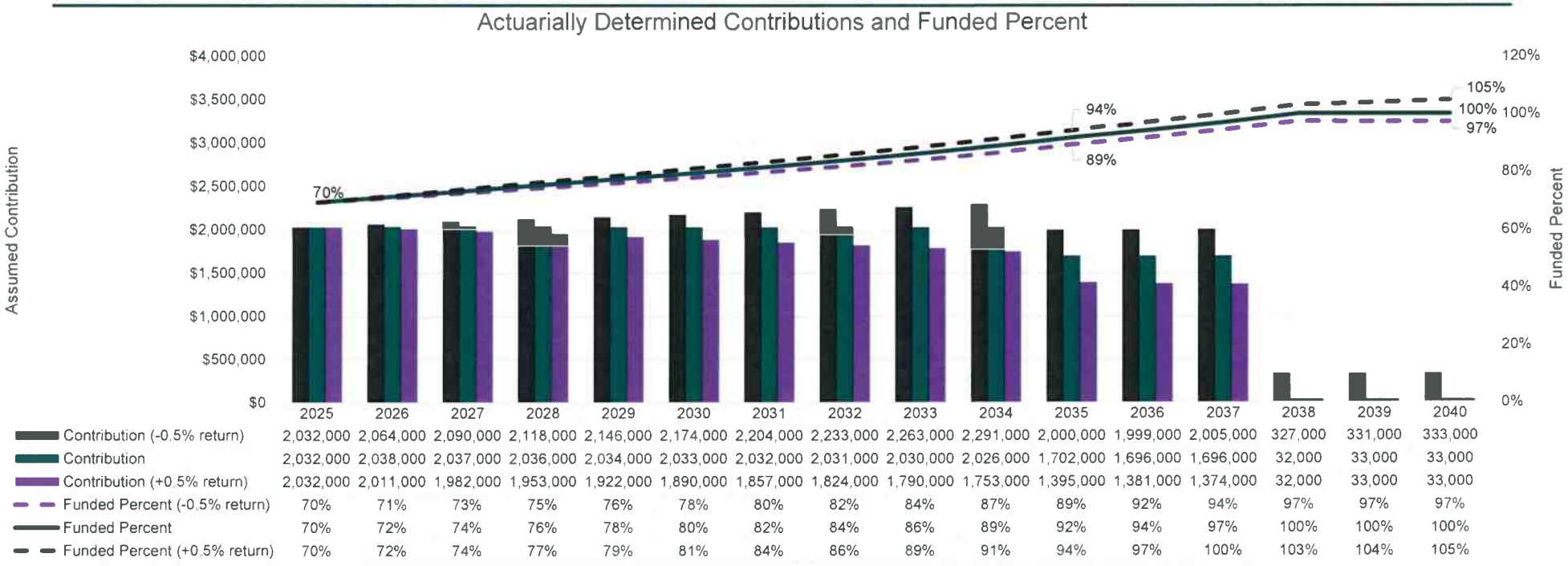
By their nature, projections are imprecise. As such, we would encourage you to focus on the general trends as opposed to the absolute value of the projections. Projections are especially sensitive to actual asset returns. We can prepare additional scenarios to demonstrate this sensitivity, among others, if desired.

Contribution Policies

Projections were prepared under two potential contribution policies:

	Fund the ADC	Fund Level Amount
Overview	Fund the Actuarially Determined Contribution (ADC). The ADC is designed to fund the coming year's expenses plus an amortization of the unfunded. Any new gains or losses are amortized over 10 years. Resulting in a series of amortization "layers".	We have backed into a level amount which is expected to bring the plan to 100% funded over 10 years.
Pros	The contribution policy adjusts annually for any unexpected changes.	Level contributions are easier to budget for.
Cons	Contribution requirements can be volatile, especially in years following strong or poor asset performance, making budgeting more challenging.	Lack of automatic adjustment for actual events could result in over/under funding after the 10-year period.

Funded Status Projection - Funding the ADC



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Contribution (-0.5% return)	2,032,000	2,064,000	2,090,000	2,118,000	2,146,000	2,174,000	2,204,000	2,233,000	2,263,000	2,291,000	2,000,000	1,999,000	2,005,000	327,000	331,000	333,000
Contribution	2,032,000	2,038,000	2,037,000	2,036,000	2,034,000	2,033,000	2,032,000	2,031,000	2,030,000	2,026,000	1,702,000	1,696,000	1,696,000	32,000	33,000	33,000
Contribution (+0.5% return)	2,032,000	2,011,000	1,982,000	1,953,000	1,922,000	1,890,000	1,857,000	1,824,000	1,790,000	1,753,000	1,395,000	1,381,000	1,374,000	32,000	33,000	33,000
Funded Percent (-0.5% return)	70%	71%	73%	75%	76%	78%	80%	82%	84%	87%	89%	92%	94%	97%	97%	97%
Funded Percent	70%	72%	74%	76%	78%	80%	82%	84%	86%	89%	92%	94%	97%	100%	100%	100%
Funded Percent (+0.5% return)	70%	72%	74%	77%	79%	81%	84%	86%	89%	91%	94%	97%	100%	103%	104%	105%

	Contributions 2025-2034	2035 Funded Percent	Contributions 2025-2039	2040 Funded Percent
-50 BP Return	$21,615,000	89%	$28,277,000	97%
Baseline	$20,329,000	92%	$25,488,000	100%
+50 BP Return	$19,014,000	94%	$23,229,000	105%

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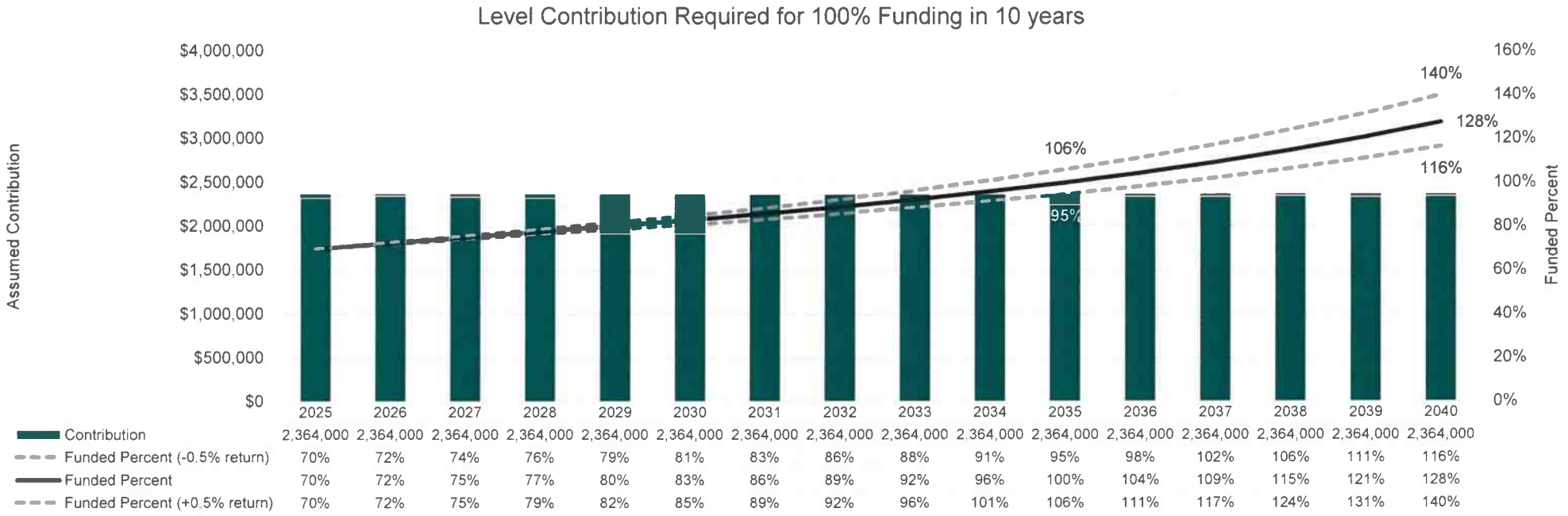
Funded Status Projection - Funding Level Contributions



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Contribution	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000	2,364,000
Funded Percent (-0.5% return)	70%	72%	74%	76%	79%	81%	83%	86%	88%	91%	95%	98%	102%	106%	111%	116%
Funded Percent	70%	72%	75%	77%	80%	83%	86%	89%	92%	96%	100%	104%	109%	115%	121%	128%
Funded Percent (+0.5% return)	70%	72%	75%	79%	82%	85%	89%	92%	96%	101%	106%	111%	117%	124%	131%	140%

	Contributions 2025-2034	2035 Funded Percent	Contributions 2025-2039	2040 Funded Percent
-50 BP Return	$23,640,000	95%	$35,460,000	116%
Baseline	$23,640,000	100%	$35,460,000	128%
+50 BP Return	$23,640,000	106%	$35,460,000	140%

Audited Financial Statements

SAN BENITO
HEALTH CARE DISTRICT

dba: HAZEL HAWKINS MEMORIAL HOSPITAL

June 30, 2025

Audited Financial Statements

SAN BENITO HEALTH CARE DISTRICT

June 30, 2025

Management's Discussion and Analysis

SAN BENITO HEALTH CARE DISTRICT

June 30, 2025

The management of the San Benito Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2025 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2025 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Highlights

- Total assets and deferred outflows of resources increased by $17,394,538 over the prior fiscal year due mainly to the increase in cash. Total operating cash and cash equivalents increased by $11,514,168 over the prior year (see the *Statements of Cash Flows* for changes). Net patient accounts receivable increased by $3,825,979 which resulted in net days in patient accounts receivable of 35.30 at June 30, 2025 as compared to 29.42 in the prior year.

- Current assets increased by $16,688,591 while current liabilities decreased by $9,471,200 over the prior fiscal year. The current ratio was 3.10 as compared to 1.83 for the prior year.

- The operating income was $24,260,187 for fiscal year 2025 as compared to operating income of $9,853,077 for the prior year, representing an increase of $14,407,110 in operations due mainly to receipt of the ERC payments and other supplemental payments for the year.

- The increase in net position was $25,808,132 for the current fiscal year as compared to an increase in net position of $15,617,272 for the prior fiscal year. The pension adjustment for the year was an expense of $3,833,864 as opposed to the previous year credit of $(1,424,210).

- Operating revenues increased by $24,816,962 from the prior year while operating expenses increased by $10,409,852 from the prior year.

- The Hospital realized an Employee Retention Credit (ERC) this year of $10,773,126 due the affects on operations during the COVID years. The Hospital also received $10,242,296 in supplemental health care payments, mainly from the State of California and other agencies.

Volumes

- Acute patient days were 5,378 for fiscal year 2025 as compared to 5,513 for the prior year. The average length of stay decreased from 2.89 LOS in fiscal year 2024 to 2.73 LOS in fiscal year 2025.
- The Northside skilled nursing facility had an average daily census (ADC) of 45.47 for the fiscal year 2025, equaling a total of 16,598 patient days as compared to 16,434 days (ADC of 44.90) for the prior year.
- The Mabie skilled nursing facility had an ADC of 42.59 for the fiscal year 2025, equaling a total of 15,547 patient days. The prior year ADC was 44.17 for a total of 16,165 patient days.
- Surgery cases for the fiscal year were slightly higher than the prior year. There were 2,168 cases as compared to 2,067 cases for the prior fiscal year.
- There was a slight decrease in outpatient visits; 131,222 in the fiscal year 2025 as compared to 133,797 for the prior fiscal year.
- There was an increase in emergency room visits; 27,954 in the fiscal year 2025 as compared to 26,793 for the prior year.
- There was a decrease in rural health care clinic visits; 42,630 visits in the year 2025 as compared to 45,657 visits for the prior year as the Hospital continues to operate five rural health care clinics.
- Physical therapy treatments increased to 25,771 in the year 2025 as compared to 21,781 in the prior year.
- Focus Physical Therapy treatments increased to 30,483 in the year 2025 as compared to 30,157 in the prior year.

Cash and Investments

For the fiscal year ended June 30, 2025, the Hospital's operating and board designated cash and investments totaled $48,277,223 as compared to $35,206,330 in fiscal year 2024. At June 30, 2025, days cash on hand were 115.33 thus meeting the required bond covenant of 30 days cash on hand. At June 30, 2024, days cash on hand were 91.30. The Hospital maintains sufficient cash and cash equivalent balances to pay all short-term liabilities.

Current Liabilities

As previously noted, current liabilities of the Hospital decreased by $9,471,200. Significant changes in the current liability categories were: (1) accounts payable and accrued expenses decreased by $1,964,432; (2) accrued payroll and related liabilities decreased by $5,407,171; and (3) settlements increased by $563,832.

Capital Assets

There were $4,711,943 of new additions capital assets during the year in the categories of equipment and construction-in-progress consisting of several different projects. Depreciation and amortization expense for the year was $3,984,754 as compared to $4,046,659 for the prior year. The Hospital has $4,324,809 of remaining costs in construction in progress at year end with an estimated cost of approximately $2 million left to complete all projects.

Gross Patient Charges

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. Total combined charges of both inpatient and outpatient gross patient charges for the year increased by $23,206,361 due to changes in volumes from the prior year coupled with rate increases. In just the outpatient areas, gross charges increased by $24,825,167.

Deductions From Revenue

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

Contractual allowances, traditional charity care, the provision for bad debts, and other discounts for fiscal year 2025 and fiscal year 2024 were $303,565,473 and $294,934,103, respectively. The increase in these deductions from revenue continues to be affected by State supplemental payments as well as the Hospital's change to a Critical Access (CAH) designation for Medicare reimbursement. Deductions from revenue (contractual allowances, provision for bad debts, charity, etc.) as a percentage of gross patient charges were 64.86% for fiscal year 2025 as compared to 66.30% for prior fiscal year.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by $14,574,991 in fiscal year 2025 over the prior year.

Critical Access Designation

During the prior fiscal years, the acute hospital's average daily census was between 16 to 16.5. Therefore, the Hospital decided to apply for certification as a Critical Access Hospital (CAH). Effective March 26, 2020, CMS designated the Hospital as a CAH. This change in designation has increased Medicare funding and the reimbursement to the Hospital substantially during the year. The average daily acute care patient as of June 30, 2025 and 2024 were 14.73 and 15.10, respectively

Operating Expenses

Total operating expenses were $155,443,253 for fiscal year 2025 compared to $145,033,401 for the prior fiscal year, an increase of $10,409,852. The increase is due primarily to:

- A $6,537,727 increase in employee benefits due to changes in the pension plan . Paid full time equivalents (FTE's) increased from 504.66 in fiscal year 2024 to 527.47 in fiscal year 2025. Salaries and benefits per paid FTE decreased from $163,062 per FTE in 2024 to $167,243 per FTE in 2025. Registry expense increased from $4,548,252 in 2024 to $6,510,945 in 2025.

- Other operational expense changes experienced modest increases and decreases and were somewhat comparable with prior year expenses. There were generally mostly decreases in expenses throughout the various categories.

Bankruptcy Proceedings

On May 23, 2023 the Hospital filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the Bankruptcy Code). However on March 21, 2025, the Hospital lost their Chapter 9 appeal and is no longer in Chapter 9.

Economic Factors and Next Fiscal Year's Budget

The Hospital's board approved the fiscal year ending June 30, 2026 budget at a recent District board meeting. For fiscal year 2026, the Hospital is budgeted to increase net position.

The District's 2026 budget reflects the trend of non-growth in the acute inpatient census for the year. The SNF's will need to steadily increase their census in order to meet an ADC of 90 for 2026. The District has projected an increase of $11,18 million for 2026 in net position which will allow them to continue to meet their Cal-Mortgage Bond requirements.

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

JWT & Associates, LLP

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Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of the San Benito Health Care District, *dba* Hazel Hawkins Memorial Hospital (the Hospital) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedule

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

JWT & Associates, LLP

Fresno, California
November 14, 2025

Statements of Net Position

SAN BENITO HEALTH CARE DISTRICT

	June 30	
Assets	2025	2024
Current assets:		
Cash and cash equivalents	$ 46,419,371	$ 34,905,203
Restricted trust funds available for current debt service	3,130,600	2,776,067
Patient accounts receivable, net of allowances	15,907,382	12,081,403
Other receivables	4,952,401	5,931,344
Estimated third party payor settlements	4,966,111	4,303,214
Inventories	4,981,468	4,496,070
Prepaid expenses and deposits	2,599,585	1,775,026
Total current assets	82,956,918	66,268,327
Assets limited as to use	1,837,812	451,131
Capital assets, net of accumulated depreciation	55,615,860	54,888,670
Other assets	1,076,527	653,261
Total assets	141,487,117	125,213,719
Deferred outflows of resources, net of inflows	5,605,107	7,436,297
	$147,092,224	$129,697,686
Liabilities		
Current liabilities:		
Current maturities of debt borrowings	$ 3,373,761	$ 6,037,190
Accounts payable and accrued expenses	7,568,868	9,533,300
Accrued payroll and related liabilities	8,799,392	14,206,563
Estimated third party payor settlements and other liabilities	7,022,297	6,458,465
Total current liabilities	26,764,318	36,235,518
Long-term pension liabilities	25,888,121	23,814,514
Debt borrowings, net of current maturities	29,472,374	30,488,375
Total liabilities	82,124,813	90,538,407
Net position (deficit)		
Invested in capital assets, net of related debt	22,769,726	18,363,105
Restricted, by contributors and indenture agreements	3,110,560	2,926,071
Unrestricted (deficit)	39,087,125	17,870,103
Total net position	64,967,411	39,159,279
	$147,092,224	$129,697,686

Statements of Revenues, Expenses and Changes in Net Position

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	2025	2024
Operating revenues		
Net patient service revenue	$164,470,273	$149,895,282
Other operating revenue	15,233,167	4,991,196
Total operating revenues	179,703,440	154,886,478
Operating expenses		
Salaries and wages	60,722,165	57,247,791
Employee benefits	26,322,625	25,042,972
Registry	6,510,945	4,548,252
Professional fees	20,298,373	19,352,379
Supplies	13,079,024	12,386,611
Purchased services and repairs	16,115,604	13,769,711
Utilities and phone	2,070,636	2,380,747
Building and equipment rent	1,900,158	1,753,051
Insurance	1,367,994	1,308,821
Depreciation and amortization	3,808,100	3,876,948
Other operating expenses	3,247,629	3,366,118
Total operating expenses	155,443,253	145,033,401
Operating income (loss)	24,260,187	9,853,077
Nonoperating revenues (expenses)		
District tax revenues	5,180,824	4,991,196
Investment income, net of unrealized gains and losses	644,443	489,248
Interest expense	(1,155,122)	(1,493,326)
Grants, contributions and other gains and losses	656,685	423,467
Total nonoperating revenues (expenses)	5,326,830	4,410,585
Excess of revenues over expenses	29,587,017	14,263,662
GASB 68 pension affect	(3,833,864)	1,424,210
Other increases (decreases) in net position	54,979	(70,600)
Net increase in net position	25,808,132	15,617,272
Net position at beginning of the year	39,159,279	23,542,007
Net position at end of the year	$ 64,967,411	$ 39,159,279

See accompanying notes and auditor's report

Statements of Cash Flows

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	2025	2024
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$160,545,229	$155,335,882
Cash received from operations, other than patient services	16,212,110	7,441,153
Cash payments to suppliers and contractors	(65,857,592)	(67,845,715)
Cash payments to employees and benefit programs	(92,385,514)	(84,072,535)
Net cash provided by operating activities	18,514,233	10,858,785
Cash flows from noncapital financing activities:		
District tax revenues related to operations	2,987,603	2,856,812
Grants and contributions	656,685	423,467
Net cash provided by noncapital financing activities	3,644,288	3,280,279
Cash flows from capital financing activities:		
District tax revenues related to capital acquisitions	2,193,222	2,134,384
Net purchase of capital assets and changes in other assets	(7,248,492)	11,737,763
Principal borrowings on debt borrowings	2,700,000	
Principal payments on debt borrowings	(6,037,190)	(5,262,551)
Interest payments, net of capitalized interest	(1,155,122)	(1,493,326)
Net cash provided by (used in) capital financing activities	(9,547,582)	7,116,270
Cash flows from investing activities:		
Net (purchase) or sale of assets limited as to use	(1,741,214)	(252,478)
Investment income, net of unrealized gains and losses	644,443	489,248
Net cash provided by (used in) investing activities	(1,096,771)	236,770
Net increase in cash and cash equivalents	11,514,168	21,492,104
Cash and cash equivalents at beginning of year	34,905,203	13,413,099
Cash and cash equivalents at end of year	$ 46,419,371	$ 34,905,203

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 24,260,187	$ 9,853,077
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,808,100	3,876,948
Provision for bad debts and other	8,592,215	11,008,966
Changes in operating assets, liabilities and other:		
Patient accounts receivables, net of allowances	(12,418,194)	(9,351,217)
Other receivables	978,943	2,449,957
Inventories	(485,398)	(438,258)
Prepaid expenses and deposits	(824,559)	267,517
Accounts payable and accrued expenses	(1,964,432)	3,830,176
Accrued payroll and related liabilities	(5,340,724)	(1,781,772)
Estimated third party payor settlements and other liabilities	(99,065)	3,782,851
Net long-term pension liability	2,073,607	(12,671,350)
Health insurance claims payable (IBNR)	(66,447)	31,890
Net cash provided by operating activities	$ 18,514,233	$ 10,858,785

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

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

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

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

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

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

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2025 and 2024, the Hospital has determined that no capital assets are impaired.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Deferred Outflows of Resources: Deferred outflows of resources are comprised of deferred financing cost of the issuance of various bonds. Amortization of these issuance costs is computed by the effective interest method and the straight line method over the life of the repayment agreements. For current and advance refundings which result in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized deferred financing costs, is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, in accordance with GASB 23. Amortization expense was $70,933 and $72,852 for the years ended June 30, 2025 and 2024, respectively.

Deferred outflows of resources is also comprised of defined benefit pension resources of $9,063,625 of deferred outflows netted against $3,785,733 of deferred inflows for a net $5,277,892 for the year ended June 30, 2025 and $12,454,189 of deferred outflows netted against $ 5,416,040 of deferred inflows for a net $7,038,149 for the year ended June 30, 2024.

Compensated Absences: The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2025 and 2024 are $3,445,458 and $3,850,336, respectively.

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

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

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

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

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

Recently the Governmental Accounting Standards Board released GASB 96 regarding changes in the way certain IT contracts are accounted for. The Hospital analyzed the possible impact of GASB 96 noting that there were no contracts which materially qualified under this new pronouncement and therefore no changes in the financial presentation were considered necessary.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2025 and 2024, the Hospital had operating deposits invested in various financial institutions in the form of cash and cash equivalents amounted to $47,593,690 and $36,005,044. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured.

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

NOTE C - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These combined open settlements are classified as current assets. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The Hospital was classified as a critical access hospital during the fiscal year ended June 30, 2020. The Hospital is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2025, cost reports through June 30, 2021 have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments continue to be paid on pre-determined charge screens. Additionally, on November 1, 2013, San Benito County transitioned to Medi-Cal Managed Care through Anthem Blue Cross. The Medi-Cal recipients in the County are now able to choose between managed care or fee for service. At June 30, 2025, cost reports through June 30, 2023, have been final settled.

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

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Net patient service revenues summarized by payor are as follows:

	2025	2024
Daily hospital acute care routine services	$ 40,564,284	$ 40,084,613
Skilled nursing routine services	24,182,850	24,707,998
Inpatient ancillary services	50,650,757	52,224,086
Outpatient services	352,637,855	327,812,688
Gross patient service revenues	468,035,746	444,829,385
Less contractual allowances and provision for bad debts	(303,565,473)	(294,934,103)
Net patient service revenues	$164,470,273	$149,895,282

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

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2025 and 2024 were as follows:

	2025	2024
Medicare	$ 28,620,980	$ 23,453,628
Medi-Cal	18,202,161	21,330,412
Other third party payors	12,896,947	12,947,872
Self pay and other	6,836,203	10,116,873
Gross patient accounts receivable	66,556,291	67,848,785
Less allowances for contractual adjustments and bad debts	(50,648,909)	(55,767,382)
Net patient accounts receivable	$ 15,907,382	$ 12,081,403

NOTE D - CONCENTRATION OF CREDIT RISK (continued)

Financial Instruments: Financial instruments, potentially subjecting the Hospital to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of $250,000. There are two accounts as of June 30, 2025 that exceed the FDIC limit, however Management believes that there is no risk of material loss for these funds due to the high financial quality of the banking institutions with which the Hospital does business. Management further believes that there is no risk of material loss due to government held investments in the Local Agency Investment Fund (LAIF) due to the nature of this account as government owned.

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2025 and 2024 were comprised of the following:

	2025	2024
Receivable due from the State for supplemental programs	$ 4,425,000	$ 4,994,577
San Benito County property taxes	148,315	151,958
Lease receivable - current portion	216,851	559,306
Other various receivables	162,235	225,503
	$ 4,952,401	$ 5,931,344

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2025 and 2024 were comprised of the following:

	2025	2024
Cash and cash equivalents restricted by contributors	$ 127,208	$ 127,119
Cash designated by the board for specific purposes	1,857,852	301,127
Cash and cash equivalents and debt securities held under bond indenture agreements for debt service requirements	2,983,352	2,798,952
	4,968,412	3,227,198
Less amounts available for current obligations	(3,130,600)	(2,776,067)
	$ 1,837,812	$ 451,131

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

NOTE G - CAPITAL ASSETS

Capital assets as of June 30, 2025 and 2024 were comprised of the following:

	Balance at June 30, 2024	Transfers & Additions	Disposals & Retirements	Balance at June 30, 2025
Land and land improvements	$ 3,370,474			$ 3,370,474
Buildings and improvements	100,098,374			100,098,374
Equipment	44,435,024	$ 1,781,097		46,216,121
Construction-in-progress	1,393,964	2,930,846		4,324,810
Totals at historical cost	149,297,836	4,711,943		154,009,779
Less accumulated depreciation for:				
Land and land improvements	(1,604,235)	(73,294)		(1,677,529)
Buildings and improvements	(53,983,400)	(2,577,691)		(56,561,091)
Equipment	(38,821,531)	(1,333,769)		(40,155,300)
Total accumulated depreciation	(94,409,166)	(3,984,754)		(98,393,920)
Capital assets, net	$ 54,888,670	$ 727,189	$	$ 55,615,859

	Balance at June 30, 2023	Transfers & Additions	Disposals & Retirements	Balance at June 30, 2024
Land and land improvements	$ 3,370,474			$ 3,370,474
Buildings and improvements	100,098,374			100,098,374
Equipment	43,302,208	$ 1,132,816		44,435,024
Construction-in-progress	880,124	513,840		1,393,964
Totals at historical cost	147,651,180	1,646,656		149,297,836
Less accumulated depreciation for:				
Land and land improvements	(1,530,941)	(73,294)		(1,604,235)
Buildings and improvements	(51,354,211)	(2,629,189)		(53,983,400)
Equipment	(37,477,355)	(1,344,176)		(38,821,531)
Total accumulated depreciation	(90,362,507)	(4,046,659)		(94,409,166)
Capital assets, net	$ 57,288,673	$ (1,235,442)	$	$ 54,888,670

NOTE H - DEBT BORROWINGS

As of June 30, 2025 and 2024, debt borrowings were as follows:

	2025	2024
San Benito Healthcare District 2014 General Obligation Refunding Bonds (election 2005); interest at 3.58% due semiannually; principal due in annual amounts ranging from $760,000 on June 30, 2020 to $2,755,000 on June 30, 2035; collateralized by property taxes:	$ 20,485,000	$ 21,815,000
San Benito Health Care District Insured Refunding Revenue Bonds, Series 2021; interest charged at 4.0% due semiannually; principal due in annual amounts ranging from $1,340,000 on March 1, 2022 to $1,800,000 on March 1, 2029; collateralized by Hospital revenues and other property:	6,795,000	8,330,000
California Health Facilities Financing Authority (CHFFA) Bridge Loan; no interest charged; entire outstanding principal due September, 2024; collateralized by security agreement:		3,090,086
California Health Facilities Financing Authority (CHFFA) Help II Loan; interest charged at 2%; payable in monthly installments of $9,602; final payment due November 1, 2041; collateralized by Hospital revenues:	1,611,254	1,693,358
California Health Facilities Financing Authority (CHFFA) Distressed Hospital Loan Program (DHLP); fully approved $10,000,000; no interest charged and principal payments due starting February 1, 2026 in the amount of $50,000 per month until July 1, 2030:	2,700,000	
Premiums, net of accumulated accretion:	1,254,881	1,597,121
	32,846,135	36,525,565
Less current maturities of debt borrowings	(3,373,761)	(6,037,190)
	$ 29,472,374	$ 30,488,375

Future principal maturities for debt borrowings for the next succeeding years are: $3,373,761 in 2026; $3,910,452 in 2027; $4,107,177 in 2028; $4,303,936 in 2029; and $2,633,936 in 2030.

NOTE H - DEBT BORROWINGS - (continued)

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

In December, 2014, the Hospital issued the San Benito Health Care District 2014 General Obligation Refunding Bonds (the 2014 Bonds) in order to refund the 2005 Bonds. The offering was for $30,030,000 with interest rate set at 3.58%. In order to service this debt, the Hospital exercised its authority to levy a special district property tax assessment to be used to meet debt service obligations for the 2014 Bonds. Taxes are collected by San Benito County and are used to meet the debt service obligations as they become due and payable to the bondholders. The total debt service obligation taxes collected by San Benito County on behalf of the Hospital for the 2005 Bonds were less than $10,000 and is considered minimal. The total debt service obligation paid by San Benito County on behalf of the Hospital for the 2014 Bonds amounted to $2,110,977 and $2,044,653 for the years ended June 30, 2025 and 2024, respectively. These amounts, as well as County fees to administer the debt, have been recognized as income by the Hospital for the respective fiscal year ends. Additional accumulated tax collections by San Benito County under this arrangement as of June 30, 2025 and 2024 are considered minor.

In January, 2021, the Hospital issued Series 2021 San Benito Health Care District Insured Refunding Revenue Bonds, Series 2021 (the 2021 Bonds) in the amount of $12,750,000 for the purpose of defeasing the San Benito Health Care District Insured Revenue Bonds, Series 2013 Bonds. The 2021 Bonds were issued at a $1,982,753 premium. The 2021 Bonds are the obligation of the Hospital and mature on or before March 1, 2029 and will not be subject to optional redemption prior to maturity. The Hospital is required under the 2021 bond indenture agreement to deposit certain amounts on a monthly basis with the Trustee which approximate the succeeding year's debt service. The indenture agreement provides for certain Hospital covenants that include, among other things, restrictions on consolidation, merger, sale or transfer of Hospital assets, a requirement to maintain proper licensing and qualification for federal, state and local government reimbursement programs, and to fix, charge and collect rates, fees and charges which are reasonably projected to, in each fiscal year, provide a debt service coverage ratio (DSCR) of not less than 1.25. For June 30, 2025 and 2024, the DSCR was 15.25 and 9.38, respectively. Other requirements are to maintain a current ratio of at least 1.5 to 1 and at least 30 days cash on hand. For June 30, 2025 and 2024, the current ratio was 3.10 and 1.83 and the days cash on hand are 115.33 and 90.33, respectively.

NOTE I - RETIREMENT PLANS

Through December 31, 2003, the Hospital provided retirement benefits for substantially all of its full-time employees under a defined contribution matching plan (Plan I). Plan I became effective January 1, 1995 with a plan year end of December 31. Employees who have attained the age of 18 and completed one year of full-time service or part-time service were eligible for Plan I. Employees who worked on a per-diem, leased or contract basis were not eligible. The Hospital's contributions matched the contributions of the employees up to a 3.5% limit, subject to certain limitations under Plan I. In addition to the 3.5% contribution by the Hospital, employees could have contributed up to $12,000. Employees become fully vested in the employer contributions after completion of 5 years of service. Total Plan I assets were $41,907,435 and $33,085,568 as of June 30, 2025 and 2024 respectively. No employer contributions have been made to this part of Plan I after December 31, 2003. A part of Plan I, however, still includes the 457 plan that employees still currently contribute to.

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

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

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

NOTE I - RETIREMENT PLANS - (continued)

For the years ended June 30, 2025 and 2024, the Hospital recognized pension expense and (credit) under Plan II of $3,833,864 and $(1,424,210), respectively. At June 30, 2025 and 2024 the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	2024
Deferred outflows of resources:		
Differences between expected and actual experience	$ 683,813	$ 925,724
Changes in assumptions	7,722,012	9,382,924
Contributions to pension plan after measurement date		
Net difference between projected and actual earnings on investments	657,800	2,145,541
	9,063,625	12,454,189
Deferred inflows of resources:		
Changes in assumptions and other differences	(3,785,733)	(5,416,040)
Net deferred outflows and inflows related to pension	$ 5,277,892	$ 7,038,149

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

Year ended June 30:	
2026	$ 3,031,016
2027	2,888,628
2028	(413,523)
2029	(228,229)
Thereafter	-0-
	$ 5,277,892

The following is the aggregate pension expense for the year:

	2025	2024
Service costs, plus related administrative expense	$ 25,712	$ 2,398,957
Interest on the total pension liability	3,346,728	3,510,551
Recognized difference between expected and actual experience	(12,006)	19,116
Recognized changes of assumptions	2,594,002	2,183,211
Projected earnings on pension plan investments and contributions	(2,463,499)	(9,375,075)
Recognized differences between projected and actual earnings	346,600	(64,137)
Aggregate pension expense	$ 3,837,537)	$ (1,327,377)

NOTE I - RETIREMENT PLANS - (continued)

Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment rate of return of 5.18% is net of administrative expenses, administrative expenses are excluded from the above table but, implicitly included as part of investment earnings.

The net pension liability is as follows:

	2025	2024
Total Pension Liability		
Service costs	$ -0-	$ 2,376,022
Interest on the total pension liability	3,346,728	3,510,551
Differences between expected and actual experience	113,816	(453,339)
Changes of assumptions	2,195,664	(5,736,563)
Benefit payments/changes, including refunds of employee contributions	(2,203,516)	(8,712,089)
Net change in total pension liability	3,452,692	(9,015,418)
Total pension liability at the beginning of the year	62,607,899	71,623,317
Total pension liability at the end of the year	$ 66,060,591	$ 62,607,899
Plan Fiduciary Net Position		
Contributions - employer (Hospital)	$ 3,673	$ 96,833
Contributions - employees	12,714	173,193
Net investment income	3,591,926	5,155,028
Administrative expense	(25,712)	(22,935)
Benefit payments, including refunds of employee contributions	(2,203,516)	(1,746,187)
Net change in Plan Fiduciary Net Position	1,379,085	3,655,932
Total plan fiduciary net position at the beginning of the year	38,793,385	35,137,453
Total plan fiduciary net position at the end of the year	$ 40,172,470	$ 38,793,385
Hospital's net pension liability (liability less net position)	$ 25,888,121	$ 23,814,514
Plan fiduciary net position as a % of the total liability	61%	62%
Covered employee payroll	$ -0-	$ 26,658,478
Hospital's net pension liability as a % of covered employee payroll	n/a	89%
Schedule of Hospital Contributions		
Actuarially determined contributions	$ 1,708,596	$ 3,401,336
Contributions in relation to the actuarially determined contributions	(3,673)	(96,833)
Contribution deficiency	$ 1,704,923	$ 3,304,503

NOTE I - RETIREMENT PLANS - (continued)

The following table summarizes significant actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2025:

Valuation date	Actuarially determined contributions are calculated as of December 31, six months prior to the end of the fiscal year in which contributions are reported
Methods and assumptions:	
Actuarial cost method	Entry age normal cost method
Amortization method	Straight line amortization
Asset valuation method	Market value as of the measurement date
Salary increases	Not applicable as plan is frozen
Merit increases	Not applicable as plan is frozen
Investment rate of return	4.80%, net of pension plan investment expense, including inflation
Retirement age	65
Mortality	PubG-2010 Public Retirement Mortality Tables for Males & Females with projection scale MP2021

Other actuarial assumptions are available within "Pension Plan 2025 GASB 68 Report" as provided by the Hospital's actuarial consultants.

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

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

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

NOTE I - RETIREMENT PLANS - (continued)

Employees covered by benefit terms: For the year ending June 30, 2025, there were 244 active participants in the plan, 175 retired participants, 154 terminated vested participants entitled to future benefits, 10 active participants (frozen status) for a total of 573 total participants.

Contributions: For the fiscal year ended June 30, 2025, the actuarially determined contributions for the Hospital for the plan year was $1,708,596 with actual employer contributions of $3,673 leaving a contribution deficiency of $1,702,923 on a covered employee payroll of $-0- as the plan had been frozen. For the fiscal year ended June 30, 2024, the actuarially determined contributions for the Hospital for the plan year was $3,401,336 with actual employer contributions of $96,833 leaving a contribution deficiency of $3,304,503 on a covered employee payroll of $26,658,478.

Discount rate: The discount rate used to measure the total pension liability was 5.18%. In the previous valuation, the discount rate used to measure the total pension liability was 4.80%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% decrease in the discount rate from 5.18% to 4.18% would increase the net liability by about $9.7 million dollars and a 1% increase in the discount rate from 5.18% to 6.18% would decrease the net liability by about $7.8 million dollars.

Freeze: Effective July 3, 2023 Plan II, the single-employer defined benefit plan, was frozen.

NOTE J - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2025, the Hospital had recorded $4,324,809 as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. No interest was capitalized during the years ended June 30, 2025 and 2024 related to these projects. Estimated cost to complete these projects as of June 30, 2025 is approximately $2 million.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Those which qualified under GASB 87 are disclosed in Note N. Total building and equipment rent expense for the years ended June 30, 2025 and 2024 (including GASB 87 qualifiers), were $1,900,158 and $1,753,051, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2025 other than those disclosed in Note N, that have initial or remaining lease terms in excess of one year are not considered material.

NOTE J - COMMITMENTS AND CONTINGENCIES (continued)

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2025, other than the bankruptcy issue, will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Employee Health Insurance: The Hospital provides health benefits to employees through a self-funded plan financed by the Hospital operations. Estimated liabilities are recorded for claims which most likely have been incurred but are not yet reported for claims processing and payment (IBNR). As of June 30, 2025 and June 30, 2024, this amount was estimated at $1,317,991 and $1,384,438, respectively. Commercial insurance is provided for "stop-loss" coverage.

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

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the Hospital is in compliance with HIPAA as of June 30, 2025 and 2024.

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

NOTE K -INVESTMENTS

The Hospital's investment balances and average maturities were as follows at June 30, 2025 and 2024:

		Investment Maturities in Years		
As of June 30, 2025	Fair Value	Less than 1	1 to 5	Over 5
U. S. government obligations	$ 139,281		$ 13,127	$ 126,154
Local agency investment fund	184,094	$ 184,094		
Corporate bonds and notes	103,153	7,956	75,132	20,065
Money market and mutual funds	7,674	7,674		
Total investments	$ 434,202	$ 199,724	$ 88,259	$ 146,219

		Investment Maturities in Years		
As of June 30, 2024	Fair Value	Less than 1	1 to 5	Over 5
U. S. government obligations	$ 135,374		$ 34,426	$ 100,948
Local agency investment fund	175,899	$ 175,899		
Corporate bonds and notes	96,782	15,830	34,482	46,470
Money market and mutual funds	7,526	7,526		
Total investments	$ 415,581	$ 199,255	$ 68,908	$ 147,418

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

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Hospital manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

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

NOTE K -INVESTMENTS (continued)

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

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

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

NOTE L - OTHER DECREASES IN NET POSITION

The Hospital has recorded increases and (decreases) in net position of $54,980 and $(70,600) as other decreases in net position as of June 30, 2025 and 2024, respectively, within the statement of revenues, expenses and changes in net position. For the year ended June 30, 2025, these amounts were comprised of restricted contributions and net assets placed in restriction for a net amount of $54,980. For the year ended June 30, 2024, these amounts were comprised of restricted contributions and net assets placed in restriction for a net amount of $(70,600).

NOTE M - RESTRICTED BY CONTRIBUTORS

Restricted assets by contributors as of June 30, 2025 and 2024 are available for the following purposes:

	2025	2024
Restricted by the foundation for capital assets and other purposes	$ 39,315	$ 38,985
Restricted by the auxiliary for capital assets and other purposes	35,860	34,264
Restricted for scholarships and tuitions	52,033	53,870
Total restricted net position, by contributor	$ 127,208	$ 127,119

NOTE N - LEASES

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

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

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

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

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

Lessee -lease related assets and liabilities as of June 30, 2025 and 2024 consist of the following:

	2025	2024
Assets:		
Operating lease - current portion	$ 216,850	$ 559,306
Operating lease - noncurrent portion	433,649	10,383
Total lease assets	$ 650,499	$ 569,689
Liabilities:		
Operating lease - current portion	$ 217,241	$ 334,904
Operating lease - noncurrent portion	488,019	324,042
Total lease liabilities	$ 705,260	$ 658,946

The future minimum rental payments required under operating lease obligations as of June 30, 2025, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

NOTE N - LEASES (continued)

Years ending June 30,

2026	$ 246,967
2027	201,625
2028	186,996
2029	122,938
Thereafter	11,161
Total	769,687
Less: interest	(64,427)
Present value of lease liabilities	$ 705,260

The weighted average for the remaining lease term of these operating leases is an average of 3.41 and the weighted average discount rate for this operating leases is 5%

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

NOTE O - RELATED PARTY TRANSACTIONS

The Hazel Hawkins Hospitals Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion or other specific purposes. Significant donations were $453,135 and $412,984 for the years ended June 30, 2025 and 2024, respectively.

The Hazel Hawkins Auxiliary (the Auxiliary) is a similar non-profit organization to help solicit contributions for the Hospital. Significant donations by the Auxiliary were $179 and $36,568 for the years ended June 30, 2025 and 2024. Both of these entities are considered component units of the Hospital due to their relationship.

NOTE P - GASB 68 IMPACT

For the year ended June 30, 2025 the Hospital realized a pension adjustment of $3,833,864 which had an affect of decreasing net position for that year. In contrast, for the year ended June 30, 2024 the Hospital realized a pension adjustment of $1,424,210 which increased net position for that year. According to the consulting group contracted by the Hospital as the actuaries for the Plan II, the single-employer defined benefit plan, the reason for the significant difference between the two years was a result of the change in discount rate due to the Plan II being frozen on July 3, 2023.

NOTE R - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through November 14, 2025, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

Supplementary Schedule

Bond Covenant Requirements

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	2025	2024
Debt Service Coverage Ratio		
Excess of revenues over expenses	$ 25,808,132	$ 15,617,272
Less district taxes for general obligation bond debt service	(2,193,222)	(2,134,384)
Add in interest expense related to general obligation bonds	780,977	824,653
Revised excess of revenues over expenses	24,395,887	14,307,541
Add in other interest expense	339,370	411,336
Add in depreciation and amortization	3,808,100	3,876,948
Total adjusted excess of revenues over expenses	$ 28,543,357	$ 18,595,825
Debt service requirements for fiscal year ended June 30		
CHFFA loan debt service requirements		$ 115,221
Series 2021 revenue bond requirements	$ 1,871,800	1,868,200
Total debt service requirements - next fiscal year (2026)	$ 1,871,800	$ 1,983,421
Debt Service Coverage Ratio	**15.25**	**9.38**
Required by covenants	**1.25**	**1.25**
Current Ratio		
Current assets	$ 82,956,918	$ 66,268,327
Current liabilities	$ 26,764,318	$ 36,235,518
Current ratio	**3.10**	**1.83**
Required by covenants	**1.50**	**1.50**
Days Cash on Hand		
Cash and cash equivalents	$ 46,419,371	$ 34,905,203
Board designated funds	1,857,852	301,127
Total available cash on hand	$ 48,277,223	$ 35,206,330
Operating expenses	$155,443,253	$145,033,401
Add in interest expense	1,155,122	1,493,326
Less depreciation and amortization	(3,808,100)	(3,876,948)
Net expenses to be covered by available cash on hand	$152,790,275	$142,649,779
Days in the year	365	366
Average daily cash requirements	$ 418,603	$ 389,753
Days cash on hand	**115.33**	**90.33**
Required by covenants	**30.00**	**30.00**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Benito Health Care District, *dba* Hazel Hawkins Memorial Hospital (the Hospital) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated November 14, 2025.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

JWT & Associates, LLP

Fresno, California
November 14, 2025