Audited Financial Statements

CITY OF ALAMEDA
HEALTH CARE DISTRICT

June 30, 2026

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Management's Discussion and Analysis 1

Report of Independent Auditors 3

Statements of Net Position 6

Statements of Revenues, Expenses, and Changes in Net Position 7

Statements of Cash Flows 8

Notes to Financial Statements 10

Independent Auditor's Report on Internal Control 20

Management's Discussion and Analysis

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2026

The District Clerk and Treasurer of the City of Alameda Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2026 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 District'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, 2026 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

For the year of operations ending June 30, 2026, the District received $6,090,603 million in parcel taxes from the County of Alameda and $219,960 in rental income. The prior year taxes were $6,077,609 and rental income of $221,074.

Total District expenses for 2026 were $1,918,486, comprised of: $174,507 in depreciation and amortization, $706,839 in interest expense, $161,243 in professional fees, $189,531 in insurance, $468,856 in director and assistant fees, and $217,510 in various other types of expenses. Transfers to the Alameda Health System were $4.1 million, leaving the District with an increase in net position for the year of $838,372.

Total District expenses for 2026 were $2,558,059, comprised of: $171,295 in depreciation and amortization, $608,720 in interest expense due mainly to the new bonds, $973,175 in professional fees, again due mainly to the new bonds, $189,993 in insurance, $356,329 in director and assistant fees, and $258,547 in various other types of expenses. Transfers to the Alameda Health System were $2.5 million, leaving the District with an increase in net position for the year of $1,681,367.

The District continues to operate as a health care district which allows for the continued collection of parcel taxes and certain rental income from which the District will pay operating expenses. Excess earnings are remitted to Alameda Health System (AHS) in order to support the operations of the Alameda Hospital by AHS.

Statements of Net Position

As of June 30, 2026, the District's current assets of $3,512,046 are comprised of $3,019,697 in operating cash, $347,036 in parcel taxes and short-term lease receivables and $145,313 in prepaid assets and deposits. Other assets include cash and cash equivalents of $11,085,906 which are restricted for specific purposes, $7,197,873 of capital assets, net of accumulated depreciation and $39,942 in long-term lease receivables. Current liabilities of $621,756 include $332,380 of current maturities of debt borrowings and $289,376 of various accounts payable and accrued interest payable related to the new bonds. Long-term debt borrowings amounted to $14,895,501, and finally deferred inflows of resources were $35,037.

As of June 30, 2025, the District's current assets of $3,229,073 are comprised of $2,864,930 in operating cash, $349,607 in parcel taxes and short-term lease receivables and $14,536 in prepaid assets and deposits. Other assets include cash and cash equivalents of $13,880,504 which are restricted for specific purposes, $4,210,271 of capital assets, net of accumulated depreciation and $84,971 in long-term lease receivables. Current liabilities of $599,459 include $318,832 of current maturities of debt borrowings and $280,627 of various accounts payable and accrued interest payable related to the new bonds. Long-term debt borrowings amounted to $15,283,177, again due mainly to the new bond issue of $13.5 million, and finally deferred inflows of resources were $77,082.

Statements of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2026 and 2025, the District realized an increase in net position of $838,372 and an increase in net position of $1,681,267, respectively. The 2026 year approximated budget and expectations.

Next Year's Budget

The District annual budget for 2027 approximates the 2026 results. Excess earnings will continue to be remitted to AHS to help support the operations of the Alameda Hospital, formerly operated by the District.

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Report of Independent Auditors

The Board of Directors
City of Alameda Health Care District
Alameda, California

Opinion

We have audited the accompanying financial statements of the City of Alameda Health Care District (the District) as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the District'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 District as of June 30, 2026 and 2025, 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 District 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

JWT & Associates, LLP

Fresno, California
September 15, 2026

Statements of Net Position

CITY OF ALAMEDA HEALTH CARE DISTRICT

	June 30	
	2026	2025
Assets		
Current assets:		
Cash and cash equivalents	$ 3,019,697	$ 2,864,930
Other receivables	347,036	349,607
Prepaid expenses and deposits	145,313	14,536
Total current assets	3,512,046	3,229,073
Assets limited as to use	11,085,906	13,880,504
Capital assets, net of accumulated depreciation	7,197,873	4,210,271
Long-term lease receivable	39,942	84,971
	$ 21,835,767	$ 21,404,819
Liabilities		
Current liabilities:		
Current maturities of debt borrowings	$ 332,380	$ 318,832
Accounts payable and accrued expenses	289,376	280,627
Total current liabilities	621,756	599,459
Debt borrowings, net of current maturities	14,895,501	15,283,177
Total liabilities	15,517,257	15,882,636
Deferred inflows of resources	35,037	77,082
Net position		
Invested in capital assets, net of related debt	3,176,200	2,591,671
Restricted, by contributors	1,253,937	1,330,655
Unrestricted	1,853,336	1,522,775
Total net position	6,283,473	5,445,101
	$ 21,835,767	$ 21,404,819

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2026	2025
Operating revenues		
Rent and other operating revenue	$ 219,960	$ 221,074
Total operating revenues	219,960	221,074
Operating expenses		
Professional fees	630,099	1,329,504
Supplies	10,284	19,104
Purchased services	98,127	57,248
Building and equipment rent	27,489	27,748
Utilities and phone	21,518	17,390
Insurance	189,531	189,993
Depreciation and amortization	174,507	171,295
Other operating expenses	60,092	137,057
Total operating expenses	1,211,647	1,949,339
Operating loss	(991,687)	(1,728,265)
Nonoperating revenues (expenses)		
District tax revenues and related interest income	6,090,603	6,077,609
Interest income	467,045	490,070
Interest expense	(706,839)	(608,720)
Transfers to AHS	(4,020,750)	(2,549,327)
Total nonoperating revenues (expenses)	1,830,059	3,409,632
Increase (decrease) in net position	838,372	1,681,367
Net position at beginning of the year	5,445,101	3,763,734
Net position at end of the year	$ 6,283,473	$ 5,445,101

See accompanying notes and auditor's report

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2026	2025
Cash flows from operating activities:		
Cash received from operations	$ 225,515	$ 176,221
Cash payments to suppliers and contractors	(1,159,167)	(1,364,217)
Net cash (used in) operating activities	(933,652)	(1,187,996)
Cash flows from noncapital financing activities:		
District tax revenues	6,090,603	6,077,609
Transfers to AHS	(4,020,750)	(2,549,327)
Net cash provided by noncapital financing activities	2,069,853	3,528,282
Cash flows from capital financing activities:		
Purchases of capital assets and other	(3,162,110)	(864,615)
Proceeds from debt borrowings		13,500,000
Principal payments on debt borrowings	(374,128)	(134,052)
Interest payments on debt borrowings	(706,839)	(608,420)
Net cash (used in) capital financing activities	(4,243,077)	11,892,913
Cash flows from investing activities:		
Interest income	467,045	490,070
Net change in assets limited as to use	2,794,598	(13,183,097
Net cash (used in) investing activities	3,261,643	(12,693,027)
Net increase (decrease) in cash and cash equivalents	154,767	1,540,172
Cash and cash equivalents at beginning of year	2,864,930	1,324,758
Cash and cash equivalents at end of year	$ 3,019,697	$ 2,864,930

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2026	2025
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	$ (991,687)	$ (1,728,265)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	174,507	171,295
Changes in operating assets and liabilities:		
Other receivables	2,572	(2,894)
Prepaid expenses and deposits	(130,777)	151,017
Long-term lease receivable	45,029	42,131
Accounts payable and accrued expenses	8,729	262,810
Deferred inflows of resources	(42,045)	(84,090)
Net cash (used in) operating activities	$ (933,672)	$ (1,187,996)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: The City of Alameda Health Care District, (d.b.a. Alameda District), heretofore referred to as (the District) is a public entity organized under Local District District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the boundaries of the health care district to specified terms of office. The District is located in Alameda, California.

Through April 30, 2014, the District operated Alameda Hospital (the Hospital), which comprised a 100-bed acute care facility, a 35-bed sub acute unit within the Hospital, a 26-bed skilled nursing facility adjacent to the Hospital campus and another 120-bed skilled nursing facility near the Hospital campus which the District took over operations of in August, 2012. Effective May 1, 2014, operations of the Hospital were turned over to the Alameda Health System (AHS), a public hospital authority created by the Alameda County Board of Supervisors, through a joint powers agreement (the affiliation agreement). Through this affiliation with AHS, the District continues to provide health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the District 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 District 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 District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: The management's discussion and analysis is a narrative introduction and analytical overview of the District'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: The District 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.

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.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

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 40 years for buildings and improvements, and 3 to 10 years for major moveable equipment. The District periodically reviews its capital assets for value impairment.

Net Position: Net position is 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 does not meet the definition or criteria of the previous two categories.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

District Tax Revenues: The District receives most of its financial support from parcel 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. Parcel taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Parcel taxes are considered delinquent on the day following each payment due date. Property taxes are considered delinquent on the day following each payment date. Those dates are: (1) lien date of January 1; (2) due dates of November 1 and February 1; and (3) delinquent dates of December 10 and April 10.

Operating Revenues and Expenses: The District'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 District'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.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2026 and 2025 the District had deposits invested in various financial institutions in the form of cash and cash equivalents in the amounts of $3,794,172 and $3,712,895 respectively. 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. The CGC and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

NOTE C - CONCENTRATION OF CREDIT RISK

District Tax Revenues : The District receives approximately 90% of their revenues from the County of Alameda under the parcel taxing program. These funds are used to support operations and meet required debt service agreements. Parcel taxes are levied by the County on the District's behalf during the year. Parcel taxes are secured by properties within the District, management believes that there is no credit risk associated with these parcel taxes.

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of $250,000. Although deposits exceed the limit in certain bank accounts, management believes that the risk of loss is minimal due to the quality of the bank the District deals with. Management further believes that there is no risk of material loss due to concentration of credit risk with regards to investments as these are in a trust fund as of June 30, 2026 and 2025.

NOTE D - OTHER RECEIVABLES

Other receivables as were comprised of Alameda County parcel taxes in the amounts of $302,008 and $307,476 as of June 30, 2026 and 2025, respectively. They also included $45,028 and $42,130 of short term lease receivable as of June 30, 2026 and 2025, respectively.

NOTE E - ASSETS LIMITED AS TO USE

Assets limited as to use are related to the Jaber agreement as described in Note F and were comprised of cash and cash equivalents in the amounts of $774,475 and $847,965 as of June 30, 2026 and 2025, respectively. They also include trust funds of $10,311,431 and $13,032,539 as of June 30, 2026 and 2025, respectively**.**

NOTE F - RELATED PARTY TRANSACTIONS

The Alameda Hospital 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 District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion, reimbursement of expenses, or other specific purposes. Effective May 1, 2014, any further donations by the Foundation will be made directly to AHS according to the affiliation agreement. The Foundation is not considered a component unit of the District as the Foundation, in the absence of donor restrictions, has complete and discretionary control over the amounts, the timing, and the use of its donations to the District and management does not consider the assets material.

NOTE G - CAPITAL ASSETS

The District received two parcels of improved rental-real estate by court order dated December 3, 2003, pursuant to the terms of the Alice M. Jaber 1992 Trust. As successor to the former non-profit Alameda Hospital, the District has agreed to abide by the terms of the Trust Agreement. The Trust Agreement and the will of Alice M. Jaber require the District to account for the property as part of the Abraham Jaber and Mary A. Jaber Memorial Fund. Among other things, the District is prohibited from selling all or any portion of the parcels received until after the death of certain named family members and, if the property is sold, it may not be sold to any descendant, spouse or relative to the third degree of any such descendant of a named family member. The net carrying value of this property is $740,900 and $740,900 at June 30, 2026 and 2025, respectively. Capital assets as of June 30, 2026 and 2025 were comprised of the following:

	Balance at June 30, 2025	Adjustments & Additions	Retirements	Balance at June 30, 2026
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	25,658,044	$ 58,338		25,716,382
Equipment	3,747,274			3,747,274
Construction-in-progress	2,297,875	3,103,771		5,401,646
Totals at historical cost	33,080,147	3,162,109		36,242,256
Less accumulated depreciation	(28,869,876)	(174,507)		(29,044,383)
Capital assets, net	$ 4,210,271	$ 2,987,602	$	$ 7,197,873

	Balance at June 30, 2024	Adjustments & Additions	Retirements	Balance at June 30, 2025
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	25,658,044			25,658,044
Equipment	3,747,274			3,747,274
Construction-in-progress		$ 2,297,875		2,297,875
Totals at historical cost	30,782,272	2,297,875		33,080,147
Less accumulated depreciation	(28,698,581)	(171,295)		(28,869,876)
Capital assets, net	$ 2,083,691	$ 2,126,580	$	$ 4,210,271

NOTE H - DEBT BORROWINGS

As of June 30, 2026 and 2025 debt borrowings were as follows:

	2026	2025
City of Alameda Health Care District Certificates of Participation, Series A, interest at 5%, principal and interest due semi-annually each March 15th and September 15th; final payment due September 15th, 2049; secured by District parcel taxes:	$ 13,100,000	$ 13,390,000
Related bond premium to the Certificates of Participation, net of accumulated accretion	1,374,238	1,433,560
Note payable to a bank; principal and interest at 5.75% due in monthly installments of $5,833 through April 15, 2033; collateralized by District property:	753,643	778,449
	15,227,881	15,602,009
Less current maturities of debt borrowings	(332,380)	(318,832)
	$ 14,895,501	$ 15,283,177

Future principal maturities for debt borrowings for the next succeeding years are approximately: $332,380 in 2027; $343,997 in 2028; $365,709 in 2029; $387,522 in 2030; and $404,442 in 2031

NOTE I - COMMITMENTS AND CONTINGENCIES

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2026 and 2025, were $27,489 and $27,748, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2026 and 2025 are not considered material as AHS has assumed responsibility for the significant leases associated with patient care effective May 1, 2014 according to the affiliation agreement. Other District lease or rent agreements that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District 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, 2026 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Risk Management Insurance Programs: AHS has assumed responsibility for all employee-related insurance programs effective May 1, 2014. The District has purchased tail coverage on other specific types of insurance where appropriate in conjunction with the affiliation agreement in order to prevent any lapse in coverage.

NOTE J - AFFILIATION AGREEMENT

District management had ongoing financial challenges operating a small general acute care District with 24-hour emergency services in this very competitive health care environment. The current and future changes brought about by healthcare reform at both the State and Federal levels, as well as other regulatory requirements and reimbursement reductions greatly compounded the challenges facing the District. Furthermore, the District was in need of capital resources to assist with required seismic retrofits, electronic health record implementation and other deferred facility and equipment replacements. Due to this situation, the District Board of Directors executed an affiliation agreement with a local health care system during the year ended June 30, 2014.

Effective May 1, 2014, operations of the Hospital were turned over to the Alameda Health System (AHS), a public hospital authority created by the Alameda County Board of Supervisors through a joint powers agreement. The agreement called for the transfer of specific assets and liabilities of the District to AHS which were related to the operations of the Alameda Hospital. The District maintained ownership of the Alameda Hospital land and real property (buildings and fixed equipment). The transfer included, without limitation, all cash and other deposits, accounts receivable, personal property (including all supplies, equipment and other fixed assets), intangible property, contractual rights, licenses, intellectual property and claims and causes of action, together with all the rights and privileges in any way belonging thereto, free and clear of all encumbrances. Through this affiliation, the District will continue to support the providing of health care services to those individuals, primarily, who reside in the local geographic area.

Transfers made to AHS related to this affiliation agreement for the year ended June 30, 2026 and 2025 amounted to $4,020,750 and $2,549,327, respectively.

NOTE K - LEASES

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

Lessor: The District leases the certain properties to a third party under an operating lease. Lease commencement occurs on the date the District third party takes possession or control of the properties. Original terms for the lease is 5 years. This lease contains an option to extend for another 5 years. The lease also contains an option to terminate the lease at the end of five years, with a written notice. For purposes of lease calculations for this operating lease, it is assumed that the termination clause would not be exercised due to the significant penalty associated with the early termination conditions.

The lease does not contain a readily determinable discount rate. The estimated borrowing rate of 3.5% was used to discount the remaining cash flows for this operating lease.

NOTE K - LEASES (continued)

This lease 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.

The District's lease agreement does not contain any material restrictions, covenants, or any material residual value guarantees.

Lessor-lease related assets and liabilities as of June 30, 2026 and 2025 consist of the following:

Assets:	2026	2025
Lease receivable - current portion	$ 45,028	$ 42,130
Lease receivable - long term portion	39,942	84,971
Total lease assets	$ 84,970	$ 127,101
Deferred inflows of resources		
Deferred inflows of resources	$ 77,082	$ 119,127
Total deferred inflows of resources	$ 77,082	$ 119,127

Total operating lease revenue under this lease arrangement for the years ended June 30, 2026 and 2025 was $42,045 and $42,045, respectively. Due to the change with GASB 87 there was $3,777 and $2,674 of interest income associated with the lease revenues for the years ended June 30, 2026 and 2025, respectively. The District has other operating lease revenue not subject to GASB 87 reporting requirements of $179,029 and $179,029 for the years ended June 30, 2026 and 2025, respectively.

The future minimum rental payments required under operating lease obligations as of June 30, 2026, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

NOTE K - LEASES (continued)

Years ending June 30,

2027	$ 47,284
2028	40,586
Total	87,870
Less: interest	(2,899)
Present value of lease liabilities	$ 84,971

The weighted average for the remaining lease term of this operating lease is 22 months and the weighted average discount rate for this operating leases is 3.5%

NOTE L -INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2026 and 2025:

		Investment Maturities in Years		
As of June 30, 2026	Fair Value	Less than 1	1 to 5	Over 5
U.S. Money Markets (in Trust)	$ 10,311,431	$ 10,311,431	$ -0-	$ -0-
Total investments	$ 10,311,431	$ 10,311,431	$ -0-	$ -0-

		Investment Maturities in Years		
As of June 30, 2025	Fair Value	Less than 1	1 to 5	Over 5
U.S. Money Markets (in Trust)	$ 13,032,539	$ 13,032,539	$ -0-	$ -0-
Total investments	$ 13,032,539	$ 13,032,539	$ -0-	$ -0-

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

NOTE L -INVESTMENTS (continued)

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 a district may manage 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 district operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District'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. Generally a district's investment policy for corporate bonds and notes would be 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.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a district would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A healthcare district's investments are generally held by broker-dealers or in the case of many healthcare districts, in government-pooled short-term cash equivalents such as mutual funds.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a district's investment in a single issuer. A district's investment policy generally allows for different concentrations in selected investment portfolios such as government-backed securities, which are deemed to be lower risk.

Investment Hierarchy - The District 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 - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through September 15, 2026, the date the financial statements are issued, and determined that there are no material subsequent events that need to be disclosed.

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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
City of Alameda Health Care District
Alameda, 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 City of Alameda Health Care District (the District) as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 15, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JJW & Associates, LLP

Fresno, California
September 15, 2026