

**LOS MEDANOS COMMUNITY
HEALTHCARE DISTRICT
(A California Political Subdivision)**

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2016

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Financial Statements
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Medanos Community Healthcare District
Pittsburg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and major funds of the Los Medanos Community Healthcare District (the District) as of and for the year June 30, 2016, and the related notes to the financial statements, which collectively comprise the Los Medanos Community Healthcare District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Board of Directors
Los Medanos Community Healthcare District
Pittsburg, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and major funds of the District as of June 30, 2016, and the respective changes in financial position and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3 through 8 and 30-31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company,
Certified Public Accountants


Sacramento, California
April 19, 2017

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2016

INTRODUCTION

This report presents Management's analysis of the Los Medanos Community Healthcare District's (the District) financial condition and activities as of and for the year ended June 30, 2016. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements.

This document has been prepared based on reporting requirements included in Statement No. 34 of the Governmental Accounting Standards Board (GASB). GASB 34 has made changes to the contents and the format of the financial statement of governmental agencies, which include the Government-Wide Financial Statements on a full accrual basis including the cost of the capital assets and related depreciation.

This information should be read in conjunction with the District's audited financial statements. The information in the MD&A includes the following elements:

- Organization and Business
- Overview of Basic Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Economic Factors and Future Plans
- Request for information

ORGANIZATION AND BUSINESS

The Los Medanos Community Healthcare District is a governmental entity legally constituted as a special district under California law, and its boundaries encompass the Pittsburg/Bay Point area as well as unincorporated portions of Clayton, Clyde, Antioch, and Concord. Los Medanos Community Healthcare District identifies local healthcare needs and collaboratively develops solutions.

District tax revenues are used for programs and activities related to health, wellness, and disease prevention. The District is also actively involved in organizing and sponsoring programs to raise the community's awareness about important health issues, and is considered a full-fledged healthcare partner in its region.

The District is able to address health needs by collaboration with other healthcare providers and agencies, providing financial support in lieu of direct services. In terms of facility use, the District has structured a lease agreement with Contra Costa Health Services (CCHS) that leverages the building asset to provide a high level of healthcare services that include CCHS and other public health services.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of the Government-Wide Statement of Net Position and Statement of Activities; the Governmental Fund Balance Sheet and Statement of

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2016

Revenues, Expenditures, and Changes in Fund Balance; and the Proprietary Fund Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows, and Notes to the Financial Statements.

Government-Wide Financial Statements

Government-Wide Financial Statements utilize the economic resources measurement focus using the full accrual basis of accounting similar to commercial enterprises. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

For the current year there are no differences in the Government-Wide Statement of Activities to the Fund Financial Statement of Revenues, Expenditures, and Changes in Fund Balances. The total net income for both statements are identical in the analysis of the District's financial position and operations for the year ended June 30, 2016, the following discussion and analysis will generally be equally applicable to the Government-Wide and Fund Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses Governmental and Proprietary fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The Governmental Fund is used to account for the District's basic services and the Proprietary Fund is used to account for the District's leasing activity.

Governmental fund accounting uses a flow of current resources measurement focus and the modified accrual basis of accounting. Modified accrual accounting recognizes revenues when available for current operations, normally those revenues that will be received within 60 days of year end. Proprietary (Enterprise) fund accounting uses the full accrual basis of accounting.

The District's financial statements include:

Balance Sheet

The Governmental Fund Balance Sheet presents information on the District's assets and liabilities, with the difference between the two reported as a fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator of the financial health of the District. To assess the overall health of the District, achievement of the District's mission needs to be considered as well.

The Governmental Fund Balance Sheet provides detail of assets and liabilities and describes the components of fund balance.

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Management's Discussion and Analysis (Unaudited)
June 30, 2016

Statement of Revenues, Expenses, and Changes in Fund Balance

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance present the results of the District's General Fund operations over the course of the fiscal year and information as to how the fund balance changed over the year. This can be used as an indicator of the extent to which the District has successfully recovered its costs through funds received (tax revenues). All changes in fund balance are reported during the period on the modified accrual method of accounting which had no significant differences from full accrual accounting. Under full accrual accounting transactions are recognized when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Statement of Cash Flows

The Proprietary Fund Statement of Cash Flows presents changes in cash and cash equivalents resulting from operating, capital, non-capital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligations or receipt and excludes non-cash accounting measures of depreciation or amortization of assets.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found following the financial statements in the audited financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report may present certain required supplementary information comparing budget to actual results of operations. The District is not required to adopt an annual budget; however, during the June 30, 2016 fiscal year, the District approved and adopted a budget.

FINANCIAL ANALYSIS

Financial Highlights

- Total assets of the District exceeded total liabilities at June 30, 2016 by \$3,105,160.
- Total net position of the District increased by \$208,507 for the year ended June 30, 2016.
- Recovery in property values within the District drove an increase of \$93,239 in property tax revenues when compared with the previous fiscal year, providing additional funding for District services.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management’s Discussion and Analysis (Unaudited)
June 30, 2016

- The District’s total expenses remained essentially flat with an increase of \$15,333 when compared with the previous fiscal year. Reduction in staffing cost was offset by an increase in community funding.

Financial Position

During the year, the District’s net position increased by \$208,507 or 7.20% over the prior year.

TABLE 1 – Comparative Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current assets	\$ 1,729,708	\$ 1,373,527	\$ 356,181	25.93%
Capital assets, net	<u>2,471,964</u>	<u>2,631,918</u>	<u>(159,954)</u>	<u>-6.08%</u>
Total Assets	4,201,672	4,005,445	196,227	4.90%
Current liabilities	111,863	90,342	(21,521)	-23.82%
Long-term debt	<u>984,649</u>	<u>1,018,450</u>	<u>33,801</u>	<u>3.32%</u>
Total Liabilities	1,096,512	1,108,792	12,280	1.11%
Net Position				
Invested in capital assets, net of related debt	1,487,315	1,613,468	(126,153)	-7.82%
Unrestricted	<u>1,617,845</u>	<u>1,283,185</u>	<u>334,660</u>	<u>26.08%</u>
Total Net Position	<u>\$ 3,105,160</u>	<u>\$ 2,896,653</u>	<u>\$ 208,507</u>	<u>7.20%</u>

Net investment in capital assets represents the net value of these assets less outstanding debt or commitment against those assets. This net investment in capital assets represents 48% of the District’s total net position at June 30, 2016. These assets are used to provide direct health care services, as the District leases the District’s hospital building to Contra Costa County Health Services. These assets are not available for future spending.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management’s Discussion and Analysis (Unaudited)
June 30, 2016

Table 2 – Comparative Statement of Activities

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>%</u>
Revenues & Support				
Tax revenues	\$ 953,379	\$ 860,140	\$ 93,239	10.84%
Lease income	100,000	100,000	-	-
Investment income	3,753	2,702	1,051	38.90%
Other revenues	<u>3,198</u>	<u>2,547</u>	<u>651</u>	<u>25.56%</u>
Total Revenues	<u>1,060,330</u>	<u>965,389</u>	<u>94,941</u>	<u>9.83%</u>
Expenses				
Community health programs	328,774	303,062	25,712	8.48%
Leased Property - Related	241,289	240,955	334	0.14%
General administration	<u>345,383</u>	<u>356,096</u>	<u>10,713</u>	<u>3.01%</u>
Total Expenses	<u>915,446</u>	<u>900,113</u>	<u>15,333</u>	<u>1.70%</u>
Net Income	<u>\$ 144,884</u>	<u>\$ 65,276</u>	<u>\$ 79,608</u>	<u>121.96%</u>

The above table demonstrates the increase in the District’s revenue realized from assessed valuation growth. The primary drivers of decreased cost were:

- Total community program expenses increased due to the addition of new programs and an adjustment in the timing of an existing program.
- The District’s total salary and benefit cost declined since the prior fiscal year as a result of the Executive Director position being vacant for 5-6 months of the fiscal year.
- District representatives attended fewer conferences and training sessions requiring travel during 2015-2016 when compared to 2014-2015, resulting in a reduction in travel expenses.

CAPITAL ASSETS

The District had no capital asset acquisitions and no significant disposals of capital assets during 2015-16. The existing capital assets, consisting largely of the District’s physical campus, continued to serve the District and the community.

DEBT ADMINISTRATION

The District operated the Los Medanos Community Hospital up until 1994, when the hospital closed due to financial difficulties and the District was forced to declare bankruptcy. The California Statewide Office of Health Planning and Development (OSHPD) were entitled to file a \$1.4 million claim in the District’s bankruptcy. However, in place of this claim the District entered

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2016

into a contractual agreement with OSHPD whereby the District assigned all rental income from the hospital facility from August 1, 1998, to January 31, 2026, to OSHPD.

The terms of the OSHPD agreement are as follows:

1. 08/01/1998 – 7/31/2018: \$100,000 per year
2. 08/01/2018 – 7/31/2020: \$500,000 per year, minimum
3. 03/01/2020 – 7/31/2026: all rental income, if any

For the year ended June 30, 2016, the District assigned \$100,000 of its lease income to the State to satisfy the District's contractual obligation.

Additional information on the District's long-term debt obligations can be found in Notes 4 and 5 to the accompanying financial statements.

ECONOMIC FACTORS AND FUTURE PLANS

The District finalized and adopted a five-year strategic plan to cover 2012-2016 (The Plan) in October 2010. The Plan includes the following:

- On-going monitoring of the health profile and status of District resident to create a broad-based community approach to health care.
- Operation of a Community Funding Program that will allow the District to continue to provide healthcare services by supporting the existence of existing organizations.
- Increase the District's financial stability.
- Provide continued Health Center Oversight as facility owner and advocate for District residents for the provision of healthcare services.
- Continuation of health program collaborations with Contra Costa Health Services and other healthcare organizations.

The District anticipates continued engagement with the community on a variety of health issues and plans to offer community partnerships based on applications to be circulated twice per year. The District has also added new District-sponsored programs and an additional funding program in 2016-2017.

The District expects strong growth in assessed valuation to drive a minimum of 3% increase in property tax revenue for 2016-17.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Barbara Kee at the Los Medanos Community Healthcare District, P.O. Box 8698, Pittsburg, CA 94565. Telephone number (925)-432-2200.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 1,583,588	\$ -	\$ 1,583,588
Accounts receivable	85,245	-	85,245
Prepaid expenses	60,875	-	60,875
Capital assets (note 3):			
Nondepreciable	-	494,367	494,367
Depreciable	-	1,977,597	1,977,597
TOTAL ASSETS	1,729,708	2,471,964	4,201,672
<u>LIABILITIES</u>			
Accounts payable	37,611	-	37,611
Payroll liabilities	9,503	-	9,503
Other payable	6,080	-	6,080
Accrued interest	-	58,669	58,669
Non-current liabilities (note 5)			
Due within one year	-	35,998	35,998
Due in more than one year	-	948,651	948,651
TOTAL LIABILITIES	53,194	1,043,318	1,096,512
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	-	1,487,315	1,487,315
Unrestricted	1,676,514	(58,669)	1,617,845
TOTAL NET POSITION	\$ 1,676,514	\$ 1,428,646	\$ 3,105,160

The accompanying notes are an integral part of these financial statements

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Function / Programs</u>	<u>Program</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities					
Community Health Programs					
Community funding	\$ 268,569	\$ -	\$ (268,569)	\$ -	\$ (268,569)
Outreach and program development	20,926	-	(20,926)	-	(20,926)
Program administration	39,279	-	(39,279)	-	(39,279)
General Administration					
Salary and benefits	140,584	-	(140,584)	-	(140,584)
Board stipend and meeting expenses	24,977	-	(24,977)	-	(24,977)
Professional services	57,877	-	(57,877)	-	(57,877)
Legal services	31,615	-	(31,615)	-	(31,615)
Office	31,652	-	(31,652)	-	(31,652)
Communication	4,190	-	(4,190)	-	(4,190)
Insurance	28,565	-	(28,565)	-	(28,565)
Travel & Seminar	12,885	-	(12,885)	-	(12,885)
Other	13,038	-	(13,038)	-	(13,038)
Total governmental activities	674,157	-	(674,157)	-	(674,157)
Business-Type Activities					
Leasing	241,289	100,000	-	(141,289)	(141,289)
Total business type activities			(674,157)	(141,289)	(815,446)
Total			(674,157)	(141,289)	(815,446)
General revenues					
Property taxes			871,328	-	871,328
AB1290 pass-through			82,051	-	82,051
Investment earnings and interest			3,753	-	3,753
Other income			3,198	-	3,198
Transfers			(17,150)	17,150	-
Total general revenues and transfers			943,180	17,150	960,330
Changes in net position			269,023	(124,139)	144,884
Beginning net position			1,343,868	1,552,785	2,896,653
Prior period adjustment			63,623	-	63,623
Ending net position			<u>\$ 1,676,514</u>	<u>\$ 1,428,646</u>	<u>\$ 3,105,160</u>

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2016**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,583,588
Accounts receivable	85,245
Prepaid expenses	60,875
TOTAL ASSETS	\$ 1,729,708
<u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u>	
Accounts payable	\$ 37,611
Payroll liabilities	9,503
Other	6,080
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred revenue	85,245
Total Liabilities	138,439
<u>FUND BALANCE</u>	
Unassigned	1,591,269
Total Fund Balance	1,591,269
TOTAL LIABILITES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 1,729,708

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2016**

Total fund balance - governmental fund	\$ 1,591,269
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Amounts reported for fund balances of governmental funds in the balance sheet are different than amounts reported for net position of governmental activities in the statement of activities because:

As the focus of governmental fund is on short-term financing, some assets will not be available to pay current expenditures. Those assets (receivables) are offset by deferred revenue in the governmental funds and they are not included in fund balances.

85,245

Total net position of governmental activities	<u><u>\$ 1,676,514</u></u>
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The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund
REVENUES	
Property tax receipts	\$ 871,328
AB 1290 Pass-through	82,051
Interest income	3,753
Other income	3,198
	890,330
Total revenues	960,330
COMMUNITY HEALTH PROGRAM EXPENDITURES	
Community funding	268,569
Outreach and program development	20,926
Program administration	39,279
	328,774
Total community health program expenditures	328,774
GENERAL ADMINISTRATION	
Salary and benefits	140,584
Board stipend and meeting expenses	24,977
Professional services	57,877
Legal services	31,615
Office	31,652
Communication	4,190
Insurance	28,565
Travel and seminars	12,885
Other	13,038
	254,188
Total general administration expenditures	254,188
Total expenditures	674,157
EXCESS OF REVENUES OVER EXPENDITURES	286,173
OTHER FINANCING SOURCES (USES)	
Transfers out	(17,150)
	(17,150)
Net change in fund balance	269,023
Fund balance - beginning of year	1,258,623
Prior period adjustment	63,623
	1,591,269
Fund balance - end of year	\$ 1,591,269

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Total net change in fund balance - governmental fund \$ 269,023

The changes to net position reported in this statement differ from the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances due to the following reconciling items:

Revenue from charges for current services which do not provide current financial resources are not reported as revenues in the government funds but are reported in the statement of activities.

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Total change in net position - governmental activities \$ 269,023

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

	Business-Type Activities Enterprise Fund Leasing
<u>ASSETS:</u>	
Noncurrent capital assets:	
Depreciable -	
Building and equipment	\$ 4,787,814
Less: Accumulated depreciation	(2,810,217)
Depreciable assets, net	1,977,597
Non-depreciable - Land	494,367
Net Capital Assets	2,471,964
Total Assets	\$ 2,471,964
 <u>CURRENT AND NONCURRENT LIABILITIES</u>	
Accrued interest	\$ 58,669
Current portion of contractual obligation	35,998
Long term portion of contractual obligation	948,651
Total liabilities	1,043,318
 <u>NET POSITION</u>	
Net investment in capital assets	1,487,315
Unrestricted	(58,669)
Total net position	\$ 1,428,646

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Fund Leasing
OPERATING INCOME	
Rental income	\$ 100,000
Total revenues	100,000
OPERATING EXPENSES	
Depreciation	159,954
Taxes and expenses	17,150
Total operating expenses	177,104
Operating (loss)	(77,104)
NON-OPERATING EXPENSES	
Interest	(64,185)
Total non-operating expenses, net	(64,185)
Loss before transfers	(141,289)
Transfers in	17,150
Changes in net position	(124,139)
Net position - beginning of year	1,552,785
Net position - end of year	\$ 1,428,646

The accompanying notes are an integral part of these financial statements

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Fund Leasing
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	\$ 100,000
Cash paid for goods and services	(17,150)
	82,850
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from the general fund	17,150
	17,150
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment for interest	(66,199)
Principal paid on long term obligation	(33,801)
	(100,000)
Cash used by capital and related financing activities	(100,000)
Net increase in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
	-
Cash and cash equivalents - end of year	\$ -
	-
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Loss from operations	\$ (77,104)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	159,954
	82,850
Cash flows from operating activities	\$ 82,850

The accompanying notes are an integral part of these financial statements

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Los Medanos Community Healthcare District (LMCHD or the District) is a California Political Subdivision that was established in 1946 in accordance with provisions of the Health and Safety Code of the State of California. It is governed by a Board of Directors who is elected from the community they serve which includes Pittsburg, Bay Point, and portions of Clayton, Clyde, Antioch, and Concord. The primary source of funding is a share of the one percent property tax revenue.

The primary purpose of the District is to improve the quality of healthcare in the community. LMCHD is actively involved in organizing and sponsoring programs that provide wellness and prevention services as well as raise the community's awareness about important health issues. The District has developed a Community Funding Program and various health program collaborations that allow the District to provide healthcare services by supporting the efforts of existing organizations and developing new programs and initiatives to address the needs of its residents.

As further described in Note 4, LMCHD collaborates with Contra Costa County Health Services (CCHS) by leasing the District's hospital for purposes of providing a health clinic to the County.

LMCHD operated the Los Medanos Community Hospital until 1994 when the hospital closed due to financial difficulty. To settle this bankruptcy, the District accepted long-term debt from California's Statewide Office of Health Planning and Development (OSHDP) and entered into a contractual agreement to assign rental income to OSHDP.

B. Basis of Presentation and Accounting

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented:

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation and Accounting – continued

These statements distinguish between the *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services received by the programs, (b) grants and contributions that are restricted to meeting the operation needs of a particular program and (c) fees and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category – *government and proprietary* – are presented. The emphasis of fund financial statements is on major individual, governmental, and enterprise funds, each of which is displayed in a separate column.

Proprietary fund *operating* revenues such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. Major Funds

The District's major governmental and business-type funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to 10 percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Major Funds – continued

The District reported the following major funds in the accompanying financial statements:

General Fund – The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund – This enterprise fund accounts for the operation, maintenance, capital improvement projects, and debt service for the building which are funded by rental income and transfers from the General Fund.

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes and grants. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

Other revenues susceptible to accrual are investment earnings.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on governmental funds' long-term debt which is recognized when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are thus not current liabilities of the debt service fund as their settlement will not require expenditure of existing fund assets.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Basis of Accounting – continued

Certain indirect costs are included in program expenses reported for individual functions and activities.

E. Property Tax Revenue

The District has the authority to collect taxes on property within its political subdivision. Taxes are received by the County of Contra Costa, which has the responsibility for their collection. The District received approximately 98 percent of its financial support from property taxes which consists of General Fund support for fiscal year ending June 30, 2016. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively.

The County of Contra Costa bills and collects property taxes that are allocated by the County Auditor's Office to the District and various other taxing entities per state legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California.

The District's property tax revenues are recognized in the fiscal year, for which taxes have been levied, provided they become available. "Available" means due or past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District defines the availability period as 60 days.

F. Property and Equipment

Property, plant, and equipment are stated on the cost basis, or in the case of donated items, on the basis of fair market value at the date of donation. Expenditures that increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years for office furniture and equipment, and thirty years for building and improvements. Routine maintenance and repairs are charged to expense as incurred. The threshold for capitalizing capital expenses is \$1,500.

G. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Depreciation Expense

Depreciation is computed using the straight-line method over the useful lives of the assets.

I. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the preceding three years.

Financial instruments that potentially subject the District to concentrations of credit risk are primarily cash investments and accounts receivable. The District places its cash in banks that are insured and with the State Treasurer's Local Agency Investment Fund (LAIF). The cash deposit balances are insured by the Federal Deposit Insurance Corporation up to \$250,000, and beyond that are collateralized in accordance with state law.

J. Fund Balance

As prescribed by GASB Statement *No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Following is a description of the District's fund balance classifications:

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Includes amounts with constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

J. Fund Balance – continued

- **Assigned** – Includes amounts the District intends to be used for specific purposes that are neither restricted nor committed.
- **Unassigned** – Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned for specific purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and other funds are available, then it applies amounts to the committed fund balance followed by assigned and then unassigned amounts.

K. Deferred Inflows and Outflows of Resources

The District adopted the provisions of GASB Statement No. 63 (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the 2013 fiscal year. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District reports deferred inflows of resources on the Governmental Fund Statements related to receivables that will not be realized within 60 days of year-end.

NOTE 2: CASH AND INVESTMENTS

The District’s cash and investments consist of the following at June 30, 2016:

Governmental Activities	\$ 1,583,588
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Cash and Investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 697,329
Investment in Local Agency Investment Fund, California	886,259
	<u>\$ 1,583,588</u>

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS – continued

Policies

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. All investments were in the State investment pools.

Investment in the State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429.3 under the oversight of the Treasurer of the State of California. The District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the amortized cost basis provided by LAIF for the entire portfolio which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

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. The District manages its exposure to interest rate risk by investing substantially all of its funds in State investment pool.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the State investment pools are not required to be rated.

Custodial Credit Risk

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS – continued

undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2016, the District’s bank balance of \$697,079 before reconciling items was either FDIC insured or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the District.

NOTE 3: CAPITAL ASSETS

Activity in capital assets for the year ended June 30, 2016, was as follows:

	Balance July 1 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 494,367	\$ -	\$ -	\$ 494,367
Total capital assets, not being depreciated	494,367	-	-	494,367
Capital assets being depreciated				
Building	4,778,641	-	-	4,778,641
Equipment	12,592	-	(3,419)	9,173
Total capital assets, being depreciated	4,791,233	-	(3,419)	4,787,814
Less: Accumulated Depreciation				
Building	(2,641,090)	(159,954)	-	(2,801,044)
Equipment	(12,592)	-	3,419	(9,173)
Total accumulated depreciation	(2,653,682)	(159,954)	3,419	(2,810,217)
Total capital assets, being depreciated, net	2,137,551	(159,954)	-	1,977,597
Capital assets, net	\$ 2,631,918	\$ (159,954)	\$ -	\$ 2,471,964

Depreciation expense was \$159,954 for the year ended June 30, 2016.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 4: LEASE AGREEMENT WITH CONTRA COSTA COUNTY

The District has a lease agreement with Contra Costa County for full use of its hospital facility with 130,900 square feet and 14 acres of land which is currently used by the County Vehicle Pool at no charge. This facility is used to provide direct medical services to individuals within the District’s geographic area.

The lease is for a twenty-year term from August 1, 1998 to July 31, 2018, with two five-year options. The income from this lease amounts to \$100,000 and is restricted and has been assigned to the State Office of Health Planning and Development (OSHPD).

The County makes annual lease payments of \$100,000 directly to Cal-Mortgage Insurance Division to satisfy the District’s obligation as described in Note 5. The lease income is reported in the statement of revenue, expenses, and changes in net position and offsets the contractual obligation as shown on the balance sheet.

NOTE 5: SETTLEMENT AGREEMENT

As set forth in the bankruptcy Settlement Agreement dated September 10, 1998, the State Office of Health Planning and Development (OSHPD) were allowed a \$1.4 million claim.

In settlement of this claim, the District entered into three agreements with OSHPD: a Settlement Agreement dated September 10, 1998; an Absolute Assignment of Rents dated August 1, 1998; and an Agreement dated May 1, 2000 [(collectively, the “OSHPD Agreements”).] Pursuant to the OSHPD Agreements, District has assigned all rental income from the hospital facility as follows:

08/01/1998 – 07/31/2018	\$100,000 per year
08/01/2018 – 07/31/2020	\$500,000 per year, minimum, regardless of the amount of rent actually paid/collected
08/01/2020 – 01/31/2026	all rental income, if any

The District’s obligation is only to assign and pay over to OSHPD the rental income as specified above. The Agreement contains a provision that if the District defaults on the repayment provisions, the District owes OSHPD \$1,400,000, with interest thereon at an annual rate of 6.5 percent, less all of the rental payments received by OSHPD as of the date the rental payments cease. The District is not in default of these payment provisions.

The assignment of rents is evidenced by an Absolute Assignment of Rents recorded in Contra Costa County as document number 98-2026029-00 on August 27, 1998. The obligation is secured by two Deeds of Trust on the hospital parcel, both dated May 1, 2000. The assignment and the OSHPD Agreements were part of the District’s bankruptcy plan approved by the court.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 5: SETTLEMENT AGREEMENT – continued

The following is a schedule of the lease assignment payable and the related sublease income subsequent to June 30, 2016:

Year Ending June 30:	Assignment of Lease Obligations	Sublease Income- Contra Costa County
2017	\$ 100,000	\$ 100,000
2018	100,000	100,000
2019	100,000	100,000
2020	500,000	500,000
2021	600,000	500,000

Assignment of this contractual obligation is reported in the financial statements as follows:

Balance June 30, 2015	Repayments	Balance June 30, 2016	Current	Long-Term
\$ 1,018,450	\$ 33,801	\$ 984,649	\$ 35,998	\$ 948,651

The California Office of Statewide Health Planning and Development considers the contractual obligation as an assignment of rents, with no fixed principal or interest rates attached to the assignment. The Office calculates its value based on the present discounted value of the stream of income discounted by one percent which is slightly more than the current rate of return on the Pooled Money Investment Account maintained by the State Treasurer. The present discounted value of this stream of income as of June 30, 2016 was at least \$1,260,660.

NOTE 6: FUNDING FOR COMMUNITY HEALTH PROGRAMS

A community’s health care needs are served by a broad array of health-related programs and initiatives that promote physical, emotional and psychological well-being. LMCHD funds programs that make significant contribution to the health of the community focusing on the uninsured and underserved populations in the community.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 6: FUNDING FOR COMMUNITY HEALTH PROGRAMS - continued

The District funded the following programs during the fiscal year ended June 30, 2016:

Student Eyeglasses Program	\$ 7,750
Youth Intern Program	4,682
African American Community Baby Shower	10,000
District Programs and Activities Committee	851
CPR/FAST	8,980
Pittsburg Swim Academy	20,900
Supervisor Glover's Youth Summit	10,000
St. Vincent de Paul RotaCare	30,000
Health and Wellness Fall Allocation	85,988
Health and Wellness Summer Allocation	75,359
Board Community Benefit Fund	10,300
Community Garden	<u>3,759</u>
 Total	 <u>\$ 268,569</u>

NOTE 7: CONTINGENCIES

The District is involved in legal actions arising in the ordinary course of business. In the opinion of the District's management, the District has adequate legal defense or insurance coverage with respect to each of these actions and does not believe that they will materially affect the District's results of operations or financial position.

NOTE 8: OPERATING LEASES

The District has one operating lease agreement with a three-year term which was extended by one year. Total rental expense for the year was \$1,594. There are no material restrictions imposed by this agreement. The minimum rental payments required under the operating lease commitments at June 30, 2016, are:

<u>Year Ended</u> <u>June 30,</u>	<u>Minimum</u> <u>Payments</u>
2017	\$ 1,829
2018	2,031
2019	2,031
2020	<u>1,016</u>
Total	<u>\$ 6,907</u>

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The management of the District reviewed the results of operations for the period of time from its year end June 30, 2016, through April 19, 2017, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property tax receipts	\$ 854,317	\$ 892,621	\$ 871,328	\$ (21,293)
AB 1290 Pass-through	-	-	82,051	82,051
Other income	800	2,800	3,753	953
Interest income	1,800	1,800	3,198	1,398
	<u>856,917</u>	<u>897,221</u>	<u>960,330</u>	<u>63,109</u>
COMMUNITY HEALTH PROGRAM EXPENDITURES				
Community funding	305,400	336,400	278,149	(58,251)
Outreach and program development	24,000	8,000	19,118	11,118
Program administration	-	-	41,409	41,409
	<u>329,400</u>	<u>344,400</u>	<u>338,676</u>	<u>(5,724)</u>
GENERAL ADMINISTRATION				
Salary and benefits	236,200	237,200	140,720	(96,480)
Board stipend and meeting expenses	24,000	24,000	24,977	977
Board election charges	-	-	-	-
Professional services	58,004	62,004	57,877	(4,127)
Legal services	40,000	40,000	31,615	(8,385)
Office supplies and maintenance	28,700	28,700	31,652	2,952
Communication	-	-	4,190	4,190
Insurance	26,132	32,132	28,565	(3,567)
Travel and seminars	21,600	21,600	12,885	(8,715)
Other	19,000	19,000	13,038	(5,962)
	<u>453,636</u>	<u>464,636</u>	<u>345,519</u>	<u>(119,117)</u>
Total general administration expenditures	<u>453,636</u>	<u>464,636</u>	<u>345,519</u>	<u>(119,117)</u>
Total expenditures	<u>783,036</u>	<u>809,036</u>	<u>684,195</u>	<u>(124,841)</u>
EXCESS OF REVENUES OVER EXPENDITURES	73,881	88,185	276,135	187,950
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,400)	(20,400)	(17,150)	3,250
Net change in fund balance	<u>\$ 53,481</u>	<u>\$ 67,785</u>	<u>\$ 258,985</u>	<u>\$ 191,200</u>

Reconciliation of the Net Change in Fund Balance on a Budgetary Basis to the Net Change in Fund Balance on a GAAP Basis

GAAP recognizes community funding when expended by recipients for eligible purposes while budgetary basis recognized community funding when initially disbursed to the recipients	\$ 9,580
GAAP basis recognizes payroll costs when employees perform service rather than when paid	<u>458</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 269,023</u>

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Note to the Required Supplementary Information
For the Year Ended June 30, 2016

NOTE 1: BUDGET

The Board of Directors legally adopted an annual operating budget which may be amended by the Board throughout the year. The budget is prepared on the budgetary basis, which is consistent with generally accepted accounting principles; except as follows:

- Community funding paid to recipients is considered expended on the date released to the recipients rather than the date used by the recipients to provide eligible services.
- Salaries and wages are considered expended on the date paid rather than the date services were performed.

Budget amounts reflect the original budget adopted by the Board and the final budget after all applicable amendments. All budget appropriations lapse at year-end.