

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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Financial Statements
June 30, 2014

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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, 2014 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

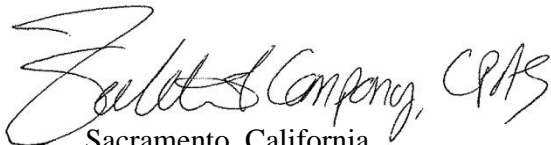
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and major funds of the District as of June 30, 2014, and the respective changes in financial position and 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 29 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
March 24, 2015

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014. 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 partnership 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

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2014

Position and Statement of Activities; the Governmental Fund Balance Sheet and Statement of 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, 2014, 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 90 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.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2014

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 Statement of Revenues, Expenditures, and Changes in Fund Balance present the results of the District's 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 user fees (rental income) or other 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, in which 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, 2014 fiscal year the District approved and adopted a budget.

FINANCIAL ANALYSIS

Financial Highlights

- Total assets of the District exceeded total liabilities at June 30, 2014 by \$2,807,877.
- Total net position of the District decreased by \$67,937 for the year ended June 30, 2014 before accounting for a prior period adjustment.
- Recovery in property values within the District drove an increase of \$85,151 in property tax revenues when compared with the previous fiscal year, providing additional funding for

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management’s Discussion and Analysis (Unaudited)
June 30, 2014

District services and debt service.

- The District’s total expenses decreased \$52,039 when compared with the previous fiscal year due primarily to the lack of election costs, which are paid only in years where there are one or more contested seats on the District’s Board of Directors, and also a reduction in the use of professional services.

Financial Position

During the year, the District’s net position decreased by \$175,232 (5.87%) over the prior year.

TABLE 1 – Comparative Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current assets	\$ 1,205,962	\$ 1,181,891	\$ 24,071	2.03%
Capital assets, net	<u>2,739,540</u>	<u>2,888,178</u>	<u>(148,638)</u>	<u>-5.14%</u>
Total Assets	3,945,502	4,070,069	(124,567)	-3.06%
Current liabilities	87,437	152,167	64,730	42.54%
Long-term debt	<u>1,050,188</u>	<u>934,793</u>	<u>(115,395)</u>	<u>-12.34%</u>
Total Liabilities	1,137,625	1,086,960	(50,665)	-4.66%
Net Position				
Invested in capital assets, net of related debt	1,689,352	1,916,541	(227,189)	-11.85%
Unrestricted	<u>1,118,525</u>	<u>1,066,568</u>	<u>51,957</u>	<u>4.87%</u>
Total Net Position	<u>\$ 2,807,877</u>	<u>\$ 2,983,109</u>	<u>\$ (175,232)</u>	<u>-5.87%</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 60% of the District’s total net position at June 30, 2014. 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.

Analysis of Changes in Net Position: The District had a net decrease of \$175,232 for the year ended June 30, 2014.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2014

Table 2 – Comparative Statement of Activities

	Year Ended June 30, 2014	Year Ended June 30, 2013	Increase (Decrease)	%
Revenues & Support				
Tax revenues	\$ 778,649	\$ 677,139	\$ 101,510	14.99%
Lease income	100,000	100,000	-	-
Investment income	2,078	2,757	(679)	-24.63%
Returned grant funds	-	2,848	(2,848)	
Other revenues	5,603	21,622	(16,019)	-74.09%
Total Revenues	886,330	804,366	81,964	10.19%
Expenses				
Grant & grant admin.	379,538	344,959	34,579	10.02%
Property	248,119	237,845	10,274	4.32%
General administration	326,610	423,502	(96,892)	-22.88%
Total Expenses	954,267	1,006,306	(52,039)	-5.17%
Net Income/Loss	\$ (67,937)	\$ (201,940)	\$ 134,003	-66.36%

The above table demonstrates the increase in the District's revenue realized from assessed valuation growth as well as the decreased cost for election and professional services, which were both a part of general administration.

CAPITAL ASSETS

During 2013-14, the District installed a new security system on its portion of the leased property and capitalized this asset. The District also commenced a Board Room Renovation project valued at approximately \$60,000 that will provide both the community and the District with an up-to-date meeting facility designed for use with modem video conference and audio/visual presentation technology. The project will be completed in 2014-15.

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 (OSHDP) was entitled to file a \$1.4 million claim in the District's bankruptcy. However, in place of this claim the District entered into a contractual agreement with OSHDP whereby the District assigned all rental income from the hospital facility from August 1, 1998 to January 31, 2026 to OSHDP.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014, 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 six-year strategic plan for 2012-2016 in October 2010. The 2012-2016 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 Grants 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 Partnerships with Contra Costa Health Services and other healthcare organizations.

The District has restructured its financial management approach to incorporate prudent financial decision-making. The District was able to retire a portion of the bankruptcy debt early, relieving taxpayers of an additional five years of debt service (or approximately \$440,000 in interest expense).

The District anticipates continued engagement with the community on a variety of health issues and plans to offer community grants based on applications to be circulated twice per year.

The District expects strong growth in assessed valuation to drive a 4% increase in property tax revenue for 2014-15.

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, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 1,176,429	\$ -	\$ 1,176,429
Accounts receivable	26,237	-	26,237
Prepaid expenses	3,296	-	3,296
Capital assets (note 3):			
Nondepreciable	-	494,367	494,367
Depreciable	-	2,245,173	2,245,173
	1,205,962	2,739,540	3,945,502
TOTAL ASSETS			
<u>LIABILITIES</u>			
Accounts payable	11,574	-	11,574
Payroll liabilities	11,993	-	11,993
Other payable	1,296	-	1,296
Accrued interest	-	62,574	62,574
Non-current liabilities (note 5)			
Due within one year	-	31,738	31,738
Due in more than one year	-	1,018,450	1,018,450
	24,863	1,112,762	1,137,625
TOTAL LIABILITIES			
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	-	1,689,352	1,689,352
Unrestricted	1,181,099	(62,574)	1,118,525
	\$ 1,181,099	\$ 1,626,778	\$ 2,807,877
TOTAL NET POSITION			

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, 2014

Function / Programs	Expenses	Program		Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Governmental Activities	Business-type Activities		
Governmental Activities						
Grant Expenses						
Community grants	\$ 291,216	\$ -	\$ (291,216)	\$ -	\$ (291,216)	\$ (291,216)
Programs/Outreach Expenses	22,861	-	(22,861)	-	(22,861)	(22,861)
Grant administration	65,461	-	(65,461)	-	(65,461)	(65,461)
General Administration						
Salary and benefits	127,546	-	(127,546)	-	(127,546)	(127,546)
Board stipend and meeting expenses	22,526	-	(22,526)	-	(22,526)	(22,526)
Board election charges	-	-	-	-	-	-
Professional services	76,227	-	(76,227)	-	(76,227)	(76,227)
Legal services	24,510	-	(24,510)	-	(24,510)	(24,510)
Office supplies and maintenance	19,769	-	(19,769)	-	(19,769)	(19,769)
Communication	525	-	(525)	-	(525)	(525)
Insurance	19,863	-	(19,863)	-	(19,863)	(19,863)
Travel & Seminar	23,201	-	(23,201)	-	(23,201)	(23,201)
Other	12,443	-	(12,443)	-	(12,443)	(12,443)
Total governmental activities	706,148	-	(706,148)	-	(706,148)	(706,148)
Business-type Activities						
Leasing	248,119	100,000	-	(148,119)	(148,119)	(148,119)
Total business type activities			(706,148)	(148,119)	(854,267)	(854,267)
Total			(706,148)	(148,119)	(854,267)	(854,267)
General revenues						
Property taxes			754,386	-	754,386	754,386
AB1290 pass-through			24,263	-	24,263	24,263
Investment earnings and interest			2,078	-	2,078	2,078
Other income			5,603	-	5,603	5,603
Transfers			(31,056)	31,056	-	-
Total general revenues and transfers			755,274	31,056	786,330	786,330
Changes in net position			49,126	(117,063)	(67,937)	(67,937)
Beginning net position			1,131,973	1,851,136	2,983,109	2,983,109
Prior period adjustment			-	(107,295)	(107,295)	(107,295)
Ending net position			\$ 1,181,099	\$ 1,626,778	\$ 2,807,877	\$ 2,807,877

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2014**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,176,429
Accounts receivable	26,237
Prepaid expenses	3,296
TOTAL ASSETS	\$ 1,205,962
<u>LIABILITIES AND FUND BALANCE</u>	
Accounts payable	\$ 11,574
Payroll liabilities	11,993
Other	1,296
Deferred inflows of resources:	
Deferred revenue	21,622
Total Liabilities	46,485
<u>FUND BALANCE</u>	
Assigned to finance subsequent year's budget	33,924
Unassigned	1,125,553
Total Fund Balance	1,159,477
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,205,962

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, 2014**

Total fund balance - governmental fund	\$ 1,159,477
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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.

21,622

Total net position of governmental activities	<u><u>\$ 1,181,099</u></u>
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**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund
REVENUES	
Property tax receipts	\$ 754,386
AB 1290 Pass-through	24,263
Other income	2,078
Interest income	5,603
	786,330
 COMMUNITY AND HEALTH PROGRAM EXPENDITURES	
Community grants	291,216
Program / outreach expenses	22,861
Grant administration	65,461
	379,538
 GENERAL ADMINISTRATION	
Salary and benefits	127,546
Board stipend and meeting expenses	22,526
Board election charges	-
Professional services	76,227
Legal services	24,510
Office supplies and maintenance	19,769
Communication	525
Insurance	19,863
Travel and seminars	23,201
Other	12,443
	326,610
Total general administration expenditures	326,610
Total expenditures	706,148
EXCESS OF EXPENDITURES OVER REVENUE	80,182
 OTHER FINANCING SOURCES (USES)	
Transfers out	(31,056)
	(31,056)
Net change in fund balance	49,126
Fund balance - beginning of year	1,110,351
	1,110,351
Fund balance - end of year	\$ 1,159,477

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, 2014**

Total net change in fund balance - governmental fund \$ 49,126

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. _____

Total change in net position - governmental activities \$ 49,126

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

	Business-Type Activities Enterprise Fund <u>Leasing</u>
<u>ASSETS:</u>	
Noncurrent capital assets:	
Depreciable -	
Building	\$ 4,727,446
Equipment	12,592
Less: Accumulated depreciation	(2,494,865)
Depreciable assets, net	<u>2,245,173</u>
Non-depreciable -	
Land	<u>494,367</u>
Net Capital Assets	<u>2,739,540</u>
 Total Assets	 <u><u>\$ 2,739,540</u></u>
 <u>CURRENT AND NONCURRENT LIABILITIES</u>	
Accrued interest	\$ 62,574
Current portion of contractual obligation	31,738
Long term portion of contractual obligation	<u>1,018,450</u>
 Total liabilities	 <u>1,112,762</u>
 <u>NET POSITION</u>	
Net investment in capital assets	1,689,352
Unrestricted	<u>(62,574)</u>
 Total net position	 <u><u>\$ 1,626,778</u></u>

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, 2014**

	Business-Type Activities Enterprise Fund Leasing
OPERATING INCOME	
Rental income	\$ 100,000
Total revenues	100,000
OPERATING EXPENSES	
Depreciation	158,639
Taxes and expenses	21,056
Total operating expenses	179,695
Operating (loss)	(79,695)
NON-OPERATING EXPENSES	
Interest	(68,424)
Total non-operating expenses, net	(68,424)
Loss before transfers	(148,119)
Transfers in	31,056
Changes in net position	(117,063)
Net position - beginning of year	1,851,136
Prior period adjustment	(107,295)
Net position - end of year	\$ 1,626,778

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, 2014**

	Business-Type Activities Enterprise Fund Leasing
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	\$ 100,000
Payment for taxes and expenses	<u>(21,056)</u>
Cash provided by operating activities	78,944
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from the general fund	<u>31,056</u>
Cash provided by non-capital financing activities	31,056
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(10,000)
Payment for interest	(63,156)
Principal paid on long term obligation	<u>(36,844)</u>
Cash used by capital and related financing activities	(110,000)
Net increase in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Loss from operations	\$ (79,695)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	<u>158,639</u>
Cash flows from operating activities	<u><u>\$ 78,944</u></u>

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, 2014

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.

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 (OSHPD) and entered into a contractual agreement to assign rental income to OSHPD.

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 Grant Program and various Health Program Partnerships 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 partners with Contra Costa County Health Services (CCHS) by leasing the District’s hospital for purposes of providing a health clinic to the County.

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, 2014

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 offered by the programs, (b) grants and contributions that are restricted to meeting the operation needs of a particular program and (c) fees, grants 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 ten percent of their fund-type total and five percent of the grant 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, 2014

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 and capital improvement projects for the building which are funded by rental income.

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, 2014

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% of its financial support from property taxes which consists of General Fund support for fiscal year ending June 30, 2014. 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, 2014

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 limited amounts in banks that are insured and in investment grade debt instruments, many of which are backed by the U.S. Government or other governmental authorities. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

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, 2014

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.

NOTE 2: CASH AND INVESTMENTS

The District’s cash and investments consist of the following at June 30, 2014:

Governmental Activities	\$ 1,176,429
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Cash and Investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 348,624
Investment in Local Agency Investment Fund, California	827,805
	<u>\$ 1,176,429</u>

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

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS – continued

Investment in the State Investment Pool – continued

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 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, 2014, the District's bank balance of \$363,451 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.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CAPITAL ASSETS

Activity in capital assets for the year ended June 30, 2014 was as follows:

	Balance July 1 2013	Additions	Deletions	Balance June 30, 2014
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	4,717,446	10,000	-	4,727,446
Equipment	12,592	-	-	12,592
Total capital assets, being depreciated	4,730,038	10,000	-	4,740,038
Less: Accumulated Depreciation				
Building	(2,324,609)	(157,664)	-	(2,482,273)
Equipment	(11,618)	(974)	-	(12,592)
Total accumulated depreciation	(2,336,227)	(158,638)	-	(2,494,865)
Total capital assets, being depreciated, net	2,393,811	(148,638)	-	(2,245,173)
Capital assets, net	\$ 2,888,178	\$ (148,638)	\$ -	\$ 2,739,540

Depreciation expense was \$158,639 for the year ended June 30, 2014.

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

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 4: LEASE AGREEMENT WITH CONTRA COSTA COUNTY - continued

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) was 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%, 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.

The following is a schedule of the lease assignment payable and the related sublease income subsequent to June 30, 2014:

Year Ending June 30:	Assignment of Lease Obligations	Sublease Income- Contra Costa County
2015	\$ 100,000	\$ 100,000
2016	100,000	100,000
2017	100,000	100,000
2018-2020	1,100,000	Unknown since lease with County expires July 31, 2018.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 5: SETTLEMENT AGREEMENT – continued

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

<u>Balance</u> <u>June 30, 2013</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u>	<u>Long-Term</u>
\$ 1,079,989	\$ 29,801	\$ 1,050,188	\$ 31,738	\$ 1,018,450

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, 2014 was at least \$1,348,010.

NOTE 6: GRANTS TO COMMUNITY ORGANIZATIONS

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 uses the District’s grant making and initiative process to leverage District assets to make significant contribution to the health of the community focusing on the uninsured and underserved populations in the community.

The District funded the following programs during the fiscal year ended June 30, 2014:

St. Vincent de Paul RotaCare	\$ 25,000
City of Pittsburg Swim Academy	20,000
Youth Intern Program	4,011
Community Garden	2,692
Student Eyeglasses Program	9,559
Summer Grant Program	59,000
Health and Wellness Grant Program	<u>170,954</u>
 Total	 <u>\$ 291,216</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.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

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 \$1,248. There are no material restrictions imposed by this agreement. The minimum rental payments required under the operating lease commitments at June 30, 2014, are:

<u>Year Ended June 30,</u>	<u>Minimum Payments</u>
2015	\$ 1,500
2016	1,125
Total	<u>\$ 2,625</u>

NOTE 9: PRIOR PERIOD ADJUSTMENT

The District decreased beginning net position in the Leasing Fund and in Business-Type Activities by \$107,295. This prior period adjustment increased the reported long-term liability balance in order to reflect a more accurate present value of the remaining required payments required under the OSPHD agreements. The agreement for assignment of rents includes a provision that if the hospital building is sold, the liability to the State is calculated using a specified principal amount and then applying payments made to date using an interest rate of 6.5%. This method had previously been used to measure the liability for reporting in these financial statements. However, because the District does not have an intention at this time to sell the hospital property, the District changed the measurement of the liability to reflect the payments that will be required if the property is not sold. Had this change been implemented in the prior fiscal year, it would have decreased the change in net position by \$6,613 for the year ended June 30, 2013.

NOTE 10: EVALUATION OF SUBSEQUENT EVENT

The management of the District reviewed the results of operations for the period of time from its year end June 30, 2014 through March 24, 2015, 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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property tax receipts	\$ 677,611	\$ 689,730	\$ 754,386	\$ 64,656
AB 1290 Pass-through	-	-	24,263	24,263
Other income	3,000	3,000	2,078	(922)
Interest income	-	-	5,603	5,603
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	680,611	692,730	786,330	93,600
	<hr/>	<hr/>	<hr/>	<hr/>
COMMUNITY AND HEALTH PROGRAM EXPENDITURES				
Community grants	166,081	204,000	291,216	87,216
Program / outreach expenses	79,000	19,000	22,861	3,861
Grant administration	-	-	65,461	65,461
	<hr/>	<hr/>	<hr/>	<hr/>
Total community and health program expenditures	245,081	223,000	379,538	156,538
	<hr/>	<hr/>	<hr/>	<hr/>
GENERAL ADMINISTRATION				
Salary and benefits	228,451	202,651	127,546	(75,105)
Board stipend and meeting expenses	24,000	24,000	22,526	(1,474)
Board election charges	-	-	-	-
Professional services	51,459	51,459	76,227	24,768
Legal services	30,000	30,000	24,510	(5,490)
Office supplies and maintenance	24,190	24,190	19,769	(4,421)
Communication	1,680	1,680	525	(1,155)
Insurance	18,136	18,136	19,863	1,727
Other	12,275	12,275	23,201	10,926
Travel and seminars	10,000	10,000	12,443	2,443
	<hr/>	<hr/>	<hr/>	<hr/>
Total general administration expenditures	400,191	374,391	326,610	(47,781)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	645,272	597,391	706,148	108,757
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF EXPENDITURES OVER REVENUE	35,339	95,339	80,182	(15,157)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers out	<hr/>	<hr/>	(31,056)	(31,056)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	35,339	95,339	49,126	(46,213)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	1,159,479	1,159,479	1,110,351	(49,128)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 1,194,818</u>	<u>\$ 1,254,818</u>	<u>\$ 1,159,477</u>	<u>\$ (95,341)</u>

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Note to the Required Supplementary Information
For the Year Ended June 30, 2014

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 modified accrual basis of accounting, which is consistent with generally accepted accounting principles. 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.