

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**A COMPONENT UNIT OF THE
CITY OF CONCORD, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2014

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Concord/Pleasant Hill Health Care District
Concord, California

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Concord/Pleasant Hill Health Care District (the District), a component unit of the City of Concord, California, as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 from 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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District, as of June 30, 2014, and the respective changes in financial position thereof 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 budgetary comparison information on page 13 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Concord/Pleasant Hill Health Care District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Concord/Pleasant Hill Health Care District's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 15, 2014

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF NET POSITION- GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

ASSETS

Cash and cash equivalents	<u>\$ 316,042</u>
Total assets	<u>316,042</u>

LIABILITIES

Accounts Payable	<u>410</u>
Total liabilities	<u>410</u>

NET POSITION

Unrestricted	<u>315,632</u>
Total Net Position	<u><u>\$ 315,632</u></u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	Expenses	Operating Grants and Contributions Revenues	Net (Expenses) Revenue and Change in Net Position
Governmental Activities:			
General government	\$ 274,778	\$ 1,273	\$ (273,505)
Total Governmental Activities	<u>\$ 274,778</u>	<u>\$ 1,273</u>	<u>(273,505)</u>
GENERAL REVENUES			
			222,791
Property tax revenue			3,504
Interest income			<u>226,295</u>
Total General Revenues			
CHANGE IN NET POSITION			(47,210)
NET POSITION, beginning of period			<u>362,842</u>
NET POSITION, end of period			<u>\$ 315,632</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 316,042
Total Assets	<u>\$ 316,042</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	<u>\$ 410</u>
Total Liabilities	<u>410</u>
 FUND BALANCE	
Unassigned	<u>315,632</u>
Total Liabilities and Fund Balance	<u>\$ 316,042</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>
REVENUES	
Property tax revenue	\$ 222,791
Interest income	3,504
Contributions	1,273
Total Revenues	<u>227,568</u>
EXPENDITURES	
Current:	
Grants and loans	204,000
Personnel	54,665
Materials and services	15,669
Other	444
Total Expenditures	<u>274,778</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(47,210)
FUND BALANCE, beginning of period	<u>362,842</u>
FUND BALANCE, end of period	<u>\$ 315,632</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Concord/Pleasant Hill Health Care District (the “District”), is a local health care district organized under Local Hospital District Law, as set forth in the Health and Safety Code of the State of California.

The mission of the District states that it is dedicated to improving the health of people and communities within the Health Care District by funding needed health programs, engaging in health collaborations, and promoting and advocating for needed changes in health policies on behalf of the communities served by the District.

Effective January 1, 1997, the District transferred substantially all of its assets and liabilities to John Muir Medical Center, which currently operates as John Muir Health (“JMH”). The District carries out the role and functions as set forth in the Community Benefit Agreement of August 9, 1996, between the District and John Muir Medical Center. The District Board of Directors, at the time of the transfer, relinquished the role of and responsibility for overseeing, governing and managing the operations and activities of Mt. Diablo Hospital.

During 2008, the District established the Concord/Pleasant Hill Health Care District Grant Program that makes funds available for needed health programs. The program is funded through property taxes. Creation and funding of this grant program reflects the commitment of the District to carry out its mission of funding health programs for people living in the communities served by the District.

Additional activities of the District include:

- Nominating, accepting or rejecting (but not appointing) the representatives on the JMH Board from the Mt. Diablo community. As of June, 2007, the District relinquished this responsibility.
- Appointing five members of John Muir/Mt. Diablo Community Health Fund (CHF) Board of Directors.
 - Participating in the distribution of the annual \$1,000,000 in grants and initiatives which are administered by CHF.
 - Participating in the financial and strategic planning of CHF.
- Reclaiming the assets transferred to the JMH in the event of the termination of the Community Benefit Agreement.

The District's financial statements reflect only its own activities; it has no component units.

As of August 9, 2013, the District was reorganized as a subsidiary District of the City of Concord. See Note 2 District Reorganization. The District is a component unit of the City of Concord (the City).

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Statement of Net Position and Statement of Activities display information about the primary government (The District).

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents direct expenses and program revenues 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's fund, which include only *governmental funds*. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, other than expenditure reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Payable balances consist primarily of payables to vendors.

The District reports the following major governmental fund:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Interest and certain state and federal grants are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Cash and Investments

Pursuant to the Community Benefit Agreement, the Treasurer of the City of Concord, California (the City) has custody of all cash for the District. The District's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each quarter based upon the relationship of its daily cash balance to the total of the pooled account.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments, (Continued)

Cash and investments in the City's investment pools are presented at fair value. Investment policies and related credit, custodial credit, concentration credit, and interest rate risk applicable to the District's pooled funds are those of the City and are disclosed in the City's basic financial statements. The City treasurer's investment pool is subject to oversight by the City Council.

Property Tax Revenue

The Contra Costa County calendar provides property taxes lien dates of January 1 of each year, and due dates of November 1 and February 1 of each year. The District receives the majority of the property tax distribution annually in December with quarterly adjustments.

Restricted Resources

It is the District's policy to use restricted resources before using unrestricted resources when an expense is incurred for which both restricted and unrestricted resources are available to be used.

Use of Estimates

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

Net Position and Fund Balance

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into two captions. These captions apply only to Net Position, which are determined only at the Government-wide level, and are described below:

Restricted Net Position describes the portion of Net Position which are restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include contributions and assessments.

Unrestricted describes the portion of Net Position which are not restricted as to use.

The District's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the aforementioned hierarchy is ranked according to the degree of spending constraint.

Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Financial Accounting Standard

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASBS No. 65, when an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. Future new standards which may impact the Authority include the following:

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until the fiscal year ending June 30, 2015. The District has not determined the effect of this Statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is not effective until the fiscal year ending June 30, 2015. The District has not determined the effect of this Statement.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement should be applied simultaneously with the provisions of Statement No. 68. District has not determined the effect of this Statement.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 – DISTRICT REORGANIZATION

In 2011, the Contra Costa Local Agency Formation Commission (LAFCO) conducted a special study into the governance options for the District. In 2012, the City of Concord submitted an application and operational plan proposing reorganization of the District as a subsidiary district of the City of Concord, with the Concord City Council serving as the ex officio District Board. Under the reorganized District, the new jurisdictional boundary would include only the exterior boundaries of the cities of Concord and Pleasant Hill, and unincorporated islands and pockets within the respective cities' boundaries.

On August 8, 2012, LAFCO approved reorganization of the District, consistent with the proposal submitted by Concord, authorizing the Concord City Council as the ex officio Board of Directors to continue to provide health care services pursuant to the Health and Safety Code throughout the District's new jurisdictional boundary. The District will remain a separate legal entity in order to comply with provisions of the Community Benefit Agreement. The District will continue to receive property tax revenue directed at meeting the health care needs of the community.

On July 9, 2013 the Concord City Council approved changing the name of the District to the “Concord/ Pleasant Hill Health Care District”.

NOTE 3 – CASH AND INVESTMENTS

As discussed in Note 1, the District maintains cash deposits and investments with the City and participates in the investment pool of the City of Concord, which is not rated by the credit rating agencies. At June 30, 2014, the District's cash and investments held in the City of Concord Treasurer's pool totaled \$316,042.

Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in Note 4 of the City of Concord's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax revenue	\$ 230,000	\$ 230,000	\$ 222,791	\$ (7,209)
Contributions	25,000	25,000	1,273	(23,727)
Interest income	200	200	3,504	3,304
Total Revenues	255,200	255,200	227,568	(27,632)
EXPENDITURES				
Current:				
Grants and loans	204,000	204,000	204,000	-
Personnel	80,143	80,143	54,665	25,478
Materials and services	20,913	20,913	15,669	5,244
Other	-	-	444	(444)
Total Expenditures	305,056	305,056	274,778	30,278
Net Change in Fund Balance	(49,856)	(49,856)	(47,210)	2,646
FUND BALANCE, beginning of period	362,842	362,842	362,842	
FUND BALANCE, end of period	\$ 312,986	\$ 312,986	\$ 315,632	\$ 2,646

See accompanying note to Required Supplementary Information.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Budgets and Budgetary Accounting

The Board of Directors adopts a preliminary budget prior to January 1st and a final budget prior to March 30th of each year. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on the modified accrual basis.

OTHER REPORT



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Concord/Pleasant Hill Health Care District
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Concord/Pleasant Hill Health Care District (the District) as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 15, 2014