

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

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

BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2016

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 (District), a component unit of the City of Concord, California (City), as of and for the year ended June 30, 2016, 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.

Opinions

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, 2016, 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.

Emphasis of a Matter

New Accounting Pronouncements

As described in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 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 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 19, 2016

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2016**

ASSETS

Cash and cash equivalents	\$ 52,341
Accounts receivable	<u>6,788</u>
Total Assets	<u>59,129</u>

LIABILITIES

Accounts payable	<u>2,517</u>
Total Liabilities	<u>2,517</u>

NET POSITION

Unrestricted	<u>56,612</u>
Total Net Position	<u>\$ 56,612</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, 2016**

FUNCTIONS/PROGRAMS	Expenses	Operating Grants and Contributions Revenues	Net (Expenses) Revenue and Change in Net Position
Governmental Activities:			
General government	\$ 439,945	\$ 25,000	\$ (414,945)
Total Governmental Activities	<u>\$ 439,945</u>	<u>\$ 25,000</u>	<u>(414,945)</u>
GENERAL REVENUES			
			269,830
			1,945
			<u>271,775</u>
CHANGE IN NET POSITION			(143,170)
NET POSITION, beginning of period			199,782
NET POSITION, end of period			<u>\$ 56,612</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 52,341
Accounts receivable	<u>6,788</u>
Total Assets	<u><u>\$ 59,129</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 2,517
Total Liabilities	<u>2,517</u>
FUND BALANCE	
Unassigned	<u>56,612</u>
Total Liabilities and Fund Balance	<u><u>\$ 59,129</u></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, 2016**

	<u>General Fund</u>
REVENUES	
Property tax revenue	\$ 269,830
Interest income	1,945
Contributions	25,000
Total Revenues	<u>296,775</u>
EXPENDITURES	
Current:	
Grants and loans	376,830
Personnel	60,388
Materials and services	2,502
Other	225
Total Expenditures	<u>439,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(143,170)
FUND BALANCE, beginning of period	<u>199,782</u>
FUND BALANCE, end of period	<u><u>\$ 56,612</u></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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Concord/Pleasant Hill Health Care District (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 Mt. Diablo 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:

- 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. The District is a component unit of the City of Concord (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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (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, 2016

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 Comprehensive Annual Financial Report. 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.

Fair Value Measurement

As of July 1, 2015, the District retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

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. The District's financial statements report net position as unrestricted, which describes the portion of net position which are not restricted as to use.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance (Continued)

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.

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaid expenditures. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the District Board of Directors which may be altered only by formal action of the District Board of Directors. This category may include encumbrances.

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the District Board of Directors or its designee and may be changed at the discretion of the District Board of Directors or its designee. This category may include encumbrances and residual fund balances, if any, of Special Revenue Funds have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

Adoption of New Financial Accounting Standard

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The District implemented this standard as of July 1, 2015.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Financial Accounting Standard (Continued)

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the certain provisions, which are effective for reporting periods beginning after June 15, 2016. For the applicable provisions effective this year, the District has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015. The District implemented this standard as of July 1, 2015. The District has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the certain provisions, which are effective for reporting periods beginning after December 15, 2015. For the applicable provisions effective this year, the District has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice or financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District has not determined the effect, if any, on the financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements

The 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. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Certain provisions of this statement are effective for periods beginning after June 15, 2016. The District has not determined the effect, if any, on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. The District has not determined the effect, if any, on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. The District has not determined the effect, if any, on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The District has not determined the effect, if any, on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The District has not determined the effect, if any, on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB No. 14. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The District has not determined the effect, if any, on the financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The District has not determined the effect, if any, on the financial statements.

NOTE 2 – 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, 2016, the District's cash and investments held in the City of Concord Treasurer's pool totaled \$52,341.

Cash and investments shown on the statement of net position and the balance sheet represent the District's share of the City Treasury's cash and investment pool. The District participates in the City Treasury's cash and investment pool. California Government Code Section 53600, et. seq., and the City investment policy authorizes the following investments; local agency bonds, U.S. Treasury securities, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The City has a Treasurer, which performs regulatory oversight for its investment pool. Investments in the pool are stated at fair value. However, the value of the pool shares in the City, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the District held no individual investments. All funds are invested in the City Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the City Pool are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in the City Pool at June 30, 2016 of \$52,341 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The District does not have a separate investment policy, or any other policies that address these specific types of risk.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in the City's Comprehensive Annual Financial Report.

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax revenue	\$ 300,000	\$ 300,000	\$ 269,830	\$ (30,170)
Contributions	25,000	25,000	25,000	-
Interest income	522	522	1,945	1,423
Total Revenues	325,522	325,522	296,775	(28,747)
EXPENDITURES				
Current:				
Grants and loans	267,000	267,000	376,830	(109,830)
Personnel	24,635	24,635	60,388	(35,753)
Materials and services	3,570	3,570	2,502	1,068
Other	5,000	5,000	225	4,775
Total Expenditures	300,205	300,205	439,945	(139,740)
Net Change in Fund Balance	25,317	25,317	(143,170)	(168,487)
FUND BALANCE, beginning of period	199,782	199,782	199,782	-
FUND BALANCE, end of period	\$ 225,099	\$ 225,099	\$ 56,612	\$ (168,487)

See accompanying note to required supplementary information.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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.

Stewardship, Compliance and Accountability

Expenditures for the year ended June 30, 2016, exceeded the appropriations in the General Fund.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 300,205	\$ 439,945	\$ (139,740)

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 of the
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 (District), a component unit of the City of Concord, California, as of and for the year ended June 30, 2016, 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 19, 2016. Our report included an emphasis of matter paragraph regarding the District's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015.

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 19, 2016