
West Contra Costa Healthcare District

Board of Directors

Wednesday, February 1, 2017

4:00 PM

San Pablo City Council Chambers

13831 San Pablo Avenue

San Pablo, CA

WEST CONTRA COSTA HEALTHCARE DISTRICT
DOCTORS MEDICAL CENTER

BOARD OF DIRECTORS MEETING

WCCHD DOCTORS MEDICAL CENTER
BOARD OF DIRECTORS
MEETING
February 1, 2017 – 4:00 P.M. PST
San Pablo City Council Chambers
13831 San Pablo Ave.
San Pablo, CA 94806

Board of Directors

Deborah Campbell, Vice Chair
Irma Anderson
Nancy Casazza
William Van Dyk
Beverly Wallace

AGENDA

1. CALL TO ORDER D. Campbell, Vice Chair
2. ROLL CALL
3. PUBLIC COMMENTS D. Campbell, Vice Chair
[At this time persons in the audience may speak on any items not on the agenda and any other matter within the jurisdiction of the District Board]
4. APPROVAL OF MINUTES OF November 30, 2016
5. ADJOURN TO CLOSED SESSION
 - a. Conference with Real Property Negotiators (Gov. Code Section 54956.8) Regarding Hospital Property Sale E. Shaffer, Legal Counsel
Agency Negotiators: K. White, E. Shaffer
 - b. Conference with Legal Counsel, existing litigation (Government Code 54956.9(d)(1). In Re: West Contra Costa County Healthcare District: United States Bankruptcy Court for the Northern District of California: Chapter 9 Case No. 16-42917 C. Coffey, Legal Counsel
6. ANNOUNCEMENT OF REPORTABLE ACTION(S) TAKEN IN CLOSED SESSION, IF ANY
7. ELECTION OF BOARD OFFICERS C. Coffey, Legal Counsel
 - a. Presentation
 - b. Public Comment
 - c. Discussion
 - d. ACTION: Approval of Board Officers

8. DISSOLUTION OF GOVERNING BODY

C. Coffey, Legal Counsel

- a. Presentation
- b. Public Comment
- c. Discussion
- d. *ACTION: Approval of Dissolution*

9. REVISING DISTRICT BYLAWS POST CLOSURE

C. Coffey, Legal Counsel

- a. Presentation
- b. Public Comment
- c. Discussion
- d. *ACTION: Information Only*

10. 2015 AUDITED FINANCIAL STATEMENTS

V. Scharr, Financial Consultant

- a. Presentation
- b. Public Comment
- c. Discussion
- d. *ACTION: Acceptance of the 2015 Audited Financial Statements*

11. 2016 AUDITED PENSION PLAN FINANCIAL STATEMENTS

V. Scharr, Financial Consultant

- a. Presentation
- b. Public Comment
- c. Discussion
- d. *ACTION: Acceptance of the Pension Plan Statements*

12. ADJOURNMENT OF MEETING

In compliance with the Americans with Disabilities Act, if you require special accommodations to participate in a District meeting, please contact the District Clerk at 510-417-2210 at least 48 hours prior to the meeting.

MINUTES
NOVEMBER 30, 2016

Agenda Item 4

WEST CONTRA COSTA HEALTHCARE DISTRICT

BOARD OF DIRECTORS

WCCHD DOCTORS MEDICAL CENTER
BOARD OF DIRECTORS
November 30, 2016 – 2:00 P.M.
San Pablo City Council Chambers
13831 San Pablo Ave.
San Pablo, CA 94806

Board of Directors

Eric Zell, Chair
Deborah Campbell, Vice Chair
Irma Anderson
Nancy Casazza
Beverly Wallace

MINUTES

1. CALL TO ORDER

The meeting was called to order at 2:00 P.M.

2. ROLL CALL

Quorum was established and roll was called:

Present:

*Eric Zell, Chair
Beverly Wallace
Nancy Casazza
Irma Anderson*

Absent:

Deborah Campbell

3. PUBLIC COMMENTS

There were no public comments.

4. APPROVAL OF MINUTES OF November 3, 2016

The motion made by Director Wallace and seconded by Director Anderson to approve the November 3, 2016 minutes passed unanimously.

5. CLOSED SESSION

The meeting adjourned to Closed Session at 2:10 pm.

6. ANNOUNCEMENT OF REPORTABLE ACTION(S) TAKEN IN CLOSED SESSION, IF ANY

There were no reportable actions.

7. RESOLUTION AUTHORIZING DISTRICT TO AMEND AND REVOKE PRIOR DIRECTION TO CONTRA COSTA COUNTY REGARDING PARCEL TAX PROCEEDS

A Resolution authorizing the District to amend and revoke prior direction to Contra Costa County regarding parcel tax proceeds was presented to the Board. In closed session, Bankruptcy counsel provided a full briefing, including extensive, detailed information regarding the resolution to the Board.

PUBLIC COMMENTS

There were no public comments.

The motion made by Director Wallace and seconded by Director Anderson to approve the Resolution authorizing the District to amend and revoke prior direction to Contra Costa County regarding parcel tax proceeds passed unanimously.

Ayes: Chair Zell, Director Casazza, Director Wallace, Director Anderson

Noes: None

Abstain: None

Absent: Director Campbell

THE MEETING WAS ADJOURNED AT 3:05 P.M.

**2015 AUDITED FINANCIAL
STATEMENTS**

Agenda Item 10

Audited Financial Statements
WEST CONTRA COSTA
HEALTHCARE DISTRICT

December 31, 2015

JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

December 31, 2015

Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Statements of Net Position.....	5
Statements of Revenues, Expenses and Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	9

JWT & Associates, LLP

Advisory Assurance Tax

1111 East Herndon, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685

Report of Independent Auditors

The Board of Directors
West Contra Costa Healthcare District
San Pablo, California

Report on the Financial Statements

We have audited the accompanying financial statements of West Contra Costa Healthcare District (the District) as of December 31, 2015 and 2014, which comprise the statement of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at December 31, 2015 and 2014, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District ceased operations during the year ended December 31, 2015 and filed bankruptcy in October 2016. The District had incurred significant losses from operations and has a net deficit of (\$82,091,000) at December 31, 2015. The District is now in the process of selling assets, settling liabilities and wrapping up all other administrative issues. Management's plans regarding these matters are also described in Management's Discussion and Analysis. The financial statements include adjustments that resulted from the closure of the hospital, liquidation of capital and other assets and other transactions or situations that impacted the valuation of assets and liabilities.

Required Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JWT & Associates, LLP

Fresno, California
December 20, 2016

West Contra Costa Healthcare District

Management's Discussion and Analysis

December 31, 2015

Introduction

This discussion and analysis has been prepared by the management of West Contra Costa County Healthcare District (the District or WCCHD) in order to provide an overview of the District's financial and operating performance for the year ended December 31, 2015, in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. Read in conjunction with the District's audited financial statements and accompanied notes to the financial statements. It is intended to help the reader better understand the District's financial performance and position. It should be noted that the audited financial statements prepared by JWT & Associates, LLP, include an unmodified opinion regarding the financial statements.

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the years ended December 31, 2015 and 2014. Please read it in conjunction with the District's financial statements.

Normally this section would have a detailed discussion of the changes in the Districts assets and liabilities and the discussion was intended to give the reader a feel for the direction the District was headed and what the future would hold for the organization. The District faced ongoing financial challenges for several years, and closed Doctors Medical Center, the hospital it operated, due to insufficient funding for the population it served and continuing losses. The District continues to function.

Subsequent to the closure of the hospital, the remaining staff conducted the following key activities to wind down the non-clinical operations of the District:

- Conducted a complete inventory of the contents of the hospital.
- Obtained bids for equipment and sold equipment to the highest bidder.
- Discarded any unwanted items (trash) that were of little to no value.
- Shredded any unnecessary documents.
- Assigned remaining accounts receivable to an outside vendor for continued collection efforts on patient accounts.
- Arranged for medical records, storage, retention and retrieval.
- Removed information technology, ensuring that all data was appropriately removed before sale of hardware.
- Plant operations shut down unneeded building functions.
- Physically secured the hospital building and continues to maintain security services on the building until it is sold.

West Contra Costa Healthcare District

Management's Discussion and Analysis

December 31, 2015

The District actively sought a buyer for the hospital building, which is the only remaining asset of the District. It entered into an agreement to sell the building in early 2016 and anticipated that the funds received from the sale of the building would be sufficient to continue to maintain the ongoing costs of the District and to pay the following post closure outstanding, unsecured liabilities:

- Unemployment expense
- Medical records retention
- Workers' compensation claims
- Unfunded pension liabilities

In late 2016, the buyers elected to not proceed with the sale of the building and the District put the property back on the market.

Bankruptcy

Without the proceeds of the sale, the District does not have sufficient cash or other assets to support the ongoing operations of the District or to pay the post closure liabilities. On October 20, 2016, the District filed Chapter 9 bankruptcy. The purpose of the bankruptcy is to obtain relief from creditor collection actions and allow the District time and access to the funds necessary to effect a "plan of adjustment." The bankruptcy court will determine the timing and disposition of assets and liabilities.

In November 2016 the District entered into a second agreement to sell the hospital building for \$13 million dollars. The District anticipates that this sale will close within the next several months. These proceeds will be included in the "plan of adjustment."

Future Considerations

Contra Costa Local Agency Formation Commission (LAFCO) has conducted a study, with the full cooperation of the District, to review the current status of the District and to provide options for the future of the district. Options presented in the study are:

- Maintain the status quo
- Consolidate with a like district
- Reorganize as a subsidiary district to the City of Richmond
- Consolidation with an existing County Service Area
- Reorganization with creation of a new County Service Area
- Dissolution with appointment of successor to wind-up affairs

The Contra Costa County Board of Supervisors, at their meeting on November 15, 2016, requested that LAFCO defer any decision to dissolve/reorganize the District pending the bankruptcy proceedings.

West Contra Costa Healthcare District

Statements of Net Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,054,000	\$ 7,041,000
Patient accounts receivable, net	-	9,707,000
Other receivables	-	161,000
Assets limited as to use	5,470,000	4,532,000
Assets held for sale	14,090,000	-
Supplies	-	1,507,000
Prepaid expenses	381,000	816,000
Total current assets	21,995,000	23,764,000
Assets limited as to use, net of current portion	642,000	642,000
Capital assets, net	-	35,817,000
Other assets	946,000	985,000
Total assets	23,583,000	61,208,000
Deferred outflows of resources	175,000	-
	\$ 23,758,000	\$ 61,208,000
Liabilities and net position		
Current liabilities		
Revolving credit agreement	\$ -	\$ 3,249,000
Current maturities of debt borrowings	1,005,000	1,393,000
Accounts payable and accrued expenses	9,523,000	8,744,000
Accrued payroll and related liabilities	10,773,000	19,518,000
Estimated third-party payors settlements	277,000	2,003,000
Other liabilities, current portion	3,269,000	3,499,000
Total current liabilities	24,847,000	38,406,000
Debt borrowings, net of current maturities	57,035,000	58,152,000
Net long-term pension liability	8,459,000	7,785,000
Other liabilities, net of current	11,909,000	17,492,000
Total liabilities	102,250,000	121,835,000
Deferred inflows of resources	340,000	453,000
Net position		
Invested in capital assets, net of related debt	(18,451,000)	16,127,000
Unrestricted	(60,381,000)	(77,207,000)
Total net position	(78,832,000)	(61,080,000)
Total liabilities and net position	\$ 23,758,000	\$ 61,208,000

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Net patient service revenue	\$ 15,564,000	\$ 83,197,000
Other operating revenue	1,752,000	1,230,000
Total operating revenue	17,316,000	84,427,000
Operating expenses		
Salaries and wages	8,998,000	45,515,000
Employee benefits	9,321,000	31,533,000
Professional fees	4,506,000	9,629,000
Purchased services	3,774,000	10,295,000
Supplies	2,364,000	12,469,000
Depreciation and amortization	2,239,000	4,911,000
Rents and leases	1,395,000	2,881,000
Other operating expenses	5,342,000	3,964,000
Total operating expenses	37,939,000	121,197,000
Operating loss	(20,623,000)	(36,770,000)
Nonoperating revenues (expenses)		
District tax revenue	11,421,000	13,917,000
Investment income	-	38,000
Interest expense	(3,424,000)	(5,579,000)
Other non-operating revenues (expenses), net	(118,000)	3,020,000
Total nonoperating revenues	7,879,000	11,396,000
Excess of expenses over revenues	(12,744,000)	(25,374,000)
Extraordinary loss - closure of hospital	(5,008,000)	-
Change in net position	(17,752,000)	(25,374,000)
Net position at beginning of the year	(61,080,000)	(35,706,000)
Net position at end of the year	\$ (78,832,000)	\$ (61,080,000)

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows

Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from patients and third-parties for patients	\$ 23,545,000	\$ 93,016,000
Cash received from operations, other than patient services	1,913,000	1,577,000
Cash payments to suppliers and contractors	(14,660,000)	(39,293,000)
Cash payments to employees and benefits programs	(26,390,000)	(75,240,000)
Net cash used in operating activities	<u>(15,592,000)</u>	<u>(19,940,000)</u>
Cash flows from noncapital financing activities		
Noncapital grants and contributions	-	3,020,000
Net change in other liability	(5,813,000)	4,388,000
Net proceeds (payments) on revolving credit agreement	(3,249,000)	(1,704,000)
Interest payments on revolving credit agreement	(38,000)	(683,000)
Principal payments on debt borrowings	(80,000)	(75,000)
Interest payments on debt borrowings	(2,383,000)	(3,789,000)
Change in other assets	(24,000)	(24,000)
Other non-operating expense	(118,000)	-
Parcel tax revenues levied for debt service	7,772,000	10,648,000
Ad valorem tax revenues to support operations	3,649,000	3,269,000
Net cash provided by noncapital financing activities	<u>\$ (284,000)</u>	<u>\$ 15,050,000</u>
Cash flows from capital and related financing activities		
Principal payments on debt borrowings	(1,425,000)	(1,245,000)
Interest payments on debt borrowings	(1,003,000)	(1,107,000)
Net cash used in capital and related financing activities	<u>(2,428,000)</u>	<u>(2,352,000)</u>
Cash flows from investing activities		
Purchases of capital assets	-	(608,000)
Extraordinary loss - hospital closure	(5,008,000)	-
Loss on disposal of fixed assets	4,624,000	-
Net change in assets whose use is limited	(938,000)	177,000
Net change in assets held for sale	(14,090,000)	-
Net proceeds and reclassification of capital assets	29,017,000	-
Net change in deferred inflows and outflows of resources	(288,000)	453,000
Easement fee sale	-	4,600,000
Interest and dividends received from investments	-	38,000
Net cash provided by investing activities	<u>13,317,000</u>	<u>4,660,000</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,987,000)</u>	<u>(2,582,000)</u>
Cash and cash equivalents, beginning of year	7,041,000	9,623,000
Cash and cash equivalents, end of year	<u>\$ 2,054,000</u>	<u>\$ 7,041,000</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows (continued)

Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	\$ (20,623,000)	\$ (36,770,000)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	2,239,000	4,911,000
Changes in operating assets and liabilities:		
Accounts receivable	9,707,000	10,750,000
Other accounts receivable	161,000	347,000
Supplies	1,507,000	140,000
Prepaid expenses	435,000	447,000
Accounts payable	779,000	(642,000)
Accrued payroll	(8,745,000)	(2,186,000)
Due to third-party payors	(1,726,000)	(931,000)
Pension liability	674,000	3,994,000
Net cash used in operating activities	<u>\$ (15,592,000)</u>	<u>\$ (19,940,000)</u>
Non cash disclosures		
Non cash payments on county loan	<u>\$ 1,347,000</u>	<u>\$ 1,791,000</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity- West Contra Costa Healthcare District (the "District") is a public agency organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is not subject to federal or state income taxes. The District was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of West Contra Costa County. The District is governed by a Board of Directors elected from within the Healthcare District to specified terms of office. The District operated a full-service acute care facility and provided services to both inpatients and outpatients, who primarily resided in the local geographic area. The District ceased all operations of the hospital in April 2015 and subsequently filed bankruptcy in October 2016.

Basis of preparation - The District is a governmental health care provider and, accordingly, follows governmental accounting standards. The accrual basis of accounting is used in accordance with provisions for proprietary fund types.

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989.

The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method.

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

Cash and cash equivalents - The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request.

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

Patient accounts receivable - Patient accounts receivable consisted of amounts reimbursable by various governmental agencies and insurance companies through the assignment process and private patients. The District managed its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectability and providing for allowances on their accounting records for estimates, contractual adjustments, and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Supplies - Supply inventories were stated at cost, which was determined using the first-in, first-out method.

Capital assets - Capital assets consisted of property and equipment and were reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Capital purchases over \$5,000 were capitalized. Routine maintenance and repairs were charged to expense as incurred. Expenditures which increased values, changed capacities, or extended the useful life were capitalized. Depreciation of property and equipment and amortization of property under capital leases were computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which ranged from 10 to 30 years for buildings and 3 to 10 years for equipment. Leasehold improvements were amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. The District periodically reviewed its capital assets for value impairment. As of December 31, 2015 the District has no capital assets. With the closure of the hospital and the subsequent liquidation of assets, any remaining assets at December 31, 2015 were classified as assets held for sale and valued at current estimated market value.

Other assets - Other assets include debt issuance costs and net premium/discounts related to certain debt. Debt issuance costs and net premium/discounts incurred in connection with the issuance of tax-exempt bonds have been deferred and/or recorded and are being amortized over the term of the bonds using a straight-line method.

Deferred Outflows and Inflows of Resources - Deferred outflows and inflows of resources are comprised of deferred valuation activities related to the District's Successor Retirement Plan (the Plan). Amortization of these amounts follow direction by GASB and as determined by the Plan's actuaries. Amortization expense recognized was \$69,000 and \$113,000 for the years ended December 31, 2015 and 2014, respectively.

Compensated absences - District employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation and sick leave liabilities as of December 31, 2015 and 2014 are \$0 and \$1,706,000 respectively.

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

Risk management - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Risk retention plans - The District maintains professional liability insurance on a claims-made basis, with liability limits of \$10,000,000 per claim, and which is subject to a \$25,000 deductible. Additionally, the District was self-insured for workers' compensation claims, with a self-insured retention of \$500,000 per occurrence, and had excess insurance coverage for the portion of each occurrence in excess of \$1,000,000. The District now maintains a workers' compensation insurance policy which provides coverage on a claims made basis for the few remaining employees. In the case of employee health coverage, the District is self-insured for those claims. Management estimates of uninsured losses for professional liability, workers' compensation and employee health coverage have been accrued as liabilities in the accompanying financial statements.

Net position - Net position of the District are classified in three components:

- Net position invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 7.
- Unrestricted net position are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted expendable net assets.

Net patient service revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Charity care - The District accepted all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

Uncollectible accounts - The District provided care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Grants and contributions - From time to time, the District received grants from various governmental agencies and private organizations. The District also received contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions were recognized when all eligibility requirements, including time requirements were met. Grants and contributions may be restricted for either operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, were reported as components of the statement of revenues, expenses and changes in net position.

Operating revenues and expenses - The District's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-operating revenues and expenses are those transactions not considered directly linked to providing health care services.

Pensions - For purposes of measuring the net position liability and pension expense, information about the fiduciary net position and additions to and deductions from fiduciary net position are determined on the same basis as reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due as payable in accordance with benefit terms. Plan investments are reported at fair value.

Income taxes - The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income.

Subsequent events - Subsequent events have been evaluated through the date the financial statements were available to be issued.

Property taxes - The authority received approximately 13.7% in 2015 and 10.8% in 2014 of its financial support from property taxes. Property taxes are levied by the County on the District's behalf on January 1st and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as non-operating revenue by the District when they are earned.

Reclassifications - Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

New accounting pronouncements - The GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"), which was effective for financial statements for periods beginning after December 15, 2012. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The adoption of this pronouncement did not materially affect the District's financial statements.

GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27* ("GASB No. 68"), which was effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 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 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The District has evaluated the impact of the adoption of GASB No. 68 for the years ending December 31, 2015 and 2014 and the effect to the District's financial statements resulted in a prior period adjustment in the amount of \$9,024,000 to pension liability and beginning net position. See also Note 10.

GASB also issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"), which was effective for financial statements for periods beginning after December 15, 2014.-GASB No. 69 requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. It also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. It defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations, and provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The District has evaluated the impact of the adoption of GASB No. 69 for the years ending December 31, 2015 and 2014, and there is no effect to the District's financial statements.

West Contra Costa Healthcare District

Notes to Financial Statements

December 31, 2015

NOTE 2 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE

As of December 31, 2015 and 2014, the District had deposits invested in various financial institutions in the form of cash and cash equivalents including amounts classified as assets limited as to use amounting to \$8,166,000 and \$12,215,000, respectively. These funds were held in deposits, which are collateralized in accordance with the California Government Code ("CGC"), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutes to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

The composition of assets limited as to use at December 31, 2015 and 2014, is set forth in the following table. Investments are stated at fair value.

	<u>2015</u>	<u>2014</u>
Board designated		
Cash and cash equivalents	\$ 642,000	\$ 642,000
Certificates of deposit	-	175,000
Total board designated	<u>642,000</u>	<u>817,000</u>
Held by trustee		
Money Market	5,470,000	4,357,000
Total	<u>\$ 6,112,000</u>	<u>\$ 5,174,000</u>

Interest and dividend income for investments and gains from assets limited as to use is \$0 and \$38,000, for the years ended December 31, 2015 and 2014, respectively.