NOTE 3 - NET PATIENT SERVICE REVENUE AND REIMBURSEMENT PROGRAMS

The District rendered services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") when it operated a hospital in prior years.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient non-acute services were paid at prospectively determined rates per discharge. Payments for outpatient services were based on a stipulated amount per diagnosis. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's cost reports have been audited by the Medicare fiscal intermediary through 2014. The District has estimated that as of December 31, 2016, they owe $573,000 to Medicare for settlements through December 2015.

The District rendered services to Medi-Cal program beneficiaries at contracted rates. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by Medi-Cal. The District's cost reports have been audited by Medi-Cal through 2014. The District has estimated that as of December 31, 2016, they are due $605,000 from Medi-Cal for settlements through December 2015.

NOTE 4- CAPITAL ASSETS

Capital assets as of December 31, 2016 and 2015 were comprised of the following:

	12/31/2015	Additions	Retirements & Adjustments	12/31/2016
Capital assets not being depreciated				
Land and land improvements	$ -	$ -	$ -	$ -
Construction-in-progress	-	-	-	-
	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	-	-	-	-
Equipment	-	-	-	-
	-	-	-	-
Totals at historical cost	-	-	-	-
Less accumulated depreciation	-	-	-	-
Total capital assets, net	$ -	$ -	$ -	$ -

	12/31/2014	Additions	Retirements & Adjustments	12/31/2015
Capital assets not being depreciated				
Land and land improvements	$ 12,120,000	$ -	$ (12,120,000)	$ -
Construction-in-progress	196,000	-	(196,000)	-
	12,316,000	-	(12,316,000)	-
Capital assets being depreciated				
Buildings and improvements	17,254,000	-	(17,254,000)	-
Equipment	37,043,000	-	(37,043,000)	-
	54,297,000	-	(54,297,000)	-
Totals at historical cost	66,613,000	-	(66,613,000)	-
Less accumulated depreciation	(30,796,000)	(2,176,000)	32,972,000	-
Total capital assets, net	$ 35,817,000	$ (2,176,000)	$ (33,641,000)	$ -

NOTE 5 - DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended December 31, 2016 and 2015 is as follows:

	12/31/15	Additions	Reductions	12/31/16
Bonds payable				
Certificates of Participation - Series 2004	$ 18,265,000	$ -	$ (930,000)	$ 17,335,000
Certificates of Participation - Series 2011	39,775,000	-	(75,000)	39,700,000
	$ 58,040,000	$ -	$ (1,005,000)	$ 57,035,000

	12/31/14	Additions	Reductions	12/31/15
Bonds payable				
Certificates of Participation - Series 2004	$ 19,155,000	$ -	$ (890,000)	$ 18,265,000
Certificates of Participation - Series 2011	39,855,000	-	(80,000)	39,775,000
Capital leases - equipment	535,000		(535,000)	-
	$ 59,545,000	$ -	$ (1,505,000)	$ 58,040,000

The terms and due dates of the District's debt borrowings at December 31, 2016, are as follows:

- Series 2004 Certificates of Participation dated July 2004, plus unamortized bond premium of $326,000, principal payable in annual installments ranging from $965,000 in 2017 to $1,795,000 in 2029, interest at stated coupon rates ranging from 2.0% to 5.5%, payable annually and collateralized by a pledge of the District's parcel tax revenues. With the closure of the hospital, liquidation of capital and other assets and significant losses experienced by the District, they are not in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement. The District is in negotiations with bond trustees and the bankruptcy court to address the non-compliance issues.

- Series 2011 Certificates of Participation dated December 2011, plus unamortized bond discount of $728,000, principal payable in annual installments ranging from $80,000 in 2017 to $4,100,000 in 2042, interest ranging from 3% to 6.25%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. With the closure of the hospital, liquidation of capital and other assets and significant losses experienced by the District, they are not in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement. The District is in negotiations with bond trustees and the bankruptcy court to address the non-compliance issues.

NOTE 5 - DEBT BORROWINGS (continued)

Aggregate principal maturities on debt borrowings, based on scheduled maturities are as follows:

Year Ending December 31:	Debt Borrowings	
	Principal	Interest
2017	1,045,000	3,309,000
2018	1,090,000	3,266,000
2019	1,145,000	3,209,000
2020	1,205,000	3,149,000
2021	1,270,000	3,085,000
Thereafter	51,280,000	43,490,000
	$57,035,000	$59,508,000

NOTE 6 - OTHER LONG-TERM LIABILITIES

The District entered into a tax exchange agreement with the County of Contra Costa (the "County") in April 2011, receiving an initial cash advance of $10 million and subsequent additional advances for a total maximum outstanding balance of $25,296,000, which was reached during the year ended December 31, 2014. The County Auditor allocates and transfers to the County, pursuant to this agreement, all but $1,000,000 of the general ad valorem property tax revenues that otherwise would be collected and allocated to the District. The $1,000,000 is transferred to the District for ongoing operating costs and expenses. This agreement commenced in July 1, 2011 and continued from year to year thereafter with allocations and transfers being made pursuant to the agreement. Pursuant to the tax exchange agreement, the District agreed to pay back an amount greater than what was advanced to them by the County. The District had been recognizing this additional amount pro-rata on a yearly basis based on the estimated years to pay off the advances. With the closure of the hospital and the subsequent bankruptcy the District decided to book the entire amount due to the county during the year ended December 31, 2016. The outstanding balance due to the County at December 31, 2016 and 2015 was $19,449,000 and $21,478,000, respectively. The current and long term outstanding advance balance is included in other liabilities in the statement of net position.

NOTE 7- RETIREMENT PLANS

The District offered a defined contribution savings plan intended to qualify under section 457(b) of the Internal Revenue Code ("IRC"). The plan was designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plan covered former employees of the District who met certain eligibility requirements. The District was the administrator of the plan and had delegated certain responsibilities for the operation and administration of the plan to an outside third-party trustee. Under the plan, employer contributions are discretionary. The District has not contributed to the plan since 2007.

The District also offered two Employer Contributory Tax Deferred Plans intended to qualify under section 403(b) and 401(a) of the IRC. The plans were designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plans covered employees of the District who met certain eligibility requirements. Under the plans, the District had the ability to make discretionary matching contributions of up to 5.0% of the participant's annual compensation to the plan. The District contributed $-0- and $2,026,000 to the plans in 2016 and 2015, respectively.

The District also provides a non-contributory single employer defined benefit pension plan. The plan covers all eligible employees of the previous Brookside Hospital. Brookside Hospital was the previous name of Doctors Medical Center. The plan provides retirement and death benefits to plan members and beneficiaries based on each employee's years of service and annual compensation. No new employees have been enrolled in the plan since 1996. There are 234 ex-District employees participating in the plan.

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, became effective for fiscal years beginning after December 15, 2015. The statement established accounting and financial reporting standards for the recognition and disclosure requirements for employers with a liability to a defined benefit pension plan, as in the case of the District's Successor retirement Plan (the Plan). GASB 68 requires that the District's liability to the Plan be measured as the portion of the present value of projected benefit payments to be provided through the Plan to current active and inactive employees that is attributed to the employee's past periods of service, less the amount of the Plan's net position. The statement also requires employers to present information about the changes in the net pension liability and the related ratios, including the Plan's net position as a percentage of total pension liability, and the net pension liability as a percentage of covered-employee payroll. Under GASB 68, the District is required to recognize a liability of the net position of the Plan, and to recognize pension expense and report deferred outflows and inflows, when present. The District is also required to present a 10-year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions and related ratios. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

NOTE 7- RETIREMENT PLANS (continued)

The net effect in implementing GASB 68 for the District was the recognition of additional pension expense for the year ended December 31, 2015, in the amount of $980,000 and a prior period adjustment in the amount of $9,024,000 to pension liability and beginning net position.

For the years ended December 31, 2016 and 2015, the District recognized pension expense under the Plan of $1,922,000 and $980,000, respectively. At December 31, 2016, the District reported deferred outflows and inflows of resources related to the Plan from the following sources:

	2016
Deferred outflows of resources	
Investment gains and losses	$ 465,313
	465,313
Deferred inflows of resources	
Investment gains and losses	$ (226,490)
	(226,490)
Net deferred outflows and inflows of resources	$ 238,823

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions (net) will be recognized in pension expense as follows:

Year ended December 30,	
2017	$ 14,020
2018	14,020
2019	127,263
2020	83,520
	$ 238,823

NOTE 7 - RETIREMENT PLANS (continued)

The following is the aggregate pension expense for the years ended December 31, 2016 and 2015:

	2016	2015
Interest cost	$ 569,000	$ 654,000
Expected return on assets	(242,000)	(295,000)
Amortization of liability gains and losses	-	911,000
Amortization of assumption changes	1,545,000	(267,000)
Amortization of investment gains and losses	14,000	(69,000)
Administrative expenses	36,000	46,000
	$ 1,922,000	$ 980,000

The net pension liability at December 31, 2016 and 2015 is as follows:

Total pension liability

	2016	2015
Interest on total pension liability	$ 569,000	$ 654,000
Liability (gain) loss	-	911,000
Assumption change	1,545,000	(267,000)
Benefits paid	(864,000)	(846,000)
Net change in total pension liability	1,250,000	452,000
Total pension liability at beginning of the year	14,649,000	14,197,000
Total pension liability at the end of the year	$ 15,899,000	$ 14,649,000

NOTE 7 - RETIREMENT PLANS (continued)

Fiduciary net position

	2016	2015
Investment income (loss)	$ (176,000)	$ 76,000
Benefits paid	(864,000)	(846,000)
Administrative expenses	(36,000)	(46,000)
Net change in total pension liability	(1,076,000)	(816,000)
Total fiduciary net position at beginning of the year	4,174,000	4,990,000
Total fiduciary net position at the end of the year	$ 3,098,000	$ 4,174,000
District's net pension liability (total liability less net position)	$ 12,801,000	$ 10,475,000
Plan fiduciary net position as a % of the total liability	19%	28%
Actuarially determined contributions	$ 2,263,000	$ 2,016,000
Actual contributions	-	-
Contribution (excess) deficiency	$ 2,263,000	$ 2,016,000

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of December 31, 2016:

Actuarial valuation date	June 30, 2016
Methods and assumptions	
Actuarial cost method	Unit credit (all benefits are fully accrued)
Amortization method	Straight line
Asset valuation	Market value of assets
Investment rate of return	6.50%
Inflation rate	2.00%
Projected salary increases	N/A
Mortality table	RP-2014 adjusted backward to 2006 with MP-2014 and projected forward to the measurement year using MP-2015

NOTE 7 - RETIREMENT PLANS (continued)

Other disclosures about the Plan are as follows:

Description of the Plan: Effective March 2, 2000, the District began a single-employer defined benefit plan. This plan became effective on that date with a plan year end of June 30. This plan guarantees participants with a specific lifetime benefit funded 100% by the District.

Benefits provided: Benefitted full and part-time employees were eligible per plan specifications. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees up through 2000, at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

Employees covered by benefit terms: As of December 31, 2016, there are 234 active participants in the plan, 112 deferred vested participants and 122 retired participants. There are no participating employees.

Contributions: The recommended contribution for the 2016 plan year is $2,263,000 (assuming contributions will be deposited throughout the plan year).

Discount rate: The discount rate used to measure the total pension liability was 6.50%. In the previous valuation, the discount rate used to measure the total pension liability was also 4.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate from 6.50% would decrease the net pension liability by approximately $1.55 million dollars and a 1% decrease in the discount rate from 6.50% would increase the net pension liability by approximately $1.89 million dollars.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation - The District may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of December 31, 2016, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

NOTE 9 - GOING CONCERN UNCERTAINTY

The accompanying financial statements have been prepared assuming the District will not continue as a going concern, which contemplates liquidation of assets and settlement of liabilities. The hospital operations have been terminated in April 2015 and in October 2016 the District filed bankruptcy. The District had experienced significant losses and recurring cash shortages and has a net deficit of ($82,151,000) at December 31, 2016.

Audited Financial Statements

WEST CONTRA COSTA HEALTHCARE DISTRICT

December 31, 2017

JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

December 31, 2017

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JWT & Associates, LLP

Advisory Assurance Tax

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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, 2017 and 2016, which comprise the statement of net position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 ($79,545,000) at December 31, 2017. 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
February 7, 2018

West Contra Costa Healthcare District

Management's Discussion and Analysis

December 31, 2017

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, 2017, 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, 2017 and 2016. Please read it in conjunction with the District's financial statements.

The District, which was formed in 1948, operated Doctors Medical Center in San Pablo California for over 60 years. Since the mid-1990's, the medical center faced ongoing financial challenges. Ultimately, the District closed Doctors Medical Center in April 2015 due to insufficient funding for the population it serviced and due to its continuing loses. The District continues to function.

After the closure of the hospital in 2015, 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, retrieval and disposal.
- Removed information technology, ensuring that all data was appropriately removed before sale of hardware.
- Shut down unneeded building functions and plant operations.
- Physically secured the hospital building and will continue to maintain security services and basic maintenance on the building until it is sold.

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, but in late 2016, the buyers elected to not proceed with the purchase of the building. The District immediately put the property back on the market and entered into a second agreement to sell the building for $13 million. This sale is anticipated to close in 2018.

Bankruptcy

Without the proceeds of the sale of the hospital building, the District did 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 affect a "plan of adjustment." On December 21, 2017, the Bankruptcy court confirmed the Second Amended Plan of Adjustment which provides for the following:

- 2004 and 2011 COP's (Certificates of Participation) shall be paid in full, with interest, under the plan through the ongoing collection of parcel tax revenues. The 2004 COP's will be refinanced as soon as is reasonably possible after the effective date of the plan of adjustment. This is expected to reduce the interest rate on these COP's.
- The District will pay $218,000 to Contra Costa County in settlement of an unsecured claim against the District. Additionally, The County retains its rights under the Tax Sharing Agreement and all advances made to the District under this agreement will be reimbursed to the County under the terms of the agreement.
- The West Contra Costa Healthcare District Successor Pension Plan will receive $2 million dollars after the effective date of the plan of adjustment. Additional contributions will be paid to the Successor Pension Plan over the next 10 years and all participants are expected to receive their full benefit.
- The California Nurses Association (CNA) will be paid $2,500,000 over the course of nine years without interest for an obligation incurred pursuant to the Memorandum of Understanding between the District and CNA dated June 14, 2011.
- General unsecured creditors will be paid $6 million over three years as a pro rata share of their claim.
- The Employment Development Department claim of $1.6 million will be paid over a two-year period without penalties and interest.
- Local 39 Pension claim will be paid in full over 10 years in annual installments and the Local 39 health claim will be paid at a 50% discount over 9 years.
- The sale of the hospital building for $13 million is anticipated to close in early 2018. The plan of adjustment allows for payments of selling costs, plus costs to certain cellular parties in exchange for release of their interest or lien on the hospital building.
- The funds from the sale of the building and ongoing property tax collections will fund the plan of adjustment and the ongoing operations of the District. After the District has satisfied its obligations under the terms of the plan of adjustment, the District intends on resuming providing healthcare services to the residents of the District and County. At this time the nature, timing and cost of such healthcare services has not been determined.

Future of the District

Contra Costa Local Agency Formation Commission (LAFCO) conducted a study, with the full cooperation of the District, to review the status of the District and to provide options for the future of the district. After consideration of these options, on February 16, 2017, Senator Glazer introduced Senate Bill Number 522 which provides that:

> It is the intent of the Legislature in enacting this act to replace the district's elected governing body with a district board appointed by the Board of Supervisors of the County of Contra Costa. This change in governance is intended to reduce administrative costs, increase operational efficiencies, and maximize the use of health care funding through collaboration with the county, which is the only other public agency provider of medical services in the region.

The District is hopeful that this bill will be passed in 2018.

West Contra Costa Healthcare District

Statements of Net Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 202,000	$ 169,000
Assets limited as to use	4,840,000	6,687,000
Assets held for sale	13,000,000	13,000,000
Estimated third-party payors settlements	32,000	32,000
Prepaid expenses	175,000	204,000
Total current assets	18,249,000	20,092,000
Assets limited as to use, net of current portion	-	-
Other assets	864,000	902,000
Total assets	19,113,000	20,994,000
Deferred outflows of resources	338,000	465,000
	$ 19,451,000	$ 21,459,000
Liabilities and net position		
Current liabilities		
Current maturities of debt borrowings	$ 1,090,000	$ 1,045,000
Accounts payable and accrued expenses	1,891,000	2,053,000
Pension liability, current portion	2,263,000	2,016,000
Other liabilities, current portion	7,768,000	2,987,000
Total current liabilities	13,012,000	8,101,000
Debt borrowings, net of current maturities	54,900,000	55,990,000
Net long-term pension liability	10,158,000	10,785,000
Other liabilities, net of current	20,740,000	28,508,000
Total liabilities	98,810,000	103,384,000
Deferred inflows of resources	186,000	226,000
Net position		
Unrestricted	(79,545,000)	(82,151,000)
Total net position	(79,545,000)	(82,151,000)
Total liabilities and net position	$ 19,451,000	$ 21,459,000

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, 2017 and 2016

	2017	2016
Operating revenues		
Operating revenue	$ 349,000	$ 1,331,000
Total operating revenue	349,000	1,331,000
Operating expenses		
Salaries and wages	68,000	730,000
Employee benefits	7,000	3,537,000
Professional fees	2,834,000	2,236,000
Purchased services	458,000	460,000
Supplies	2,000	10,000
Depreciation and amortization	63,000	63,000
Rents and leases	252,000	293,000
Other operating expenses	675,000	2,068,000
Total operating expenses	4,359,000	9,397,000
Operating loss	(4,010,000)	(8,066,000)
Nonoperating revenues (expenses)		
District tax revenue	9,568,000	9,234,000
Interest expense	(3,263,000)	(3,305,000)
Other non-operating revenues (expenses), net	311,000	1,000
Total nonoperating revenues (expenses)	6,616,000	5,930,000
Excess of revenues over expenses (expenses over revenues)	2,606,000	(2,136,000)
Extraordinary loss - closure of hospital	-	(1,183,000)
Change in net position	2,606,000	(3,319,000)
Net position at beginning of the year	(82,151,000)	(78,832,000)
Net position at end of the year	$ (79,545,000)	$ (82,151,000)

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows

Year Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from patients and third-parties for patients	$ -	$ (309,000)
Cash received from operations, other than patient services	349,000	1,331,000
Cash payments to suppliers and contractors	(4,354,000)	(8,464,000)
Cash payments to employees and benefits programs	(455,000)	(10,698,000)
Net cash used in operating activities	(4,460,000)	(18,140,000)
Cash flows from noncapital financing activities		
Net change in other liability	(2,987,000)	12,421,000
Principal payments on debt borrowings	(80,000)	(75,000)
Interest payments on debt borrowings	(2,377,000)	(2,356,000)
Change in other assets	(25,000)	(14,000)
Parcel tax revenues levied for debt service	5,581,000	5,633,000
Ad valorem tax revenues to support operations	3,987,000	3,601,000
Net cash provided by noncapital financing activities	$ 4,099,000	$ 19,210,000
Cash flows from capital and related financing activities		
Principal payments on debt borrowings	(965,000)	(930,000)
Interest payments on debt borrowings	(886,000)	(949,000)
Net cash used in capital and related financing activities	(1,851,000)	(1,879,000)
Cash flows from investing activities		
Extaordinary loss - hospital closure	-	(1,183,000)
Net investment gain	311,000	1,000
Net change in assets whose use is limited	1,847,000	(575,000)
Net change in assets held for sale	-	1,090,000
Net change in deferred inflows and outflows of resources	87,000	(404,000)
Net change in other assets	-	(5,000)
Net cash provided by (used in) investing activities	2,245,000	(1,076,000)
Net increase (decrease) in cash and cash equivalents	33,000	(1,885,000)
Cash and cash equivalents, beginning of year	169,000	2,054,000
Cash and cash equivalents, end of year	$ 202,000	$ 169,000

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows (continued)

Year Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	$ (4,010,000)	$ (8,066,000)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	63,000	63,000
Changes in operating assets and liabilities:		
Prepaid expenses	29,000	177,000
Accounts payable	(162,000)	(3,574,000)
Accrued payroll	-	(8,757,000)
Due to third-party payors	-	(309,000)
Pension liability	(380,000)	2,326,000
Net cash used in operating activities	$ (4,460,000)	$ (18,140,000)
Non cash disclosures		
Non cash payments on county loan	$ 2,987,000	$ 2,674,000

See accompanying notes to the financial statements

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 district 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.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

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 $63,000 for both the years ended December 31, 2017 and 2016.

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 $2,000,000 per claim, and which is subject to a $500 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. All prior workers' compensation claims are being settled as part of the bankruptcy. The District now maintains a workers' compensation insurance policy for the few remaining employees which provides coverage on a claims made basis with a liability limit of $1,000,000. In the case of employee health coverage, the District is self-insured for those claims. Management estimates of uninsured losses for prior professional liability, workers' compensation and employee health coverage have been accrued as liabilities in the accompanying financial statements and are being settled as part of the bankruptcy.

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.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

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 was the District's principal activity. Operating expenses was all expenses incurred to provide health care services, other than financing costs. The District no longer operates a hospital and now all operating revenue and expenses are related to the ongoing operations of the District which include administrative related, debt service related and other regulatorily required services. Non-operating revenues and expenses were those transactions not considered directly linked to providing health care services in prior years and currently those not associated with ongoing operations..

Pensions - For purposes of measuring the net pension 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 93.5% in 2017 and 86.7% in 2016 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 2016 financial statements have been reclassified to conform to the 2017 presentation.

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

As of December 31, 2017, and 2016, 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 $5,042,000 and $6,856,000, 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, 2017 and 2016, is set forth in the following table. Investments are stated at fair value.

	2017	2016
Held by trustee		
Money Market	$ 4,840,000	$ 6,687,000
Total	$ 4,840,000	$ 6,687,000

NOTE 3 - NET PATIENT SERVICE REVENUE AND REIMBURSEMENT PROGRAMS

The District rendered services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") when the hospital was in operation.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient non-acute services were paid at prospectively determined rates per discharge. Payments for outpatient services were based on a stipulated amount per diagnosis. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's cost reports have been audited by the Medicare fiscal intermediary through 2014. The District has estimated that as of December 31, 2017, they owe $573,000 to Medicare for settlements through December 2015.

The District rendered services to Medi-Cal program beneficiaries at contracted rates. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by Medi-Cal. The District's cost reports have been audited by Medi-Cal through 2014. The District has estimated that as of December 31, 2017, they are due $605,000 from Medi-Cal for settlements through December 2015.

NOTE 4 - DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended December 31, 2017 and 2016 is as follows:

	12/31/16	Additions	Reductions	12/31/17
Bonds payable				
Certificates of Participation - Series 2004	$ 17,335,000	$ -	$ (965,000)	$ 16,370,000
Certificates of Participation - Series 2011	39,700,000	-	(80,000)	39,620,000
	$ 57,035,000	$ -	$ (1,045,000)	$ 55,990,000

	12/31/15	Additions	Reductions	12/31/16
Bonds payable				
Certificates of Participation - Series 2004	$ 18,265,000	$ -	$ (930,000)	$ 17,335,000
Certificates of Participation - Series 2011	39,775,000	-	(75,000)	39,700,000
	$ 58,040,000	$ -	$ (1,005,000)	$ 57,035,000

The terms and due dates of the District's debt borrowings at December 31, 2017, are as follows:

- Series 2004 Certificates of Participation dated July 2004, plus unamortized bond premium of $326,000, principal payable in annual installments ranging from $1,005,000 in 2018 to $1,795,000 in 2029, interest at stated coupon rates ranging from 2.0% to 5.5%, payable annually and collateralized by a pledge of the District's parcel tax revenues. With the closure of the hospital, liquidation of capital and other assets and significant losses experienced by the District, they are not in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement. The District is in negotiations with bond trustees and the bankruptcy court to address the non-compliance issues.

- Series 2011 Certificates of Participation dated December 2011, plus unamortized bond discount of $728,000, principal payable in annual installments ranging from $85,000 in 2018 to $4,100,000 in 2042, interest ranging from 3% to 6.25%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. With the closure of the hospital, liquidation of capital and other assets and significant losses experienced by the District, they are not in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement. The District is in negotiations with bond trustees and the bankruptcy court to address the non-compliance issues.

NOTE 5 - DEBT BORROWINGS (continued)

Aggregate principal maturities on debt borrowings, based on scheduled maturities are as follows:

Year Ending December 31	Debt Borrowings	
	Principal	Interest
2018	1,090,000	3,266,000
2019	1,145,000	3,209,000
2020	1,205,000	3,149,000
2021	1,270,000	3,085,000
2022	1,335,000	3,018,000
Thereafter	49,945,000	40,472,000
	$55,990,000	$56,199,000

NOTE 6 - OTHER LONG-TERM LIABILITIES

The District entered into a tax exchange agreement with the County of Contra Costa (the "County") in April 2011, receiving an initial cash advance of $10 million and subsequent additional advances for a total maximum outstanding balance of $25,296,000, which was reached during the year ended December 31, 2014. The County Auditor allocates and transfers to the County, pursuant to this agreement, all but $1,000,000 of the general ad valorem property tax revenues that otherwise would be collected and allocated to the District. The $1,000,000 is transferred to the District for ongoing operating costs and expenses. This agreement commenced in July 1, 2011 and continued from year to year thereafter with allocations and transfers being made pursuant to the agreement. Pursuant to the tax exchange agreement, the District agreed to pay back an amount greater than what was advanced to them by the County. The District had been recognizing this additional amount pro-rata on a yearly basis based on the estimated years to pay off the advances. With the closure of the hospital and the subsequent bankruptcy the District decided to book the entire amount due to the county during the year ended December 31, 2016. The outstanding balance due to the County at December 31, 2017 and 2016 was $16,462,000 and $19,449,000, respectively. The current and long term outstanding advance balance is included in other liabilities in the statement of net position.

NOTE 7 - RETIREMENT PLANS

The District offered a defined contribution savings plan intended to qualify under section 457(b) of the Internal Revenue Code ("IRC"). The plan was designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plan covered former employees of the District who met certain eligibility requirements. The District was the administrator of the plan and had delegated certain responsibilities for the operation and administration of the plan to an outside third-party trustee. Under the plan, employer contributions are discretionary. The District has not contributed to the plan since 2007.

The District also offered two Employer Contributory Tax Deferred Plans intended to qualify under section 403(b) and 401(a) of the IRC. The plans were designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plans covered employees of the District who met certain eligibility requirements. Under the plans, the District had the ability to make discretionary matching contributions of up to 5.0% of the participant's annual compensation to the plan. The District made no contributions to the plans in 2017 and 2016, respectively.

The District also provides a non-contributory single employer defined benefit pension plan. The plan covers all eligible employees of the previous Brookside Hospital. Brookside Hospital was the previous name of Doctors Medical Center. The plan provides retirement and death benefits to plan members and beneficiaries based on each employee's years of service and annual compensation. No new employees have been enrolled in the plan since 1996. There are 219 ex-District employees participating in the plan.

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, became effective for fiscal years beginning after December 15, 2015. The statement established accounting and financial reporting standards for the recognition and disclosure requirements for employers with a liability to a defined benefit pension plan, as in the case of the District's Successor retirement Plan (the Plan). GASB 68 requires that the District's liability to the Plan be measured as the portion of the present value of projected benefit payments to be provided through the Plan to current active and inactive employees that is attributed to the employee's past periods of service, less the amount of the Plan's net position. The statement also requires employers to present information about the changes in the net pension liability and the related ratios, including the Plan's net position as a percentage of total pension liability, and the net pension liability as a percentage of covered-employee payroll. Under GASB 68, the District is required to recognize a liability of the net position of the Plan, and to recognize pension expense and report deferred outflows and inflows, when present. The District is also required to present a 10-year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions and related ratios. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

NOTE 7- RETIREMENT PLANS (continued)

The net effect in implementing GASB 68 for the District was the recognition of additional pension expense for the year ended December 31, 2016, in the amount of $980,000 and a prior period adjustment in the amount of $9,024,000 to pension liability and beginning net position.

For the year ended December 31, 2017, the District recognized a pension related gain under the Plan of $293,000 and for the year ended December 31, 2016, the District recognized pension expense under the Plan of $1,922,000. At December 31, 2017, the District reported deferred outflows and inflows of resources related to the Plan from the following sources:

	2017
Deferred outflows of resources	
Investment gains and losses	$ 338,000
	338,000
Deferred inflows of resources	
Investment gains and losses	$ (186,000)
	(186,000)
Net deferred outflows and inflows of resources	$ 152,000

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions (net) will be recognized in pension expense as follows:

Year ended December 30,	
2018	$ (4,000)
2019	109,000
2020	65,000
2021	(18,000)
	$ 152,000

NOTE 7 - RETIREMENT PLANS (continued)

The following is the aggregate pension expense for the years ended December 31, 2017 and 2016:

	2017	2016
Interest cost	$ 465,000	$ 569,000
Expected return on assets	(174,000)	(242,000)
Amortization of liability gains and losses	-	-
Amortization of assumption changes	(661,000)	1,545,000
Amortization of investment gains and losses	48,000	14,000
Administrative expenses paid from trust	29,000	36,000
	$ (293,000)	$ 1,922,000

The net pension liability at December 31, 2017 and 2016 is as follows:

Total pension liability

	2017	2016
Interest on total pension liability	$ 465,000	$ 569,000
Liability (gain) loss	52,000	-
Assumption change	(661,000)	1,545,000
Benefits paid	(818,000)	(864,000)
Net change in total pension liability	(962,000)	1,250,000
Total pension liability at beginning of the year	15,899,000	14,649,000
Total pension liability at the end of the year	$ 14,937,000	$ 15,899,000

NOTE 7 - RETIREMENT PLANS (continued)

Fiduciary net position

	2017	2016
Investment income (loss)	$ 265,000	$ (176,000)
Benefits paid	(818,000)	(864,000)
Administrative expenses	(29,000)	(36,000)
Net change in total pension liability	(582,000)	(1,076,000)
Total fiduciary net position at beginning of the year	3,098,000	4,174,000
Total fiduciary net position at the end of the year	$ 2,516,000	$ 3,098,000
District's net pension liability (total liability less net position)	$ 12,421,000	$ 12,801,000
Plan fiduciary net position as a % of the total liability	17%	19%
Actuarially determined contributions	$ 2,263,000	$ 2,263,000
Actual contributions	-	-
Contribution (excess) deficiency	$ 2,263,000	$ 2,263,000

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of December 31, 2017:

Actuarial valuation date	June 30, 2017
Methods and assumptions	
Actuarial cost method	Unit credit (all benefits are fully accrued)
Amortization method	Straight line
Asset valuation	Market value of assets
Investment rate of return	6.50%
Inflation rate	2.00%
Projected salary increases	N/A
Mortality table	RP-2014 adjusted backward to 2006 with MP-2015 and projected forward to the measurement year using MP-2016

NOTE 7 - RETIREMENT PLANS (continued)

Other disclosures about Plan II are as follows:

Description of the Plan: Effective March 2, 2000, the District began a single-employer defined benefit plan. This plan became effective on that date with a plan year end of June 30. This plan guarantees participants with a specific lifetime benefit funded 100% by the District.

Benefits provided: Benefitted full and part-time employees were eligible per plan specifications. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees up through 2000, at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

Employees covered by benefit terms: As of December 31, 2017, there are 219 active participants in the plan, 105 deferred vested participants and 114 retired participants. There are no participating employees.

Contributions: The recommended contribution for the 2017 plan year is $2,263,000 (assuming contributions will be deposited throughout the plan year).

Discount rate: The discount rate used to measure the total pension liability was 6.50%. In the previous valuation, the discount rate used to measure the total pension liability was also 6.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate from 6.50% would decrease the net pension liability by approximately $1.4 million dollars and a 1% decrease in the discount rate from 6.50% would increase the net pension liability by approximately $1.7 million dollars.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation - The District may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of December 31, 2017, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

NOTE 9 - GOING CONCERN UNCERTAINTY

The accompanying financial statements have been prepared assuming the District will not continue as a going concern, which contemplates liquidation of assets and settlement of liabilities. The hospital operations have been terminated in April 2016 and in October 2017 the District filed bankruptcy. The District had experienced significant losses and recurring cash shortages and has a net deficit of ($79,545,000) at December 31, 2017.