

**LOS MEDANOS COMMUNITY  
HEALTHCARE DISTRICT**

**ANNUAL FINANCIAL REPORT  
WITH  
INDEPENDENT AUDITOR'S REPORT THEREON**

**JUNE 30, 2019**

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Financial Statements  
June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Los Medanos Community Healthcare District  
Pittsburg, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and major funds of the Los Medanos Community Healthcare District (the District) as of and for the year June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Board of Directors  
Los Medanos Community Healthcare District  
Pittsburg, California

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and major funds of the District as of June 30, 2019, and the respective changes in financial position and its cash flow for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed under the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company,  
Certified Public Accountants



Sacramento, California  
July 2, 2020

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

## INTRODUCTION

This report presents Management's analysis of the Los Medanos Community Healthcare District's (the District) financial condition and activities as of and for the year ended June 30, 2019. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements.

This document has been prepared based on reporting requirements included in Statement No. 34 of the Governmental Accounting Standards Board (GASB). GASB 34 has made changes to the contents and the format of the financial statement of governmental agencies, which include the Government-Wide Financial Statements on a full accrual basis including the cost of the capital assets and related depreciation.

This information should be read in conjunction with the District's audited financial statements. The information in the MD&A includes the following elements:

- Organization and Business
- Overview of Basic Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Economic Factors and Future Plans
- Request for Information

## ORGANIZATION AND BUSINESS

The Los Medanos Community Healthcare District is a governmental entity legally constituted as a special district under California law, and its boundaries encompass the Pittsburg/Bay Point area as well as portions of Clayton, Clyde, Antioch, and Concord. Los Medanos Community Healthcare District identifies local healthcare needs and collaboratively develops solutions.

District tax revenues are used for programs and activities related to health, wellness, and disease prevention. The District is also actively involved in organizing and sponsoring programs to raise the community's awareness about important health issues, and is considered a full-fledged healthcare partner in its region.

The District is able to address health needs by collaboration with other healthcare providers and agencies. In terms of facility use, the District has structured a lease agreement with Contra Costa Health Services (CCHS) that leverages the building asset to provide a high level of healthcare services that include CCHS and other public health services.

## OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of the Government-Wide Statement of Net Position and Statement of Activities; the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance; and the Proprietary Fund Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows, and Notes to the Financial Statements.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

## ***Government-Wide Financial Statements***

Government-Wide Financial Statements utilize the economic resources measurement focus using the full accrual basis of accounting similar to commercial enterprises. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

For the current year the only differences between the Government-Wide Financial Statements and the Fund Financial Statements discussed below are differences related to the timing of revenue recognition with the Fund Financial Statements recognizing revenue received this year that was already recognized for purposes of the Government-Wide Financial Statements in a prior year. This occurred due to the receipt in the current year of delayed redevelopment payments from prior years that were made available to the District once the former redevelopment agency accumulated the necessary resources to make the payments. Apart from this difference, the following discussion and analysis will generally be equally applicable to the Government-Wide and Fund Financial Statements.

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses Governmental and Proprietary fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The Governmental Fund is used to account for the District's basic services and the Proprietary Fund is used to account for the District's leasing activity.

Governmental fund accounting uses a flow of current resources measurement focus and the modified accrual basis of accounting. Modified accrual accounting recognizes revenues when available for current operations, normally those revenues that will be received within 60 days of year end. Proprietary (Enterprise) fund accounting uses the full accrual basis of accounting.

The District's financial statements include:

### ***Balance Sheet***

The Governmental Fund Balance Sheet presents information on the District's assets and liabilities, with the difference between the two reported as a fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator of the financial health of the District. To assess the overall health of the District, achievement of the District's mission needs to be considered as well.

The Governmental Fund Balance Sheet provides detail of assets and liabilities and describes the components of fund balance.

### ***Statement of Revenues, Expenses, and Changes in Fund Balance***

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance presents the results of the District's General Fund operations over the course of the fiscal year and information as to how the fund balance changed over the year. This can be used as an indicator of the extent to which the District has successfully recovered its costs through funds received (tax

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

revenues). All changes in fund balance are reported during the period on the modified accrual method of accounting which had no significant differences from full accrual accounting. Under full accrual accounting transactions are recognized when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

## *Statement of Cash Flows*

The Proprietary Fund Statement of Cash Flows presents changes in cash and cash equivalents resulting from operating, capital, non-capital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligations or receipt and excludes non-cash accounting measures of depreciation or amortization of assets.

## *Notes to Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found following the financial statements in the audited financial statements.

## *Other Information*

In addition to the basic financial statements and accompanying notes, this report may present certain required supplementary information comparing budget to actual results of operations. The District is not required to adopt an annual budget; however, during the June 30, 2019 fiscal year, the District approved and adopted a budget.

## **FINANCIAL ANALYSIS**

### *Financial Highlights*

- Total assets of the District exceeded total liabilities at June 30, 2019 by \$3,253,949.
- Total net position of the District decreased by \$17,063 for the year ended June 30, 2019.
- The progressing long-term wind-down of the former redevelopment agencies, including the sale of former agency assets led to an increase in tax revenue on the government-wide statements of approximately \$106,000 in fiscal year 2018-2019 when compared to fiscal year 2017-2018. The remainder of the total increase of \$147,823 in tax revenue resulted from growth in the District's property assessed valuation.
- The District's legal and outreach costs, reported as part of total supporting service cost, were \$376,746 higher than the previous fiscal year as during 2018-2019 the Local Agency Formation Commission (LAFCo) decided to proceed with dissolving the District and conducted a protest hearing on the matter. The District ultimately filed a lawsuit against LAFCo and Court proceedings were ongoing during the second half of 2018-2019.
- If the impact of the increased legal and outreach cost related to the dissolution effort discussed above is removed, the District's remaining supporting service costs declined \$76,422 between 2017-2018 and 2018-2019 reflecting reduced salary costs due to a reduction in the Executive Director's hours and vacancies in the position and cost control measures in other categories.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Management’s Discussion and Analysis (Unaudited)  
June 30, 2019

***Financial Position***

During the year, the District’s net position decreased by \$17,063 or 0.52% over the prior year.

TABLE 1 – Comparative Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current assets	\$ 1,813,476	\$ 2,147,626	\$ (334,150)	-15.56%
Capital assets, net	<u>1,992,101</u>	<u>2,152,055</u>	<u>(159,954)</u>	<u>-7.43%</u>
<b>Total Assets</b>	3,805,577	4,299,681	(494,104)	-11.49%
Current liabilities	82,145	118,356	(36,211)	-30.59%
Note payable				
Current portion	469,484	440,830	28,654	6.50%
Long-term	<u>-</u>	<u>469,484</u>	<u>(469,484)</u>	<u>-100.00%</u>
<b>Total Liabilities</b>	551,629	1,028,670	(477,041)	-46.37%
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,522,617	1,241,741	280,876	22.62%
Unrestricted	<u>1,731,331</u>	<u>2,029,270</u>	<u>(297,939)</u>	<u>-14.68%</u>
<b>Total Net Position</b>	<u><u>\$ 3,253,948</u></u>	<u><u>\$ 3,271,011</u></u>	<u><u>\$ (17,063)</u></u>	<u><u>-0.52%</u></u>

Net investment in capital assets represents the net value of these assets less outstanding debt or commitment against those assets. This net investment in capital assets represents 47% of the District’s total net position at June 30, 2019. These assets are used to provide direct health care services, as the District leases the District’s hospital building to Contra Costa County Health Services. These assets are not available for future spending.

The District’s unassigned General fund balance of \$1,570,450 enables the District to provide funding for future required liability payments, maintain amounts for operating cash flow needed because of the annual dry period during which the District receives no significant cash inflows from July through November, and maintain a contingency for unexpected costs that allows the District to be more flexible in budgeting for its services.



**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

Table 2 – Comparative Statement of Activities

	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
<b>Revenues &amp; Support</b>				
Tax revenues	\$ 1,249,333	\$ 1,101,510	\$ 147,823	13.42%
Lease income	91,663	100,000	(8,337)	-8.34%
Investment income	22,573	17,775	4,798	26.99%
Other revenues	<u>11,635</u>	<u>1,600</u>	<u>10,035</u>	<u>627.19%</u>
<b>Total Revenues</b>	<u>1,375,204</u>	<u>1,220,885</u>	<u>154,319</u>	<u>12.64%</u>
<b>Expenses</b>				
Community health programs	478,665	443,416	35,249	7.95%
Leased Property - Related	198,168	235,499	(37,331)	-15.85%
Supporting services	<u>715,434</u>	<u>415,110</u>	<u>300,324</u>	<u>72.35%</u>
<b>Total Expenses</b>	<u>1,392,267</u>	<u>1,094,025</u>	<u>298,242</u>	<u>27.26%</u>
<b>Net Income</b>	<u>\$ (17,063)</u>	<u>\$ 126,860</u>	<u>\$ (143,923)</u>	<u>-113.45%</u>
<b>Transfers from Governmental to Business-Type Activities</b>	<u>\$ 405,315</u>	<u>\$ 16,167</u>	<u>\$ 389,148</u>	<u>2407.05%</u>

The above table demonstrates the increase in the District's revenue realized from assessed valuation growth as well as the District's share in the sales proceeds from former redevelopment property. The District's increased expense resulted from the District's legal and outreach costs incurred in opposition to LAFCo dissolution proceedings and to give the District's constituents a vote on the question of whether the District should be dissolved. See Note 8 in the Notes to the Financial Statements for more detailed information on the dissolution proceedings and the District's response. The cost of the District's legal and outreach efforts resulted in an increase of cost of \$376,746 above the previous year.

Apart from costs related to the District's efforts in opposition to the dissolution proceedings discussed above, overall supporting service costs declined by \$76,422 when compared to the prior year. This decline occurred despite the fact that the District incurred an election charge of \$41,390 in 2018-2019 for which no comparable amount was paid in the previous year. Following are the major factors causing this decline:

- Administrative wages and payroll taxes declined \$77,476.93 due to the District's change to a part-time Executive Director in response to concerns expressed about the District's administrative cost level. The Executive Director position was also vacant for a portion of the year, resulting in salary savings.
- The District decided to forgo travel and training costs for 2018-2019 in order to further reduce administrative cost, resulting in a reduction in cost of \$18,303 when compared to 2017-2018.
- The District reduced website costs by \$8,750 after changing to a different website provider.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

## GENERAL FUND BUDGET

The District's original general fund budget called for a decline in fund balance of \$11,999, but after amendments to increase appropriations for the legal and outreach costs related to the LAFCo dissolution effort discussed above, its final amended budget reflected a decline in fund balance of \$490,596. However, the General Fund actually performed more favorably than this amended budget figure and ended the 2018-2019 fiscal year with a decline in General Fund balance of \$315,873 on the GAAP basis or approximately \$342,386 on the budgetary basis. The District had the following major differences between its final budget and actual revenues and expenditures in the general fund:

- The District received about \$230,000 more in property tax and related revenue than was anticipated, due to sales of assets by the former redevelopment agency resulting in pass-through payments to the District that were not projected in the revenue budget and growth in the District's share of the 1% secured property tax beyond what was anticipated.
- The District had included about \$180,617 more in its budget for community funding programs than was actually spent and \$48,478 more for outreach and program development than was actually spent. The focus of the District on the controversy surrounding its proposed dissolution and vacancy in the Executive Director position made it difficult for the District to ramp up its Direct Services program, and some other programs had unspent funding. The District also cancelled an advocacy contract it had previously intended to pursue for the purpose of soliciting federal funding for the District's programs and that was included in the final budget.
- The District realized salary savings when compared to budget of \$37,035 due primarily to a vacancy in the Executive Director position for a portion of the year.
- The District made a transfer of \$405,315 from the General Fund to the leasing fund primarily for the purpose of making the required \$500,000 balloon payment on its outstanding liability to the Office of Statewide Health Planning and Development (OSHDP). Because the budget reflected this transfer as a release of reserve funds directly into the leasing fund, the budgetary comparison schedule shows a budgetary variance in the General Fund even though the transaction was, in fact, planned.

## CAPITAL ASSETS

The District had no capital asset acquisitions and no significant disposals of capital assets during 2018-2019. The existing capital assets, consisting largely of the District's physical campus, continued to serve the District and the community.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

## DEBT ADMINISTRATION

The District operated the Los Medanos Community Hospital up until 1994, when the hospital closed due to financial difficulties and the District was forced to declare bankruptcy. The California Statewide Office of Health Planning and Development (OSHPD) were entitled to file a \$1.4 million claim in the District's bankruptcy. However, in place of this claim the District entered into a contractual agreement with OSHPD whereby the District assigned all rental income from the hospital facility from August 1, 1998, to January 31, 2026, to OSHPD. The terms of the OSHPD agreement are as follows:

1. 08/01/1998 – 7/31/2018: \$100,000 per year
2. 08/01/2018 – 7/31/2020: \$500,000 per year, minimum
3. 08/01/2020 – 1/31/2026: all rental income, if any

For the year ended June 30, 2019, the District remitted \$500,000 to the State to satisfy the District's contractual obligation. Additional information on the District's long-term debt obligations can be found in Notes 4 and 5 to the accompanying financial statements.

## ECONOMIC FACTORS AND FUTURE PLANS

The District finalized and adopted a new five-year strategic plan to cover 2017-2022 as follows:

- Support for assessments of health needs and health disparities within the District.
- Maintain an active role in advocating for policies that address health needs within the District.
- Promote obesity prevention, eating healthy food, and healthy living, including exercise programs, violence prevention programs, bullying prevention programs, and HIV and AIDS prevention programs.
- Monitor the Pittsburg Health Center operation by reviewing and updating lease and debt terms.
- Continuation of health program collaborations with Contra Costa Health Services and other healthcare organizations.

The District anticipates continued engagement with the community on a variety of health issues. The District plans substantial increases in future Community benefit and health program funding and has increased program expenditures in the 2019-2020 budget to a total of \$752,586. The District's 2019-2020 and 2020-2021 budgets assume a conservative 2% growth in base property tax revenue based on the inflation limit under Proposition 13. Although the impact of the COVID-19 pandemic on property tax revenues beyond 2020-2021 is difficult to predict, the District does not anticipate a significant reduction in 2020-2021 property tax revenue at this time. The District has established a new line item in its 2019-2020 and 2020-2021 budgets for community assistance expenditures related to the pandemic and is working with members of the community to assess and respond to community needs. Redevelopment pass-through payments in the 2019-2020 budget have been budgeted at a conservative baseline. The District also budgeted the use of \$400,000 from reserves to pay the second balloon payment that will be due to OSHPD in 2019-2020, as discussed above.

## **LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Management's Discussion and Analysis (Unaudited)  
June 30, 2019

In July 2018, the District's Board formalized some reserve policies to identify some of the purposes for which the District's cash and investments balances are set aside. By maintaining these reserves, the District intends insulate program funding from unusual or unexpected events that may demand resources of the District in the future. To the extent those reserves are sufficient, the District plans to maintain or increase program funding levels with available funds to ensure relatively stable community program funding.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Barbara Kee at the Los Medanos Community Healthcare District, P.O. Box 8698, Pittsburg, CA 94565. Telephone number (925)-432-2200.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 1,718,277	\$ -	\$ 1,718,277
Accounts receivable	21,622	-	21,622
Due to/from funds	8,333	(8,333)	-
Prepaid expenses	73,577	-	73,577
Capital assets, net			
Nondepreciable	-	494,367	494,367
Depreciable	-	1,497,734	1,497,734
	<hr/>	<hr/>	<hr/>
Total assets	1,821,809	1,983,768	3,805,577
<b>Liabilities</b>			
Accounts payable	22,765	-	22,765
Payroll liabilities	7,041	-	7,041
Other payable	24,367	-	24,367
Accrued interest	-	27,972	27,972
Note payable	-	469,484	469,484
	<hr/>	<hr/>	<hr/>
Total liabilities	54,173	497,456	551,629
<b>Net Position</b>			
Invested in capital assets, net of related debt	-	1,522,617	1,522,617
Unrestricted	1,767,636	(36,305)	1,731,331
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 1,767,636</u>	<u>\$ 1,486,312</u>	<u>\$ 3,253,948</u>

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>					
Community Health Programs					
Community funding	\$ 468,398	\$ -	\$ (468,398)	\$ -	\$ (468,398)
Outreach and program development	3,522	-	(3,522)	-	(3,522)
Program salaries	6,745	-	(6,745)	-	(6,745)
Supporting services					
Salary and benefits	99,304	-	(99,304)	-	(99,304)
Board stipend and meeting expenses	23,957	-	(23,957)	-	(23,957)
Board election charges	41,590	-	(41,590)	-	(41,590)
Professional services	54,104	-	(54,104)	-	(54,104)
Legal services	214,123	-	(214,123)	-	(214,123)
Office	14,549	-	(14,549)	-	(14,549)
Communication	532	-	(532)	-	(532)
Insurance	31,264	-	(31,264)	-	(31,264)
Travel & Seminar	691	-	(691)	-	(691)
Outreach related to proposed dissolution of District	223,296	-	(223,296)	-	(223,296)
Other	12,024	-	(12,024)	-	(12,024)
Total governmental activities	1,194,099	-	(1,194,099)	-	(1,194,099)
<b>Business-Type Activities</b>					
Leasing	198,168	91,663	-	(106,505)	(106,505)
Total business type activities			(1,194,099)	(106,505)	(1,300,604)
Total	<u>\$1,392,267</u>	<u>\$91,663</u>			
General revenues					
Property taxes			961,124	-	961,124
AB1290 pass-through			288,209	-	288,209
Investment earnings and interest			22,573	-	22,573
Other income			11,635	-	11,635
Transfers			(405,315)	405,315	-
Total general revenues and transfers			878,226	405,315	1,283,541
Changes in net position			(315,873)	298,810	(17,063)
Beginning net position			2,083,509	1,187,502	3,271,011
Ending net position			<u>\$1,767,636</u>	<u>\$1,486,312</u>	<u>\$3,253,948</u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS**



**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
GOVERNMENTAL FUND  
BALANCE SHEET  
JUNE 30, 2019**

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments	\$ 1,718,277
Accounts receivable	21,622
Due from proprietary fund	8,333
Prepaid expenses	73,577
Total assets	\$ 1,821,809
 <b>Liabilities, Deferred Inflows, and fund balance</b>	
Accounts payable	\$ 22,765
Payroll liabilities	7,041
Other	2,745
Total liabilities	32,551
 <b>Deferred inflows of resources</b>	
Unavailable revenue	21,622
 <b>Fund balance</b>	
Nonspendable	73,577
Committed for election costs	38,609
Committed for land development	85,000
Unassigned	1,570,450
Total fund balance	1,767,636
Total liabilities, deferred inflows, and fund balance	\$ 1,821,809

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019**

Total fund balance - governmental fund	\$ 1,767,636
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Amounts reported for fund balances of governmental funds in the balance sheet are different than amounts reported for net position of governmental activities in the statement of activities because:

As the focus of governmental fund is on short-term financing, some assets will not be available to pay current expenditures. Those assets (receivables) are offset by unavailable revenue in the governmental funds and they are not included in fund balances.

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Total net position of governmental activities	<u><u>\$ 1,767,636</u></u>
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The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund
<b>Revenues</b>	
Property tax receipts	\$ 961,124
AB 1290 Pass-through	288,209
Interest income	22,573
Other income	11,635
Total revenues	1,283,541
 <b>Community health program expenditures</b>	
Community funding	468,398
Outreach and program development	3,522
Program salaries	6,745
Total community health program expenditures	478,665
 <b>Supporting Services</b>	
Salary and benefits	99,304
Board stipend and meeting expenses	23,957
Board election charges	41,590
Professional services	54,104
Legal services	214,123
Office	14,549
Communication	532
Insurance	31,264
Travel and seminars	691
Outreach related to proposed dissolution of District	223,296
Other	12,024
Total supporting services expenditures	715,434
Total expenditures	1,194,099
 <b>Excess of revenues over expenditures</b>	89,442
 <b>Other financing (uses)</b>	
Transfers out	(405,315)
Net change in fund balance	(315,873)
Fund balance - beginning of year	2,083,509
Fund balance - end of year	\$ 1,767,636

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Total net change in fund balance - governmental fund \$ (315,873)

The changes to net position reported in the Statement of Activities differ from the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances due to the following reconciling items:

Revenue from redevelopment pass-through payments earned in prior years but not received by the District until the current year was recognized in the General Fund this year as it became available but it was not recognized in the Government-Wide Statement of Activities this year since it had already been recognized in the past. -

Total change in net position - governmental activities \$ (315,873)

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

	Business-Type Activities Enterprise Fund Leasing
<b>ASSETS:</b>	
Noncurrent capital assets:	
Depreciable -	
Building and equipment	\$ 4,787,814
Less: Accumulated depreciation	(3,290,080)
Depreciable assets, net	1,497,734
Non-depreciable - land	494,367
Net capital assets	1,992,101
Total assets	1,992,101
<b>LIABILITIES</b>	
Due to governmental fund	8,333
Accrued interest	27,972
Current portion of contractual obligation	469,484
Long term portion of contractual obligation	-
Total liabilities	505,789
<b>NET POSITION</b>	
Net investment in capital assets	1,522,617
Unrestricted	(36,305)
Total net position	\$ 1,486,312

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities Enterprise Fund Leasing
<b>OPERATING INCOME</b>	
Rental income	\$ 91,663
<b>OPERATING EXPENSES</b>	
Depreciation	159,954
Taxes and expenses	5,310
Total operating expenses	165,264
Operating (loss)	(73,601)
<b>NON-OPERATING EXPENSES</b>	
Interest	(32,904)
Total non-operating expenses, net	(32,904)
Loss before transfers	(106,505)
Transfers in	405,315
Changes in net position	298,810
Net position - beginning of year	1,187,502
Net position - end of year	\$ 1,486,312

The accompanying notes are an integral part of these financial statements.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities Enterprise Fund Leasing
<b>Cash flows from operating activities</b>	
Receipts from tenants	\$ 91,663
Cash paid for goods and services	(5,310)
	86,353
Cash provided by operating activities	86,353
<b>Cash flows from non-capital financing activities</b>	
Transfers from the general fund	405,315
Interfund loan received	8,333
	413,648
Cash provided by non-capital financing activities	413,648
<b>Cash flows from capital and related financing activities</b>	
Payment for interest	(59,171)
Principal paid on long term obligation	(440,830)
	(500,001)
Cash used by capital and related financing activities	(500,001)
Net change in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ -
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Loss from operations	\$ (73,601)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	159,954
	159,954
Cash flows from operating activities	\$ 86,353

The accompanying notes are an integral part of these financial statements.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

Los Medanos Community Healthcare District (LMCHD or the District) is a California Political Subdivision that was established in 1946 in accordance with provisions of the Health and Safety Code of the State of California. It is governed by a Board of Directors who is elected from the community they serve, which includes Pittsburg, Bay Point, and portions of Clayton, Clyde, Antioch, and Concord. The primary source of funding is a share of the one percent property tax revenue.

The primary purpose of the District is to improve the quality of healthcare in the community. LMCHD is actively involved in organizing and sponsoring programs that provide wellness and prevention services as well as raise the community's awareness about important health issues. The District has developed a Community Funding Program and various health program collaborations that allow the District to provide healthcare services by supporting the efforts of existing organizations and developing new programs and initiatives to address the needs of its residents.

As further described in Note 4, LMCHD collaborates with Contra Costa County Health Services (CCHS) by leasing the District's hospital for purposes of providing a health clinic to the County.

LMCHD operated the Los Medanos Community Hospital until 1994 when the hospital closed due to financial difficulty. To settle this bankruptcy, the District accepted long-term debt from California's Statewide Office of Health Planning and Development (OSHDP) and entered into a contractual agreement to assign rental income to OSHDP.

### **B. Basis of Presentation and Accounting**

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented:

***Government-Wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District.



# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### B. Basis of Presentation and Accounting – continued

These statements distinguish between the *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services received by the programs, (b) grants and contributions that are restricted to meeting the operation needs of a particular program, and (c) fees and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the District's funds. Separate statements for each fund category – *government and proprietary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

### C. Major Funds

The District's major governmental and business-type funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to 10 percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **C. Major Funds – continued**

The District reported the following major funds in the accompanying financial statements:

General Fund – The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Leasing Fund – This enterprise fund accounts for the operation, maintenance, capital improvement projects, and debt service for the building, which are funded by rental income and transfers from the General Fund.

### **D. Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes and grants. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

Other revenues susceptible to accrual are investment earnings.

In governmental funds, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on governmental funds' long-term debt, which is recognized when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are thus not current liabilities of the debt service fund as their settlement will not require expenditure of existing fund assets.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **E. Property Tax Revenue**

The District has the authority to collect taxes on property within its political subdivision. Taxes are received by the County of Contra Costa, which has the responsibility for their collection. The District received approximately 97 percent of its General Fund financial support from property taxes and related redevelopment pass-through payments which consists of General Fund support for fiscal year ending June 30, 2019. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively.

The County of Contra Costa bills and collects property taxes that are allocated by the County Auditor's Office to the District and various other taxing entities per state legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California.

The District's property tax revenues are recognized in the fiscal year for which taxes have been levied, provided they become available. "Available" means due or past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District defines the availability period as 60 days.

### **F. Property and Equipment**

Property, plant, and equipment are stated on the cost basis, or in the case of donated items, on the basis of fair market value at the date of donation. Expenditures that increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years for office furniture and equipment, and thirty years for building and improvements. Routine maintenance and repairs are charged to expense as incurred. The threshold for capitalizing capital expenses is \$1,500.

### **G. Use of Estimates**

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### H. Depreciation Expense

Depreciation is computed using the straight-line method over the useful lives of the assets.

### I. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance or for which the County of Contra Costa provides insurance. Settled claims have not exceeded this commercial coverage in any of the preceding three years.

Financial instruments that potentially subject the District to concentrations of credit risk are primarily cash investments and accounts receivable. The District places its cash in banks that are insured and with the State Treasurer's Local Agency Investment Fund (LAIF). The cash deposit balances are insured by the Federal Deposit Insurance Corporation up to \$250,000, and beyond that are collateralized in accordance with state law.

### J. Fund Balance

As prescribed by GASB Statement *No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Following is a description of the District's fund balance classifications:

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Includes amounts with constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**J. Fund Balance – continued**

- **Assigned** – Includes amounts the District intends to be used for specific purposes that are neither restricted nor committed.
- **Unassigned** – Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned for specific purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and other funds are available, then it applies amounts to the committed fund balance followed by assigned and then unassigned amounts.

**K. Deferred Inflows and Outflows of Resources**

The District reports deferred inflows of resources on the Governmental Fund Statements related to receivables that will not be realized within 60 days of year-end.

**NOTE 2: CASH AND INVESTMENTS**

The District’s cash and investments consist of the following at June 30, 2019:

Governmental Activities	<u><u>\$ 1,718,277</u></u>
-------------------------	----------------------------

Cash and Investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 410,108
Petty cash	250
Investment in Local Agency Investment Fund, California	<u>1,307,919</u>
	<u><u>\$ 1,718,277</u></u>

***Policies***

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations and governmental investment pools. All investments were in the State investment pool.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## **NOTE 2: CASH AND INVESTMENTS – continued**

### ***Investment in the State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429.3 under the oversight of the Treasurer of the State of California. The District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the amortized cost basis provided by LAIF for the entire portfolio which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing substantially all of its funds not held in a bank account in the State investment pool.

### ***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the State investment pool are not required to be rated.

### ***Custodial Credit Risk***

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2017, the District's bank balance of \$900,254 before reconciling items was either FDIC insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 3: CAPITAL ASSETS**

Activity in capital assets for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 494,367	\$ -	\$ -	\$ 494,367
Total capital assets, not being depreciated	494,367	-	-	494,367
Capital assets, being depreciated				
Building	4,778,641	-	-	4,778,641
Equipment	9,173	-	-	9,173
Total capital assets, being depreciated	4,787,814	-	-	4,787,814
Less: Accumulated Depreciation				
Building	(3,120,953)	(159,954)	-	(3,280,907)
Equipment	(9,173)	-	-	(9,173)
Total accumulated depreciation	(3,130,126)	(159,954)	-	(3,290,080)
Total capital assets, being depreciated, net	1,657,688	(159,954)	-	1,497,734
Capital assets, net	\$ 2,152,055	\$ (159,954)	\$ -	\$ 1,992,101

Depreciation expense was \$159,954 for the year ended June 30, 2019.

**NOTE 4: LEASE AGREEMENT WITH CONTRA COSTA COUNTY**

The District has a lease agreement with Contra Costa County for full use of its hospital facility with 130,900 square feet and a portion of the parcel of land upon which the facility is situated. This facility is used to provide direct medical services to individuals within the District's geographic area.

The lease is for a twenty-year term from August 1, 1998 to July 31, 2018, with two five-year options. The annual income from this lease amounts to \$100,000 and is restricted and has been assigned to the State Office of Health Planning and Development (OSHPD).

During the year ended June 30, 2019, the County ceased its annual payments directly to OSHPD and began remitting monthly lease payments of \$8,333 to the District.

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 5: SETTLEMENT AGREEMENT**

As set forth in the bankruptcy Settlement Agreement dated September 10, 1998, the State Office of Health Planning and Development (OSHPD) was allowed a \$1.4 million claim.

In settlement of this claim, the District entered into three agreements with OSHPD: a Settlement Agreement dated September 10, 1998; an Absolute Assignment of Rents dated August 1, 1998; and an Agreement dated May 1, 2000 (collectively, the “OSHPD Agreements”). Pursuant to the OSHPD Agreements, the District has assigned all rental income from the hospital facility as follows:

08/01/1998 – 07/31/2018	\$100,000 per year
08/01/2018 – 07/31/2020	\$500,000 per year, minimum, regardless of the amount of rent actually paid/collected
08/01/2020 – 01/31/2026	all rental income, if any

The District’s obligation is only to assign and pay over to OSHPD the rental income as specified above. The Agreement contains a provision that if the District defaults on the repayment provisions, the District owes OSHPD \$1,400,000, with interest thereon at an annual rate of 6.5 percent, less all of the rental payments received by OSHPD as of the date the rental payments cease. The District is not in default of these payment provisions.

The assignment of rents is evidenced by an Absolute Assignment of Rents recorded in Contra Costa County as document number 98-0206029-00 on August 27, 1998. The obligation is secured by two Deeds of Trust on the hospital parcel, both dated May 1, 2000. The assignment and the OSHPD Agreements were part of the District’s bankruptcy plan approved by the court.

The following is a schedule of the lease assignment payable and the related sublease income subsequent to June 30, 2019:

Year Ending June 30:	Assignment of Lease Obligations	Sublease Income - Contra Costa County
<u>2020</u>	<u>\$ 500,000</u>	<u>\$ -</u>

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

Balance June 30, 2018	Repayments	Balance June 30, 2019	Current	Long-Term
\$ 910,314	\$ 440,830	\$ 469,484	\$ 469,484	\$ -



**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 5: SETTLEMENT AGREEMENT – continued**

The California Office of Statewide Health Planning and Development considers the contractual obligation as an assignment of rents, with no fixed principal or interest rates attached to the assignment. The Office calculates its value based on the present discounted value of the stream of income discounted by one percent which is slightly less than the current rate of return on the Pooled Money Investment Account maintained by the State Treasurer. The present discounted value of this stream of income as of June 30, 2019 was at least \$499,156.

As of August 1, 2018, there is currently no term lease on the Pittsburg Health Center building. However, the County has continued its tenancy in the building on a holdover, month-to-month basis at the monthly rate \$8,333 per month up through the date these financial statements were available to be issued.

**NOTE 6: FUNDING FOR COMMUNITY HEALTH PROGRAMS**

A community’s health care needs are served by a broad array of health-related programs and initiatives that promote physical, emotional, and psychological well-being. LMCHD funds programs that make significant contributions to the health of the community focusing on the uninsured and underserved populations in the community.

The District’s program expenditures included the following programs for the fiscal year ended June 30, 2019:

St. Vincent de Paul RotaCare	\$	40,000
Pittsburg Swim Academy		20,000
Reading Advantage		13,200
Student Eyeglasses		2,000
Souljah’s		21,482
Board Community Benefit Fund		15,601
African American Community Baby Shower		10,000
District Sponsored Direct Services		52,507
Health and Wellness Summer Allocation		93,304
Health and Wellness Fall Allocation		197,390
Community Garden		2,914
		<hr/>
Total	\$	<u>468,398</u>

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**NOTE 7: OPERATING LEASES**

The District has one operating lease agreement with a three-year term. Total rental expense for the year was \$2,304. There are no material restrictions imposed by this agreement. The future minimum rental payments required under the operating lease commitments at June 30, 2019, are:

Year Ended June 30,	<u>Minimum Payments</u>
<u>2020</u>	<u>\$ 1,016</u>

**NOTE 8: PROPOSED DISSOLUTION OF DISTRICT**

On September 12, 2018, the Contra Costa Local Agency Formation Commission (LAFCo) voted to dissolve Los Medanos Community Healthcare District subject to the results of a protest hearing scheduled for November 30, 2018.

As LAFCo could have dissolved the District without a vote of the District’s constituents on November 30 if the signatures of at least 25% of the registered voters in the District were not submitted in opposition to the proposal, the District conducted outreach efforts to its constituents. The cost of these outreach efforts was \$223,296 and is displayed on a separate line in these financial statements.

After receiving the signed protests and conducting the protest hearing, LAFCo directed the Contra Costa County Clerk-Recorder-Elections Department to perform a count of the signatures submitted. The Contra Costa County Clerk-Recorder-Elections Department prepared a report to LAFCo stating that although they had checked 16,635 total signatures, they believed only 10,594 of these signatures were valid. Their report also noted that the number of registered voters on November 30, 2018 was 44,049. Because the number of signatures the Clerk-Recorder-Elections department verified was less than 25% of the 44,049 registered voters on November 30, 2018, a staff report was prepared recommending that LAFCo order the dissolution of the District at its January 9, 2019 meeting. The District filed suit against LAFCo on the basis that LAFCo had previously informed the District that the required number of valid signatures had been less than 10,594 and also because the District was not given sufficient opportunity to review the supporting records for the rejected signatures. The court first granted a stay followed by a preliminary injunction which prevented LAFCo from recording an order of dissolution while the case was pending. The injunction remained in effect through June 30, 2019. See the Subsequent Events note for further developments on the case that occurred after the end of the fiscal year.

# LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## **NOTE 9: EVALUATION OF SUBSEQUENT EVENTS**

The management of the District reviewed the results of operations for the period of time from its year end June 30, 2019, through July 2, 2020, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

In March 2020, the World Health Organization declared that the spread of the new Coronavirus Disease 2019 (COVID-19) had become a pandemic, as the disease was being identified throughout the world. In an attempt to control the spread of the disease, multiple shelter-in-place orders restricting the activities of the public were issued. Although the District's operations were modified in response to these orders, the District continued to operate and its receipt of income was not significantly impacted as of the date these financial statements were available to be issued. The District allocated funding to address community needs resulting from the pandemic in fiscal year 2019-2020. Although the District does not currently foresee major impacts to its 2020-2021 property tax revenue, the unprecedented and evolving nature of the pandemic could cause this to change, and no reasonable estimate can be made about 2021-2022 revenue at this time until the longer-term impacts of the pandemic on the local economy and real estate market become more apparent.

On March 2, 2020 the Court ruled in favor of the District in the District's suit against LAFCo discussed above. Thus, although LAFCo adopted an order of dissolution for the District at its January 9, 2019 meeting, the order cannot be legally recorded and the District dissolved under the current order of the Court. The County of Contra Costa has appealed the Court's order and the appeal is pending. If the appeal were to reverse the Court's current order and LAFCo's order of dissolution were to be recorded, the existence of the District would cease and the District's assets would be transferred to the County of Contra Costa.

As required by the agreement, the District made its balloon payment to the state in August of 2019, in an amount totaling \$500,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property tax receipts	\$ 917,983	\$ 917,983	\$ 961,124	\$ 43,141
Redevelopment pass-through	67,396	97,581	288,209	190,628
Interest income	11,400	11,400	22,573	11,173
Other income	1,600	1,600	11,635	10,035
Total revenues	<u>998,379</u>	<u>1,028,564</u>	<u>1,283,541</u>	<u>254,977</u>
<b>Community Health Program Expenditures</b>				
Community funding	675,528	675,528	494,911	180,617
Outreach and program development	52,000	52,000	3,522	48,478
Program administration	-	-	6,745	(6,745)
Total community and health program expenditures	<u>727,528</u>	<u>727,528</u>	<u>505,178</u>	<u>222,350</u>
<b>Supporting Services</b>				
Salary and benefits	138,761	136,339	99,304	37,035
Board stipend and meeting expenses	25,500	25,500	23,957	1,543
Board election charges		41,590	41,590	-
Professional services	28,594	41,585	54,104	(12,519)
Legal services	20,000	236,955	214,123	22,832
Office supplies and maintenance	6,746	9,046	14,549	(5,503)
Communication	3,000	5,000	532	4,468
Insurance	31,264	31,264	31,264	-
Travel and seminars	1,124	1,124	691	433
Outreach related to proposed dissolution of District	-	227,600	223,296	4,304
Other	12,185	19,953	12,024	7,929
Total supporting services expenditures	<u>267,174</u>	<u>775,956</u>	<u>715,434</u>	<u>60,522</u>
Total expenditures	<u>994,702</u>	<u>1,503,484</u>	<u>1,220,612</u>	<u>282,872</u>
Excess of revenues over (under) expenditures	3,677	(474,920)	62,929	(27,895)
<b>Other Financing (Uses)</b>				
Transfers out	(15,676)	(15,676)	(405,315)	(389,639)
Net change in fund balance	<u>\$ (11,999)</u>	<u>\$(490,596)</u>	<u>\$(342,386)</u>	<u>\$ (417,534)</u>

**Reconciliation of the Net Change in Fund Balance on a Budgetary Basis to GAAP Basis**

Net change in fund balance	(342,386)
GAAP recognizes community funding when expended by recipients for eligible purposes while budgetary basis recognized community funding when initially disbursed to the recipients	<u>\$ 26,513</u>
Net Change in Fund Balance - GAAP Basis	<u><u>\$(315,873)</u></u>

## LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

Note to the Required Supplementary Information  
For the Year Ended June 30, 2019

### **NOTE 1: BUDGET**

The Board of Directors legally adopted an annual operating budget which may be amended by the Board throughout the year. The budget is prepared on the budgetary basis, which is consistent with generally accepted accounting principles; except as follows:

- Community funding paid to recipients is considered expended on the date released to the recipients rather than the date used by the recipients to provide eligible services.
- Salaries and wages are considered expended on the date paid rather than the date services were performed.

Budget amounts reflect the original budget adopted by the Board and the final budget after all applicable amendments. All budget appropriations lapse at year-end.