

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Concord/Pleasant Hill Health Care District (District), a component unit of the City of Concord, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on operating effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 21, 2018

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 116,802
Due from other governments	<u>809</u>
Total Assets	<u>118,420</u>

LIABILITIES

Accounts payable	<u>2,842</u>
Total Liabilities	<u>2,842</u>

NET POSITION

Restricted	<u>114,769</u>
Total Net Position	<u>\$ 114,769</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Change in Net Position</u>
Governmental Activities:			
General government	\$ 355,109	\$ 25,000	\$ (330,109)
Total Governmental Activities	<u>\$ 355,109</u>	<u>\$ 25,000</u>	<u>(330,109)</u>
	GENERAL REVENUES		
			369,092
			2,097
			<u>371,189</u>
	CHANGE IN NET POSITION		
			41,080
			73,689
			<u>\$ 114,769</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 116,802
Due from Other Governments	809
Total Assets	<u>\$ 117,611</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 2,842
Total Liabilities	<u>2,842</u>
FUND BALANCE	
Restricted	<u>114,769</u>
Total Fund Balance	<u>114,769</u>
Total Liabilities and Fund Balance	<u>\$ 117,611</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>
REVENUES	
Property tax revenue	\$ 369,092
Interest income	2,097
Contributions	<u>25,000</u>
Total Revenues	<u>396,189</u>
EXPENDITURES	
Current:	
Grants and loans	270,000
Personnel	75,197
Materials and services	3,904
Other	<u>6,008</u>
Total Expenditures	<u>355,109</u>
Excess of revenues over expenditures	41,080
FUND BALANCE, beginning of period	<u>73,689</u>
FUND BALANCE, end of period	<u>\$ 114,769</u>

See accompanying notes the basic financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Additional activities of the District include:

- Appointing five members of John Muir/Mt. Diablo Community Health Fund (CHF) Board of Directors.
 - Participating in the distribution of the annual \$1,000,000 in grants and initiatives which are administered by CHF.
 - Participating in the financial and strategic planning of CHF.
- Reclaiming the assets transferred to the JMH in the event of the termination of the Community Benefit Agreement.

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

As of August 9, 2013, the District was reorganized as a subsidiary District of the City of Concord. The District is a component unit of the City of Concord (City) because the District is controlled by the City, which is financially accountable for the District's activities.

Basis of Presentation

Government-wide Financial Statements

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

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

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Statement of Activities presents direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

The District reports the following major governmental fund:

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

Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest and certain state and federal grants are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Cash and Investments

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

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

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

Property Tax Revenue

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

Restricted Resources

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

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Use of Estimates

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

Net Position and Fund Balance

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

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. The District's financial statements report net position as unrestricted, which describes the portion of net position which are not restricted as to use.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance (Continued)

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

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

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

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

Adoption of New Financial Accounting Standard

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The District has determined that this statement did not have a material effect on the financial statements.

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The District has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. The District has determined that this statement did not have a material effect on the financial statements.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements

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

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statements are to improve the consistency and comparability of a reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of this Statement.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

As discussed in Note 1, the District maintains cash deposits and investments with the City and participates in the investment pool of the City of Concord, which is not rated by the credit rating agencies. At June 30, 2018, the District's cash and investments held in the City of Concord Treasurer's pool totaled \$116,802.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District participates in the City's investment pool, and on the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2018, the District held no individual investments. All funds are invested in the City Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the City Pool are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in the City Pool at June 30, 2018 of \$116,802 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Generally accepted accounting principles require additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The District does not have a separate investment policy, or any other policies that address these specific types of risk.

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

REQUIRED SUPPLEMENTARY INFORMATION

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax revenue	\$ 325,000	\$ 275,000	\$ 369,092	\$ 94,092
Interest income	1,219	1,219	2,097	878
Contributions	25,000	75,000	25,000	(50,000)
Total Revenues	351,219	351,219	396,189	44,970
EXPENDITURES				
Current:				
Grants and loans	225,000	225,000	270,000	(45,000)
Personnel	30,071	30,071	75,197	(45,126)
Materials and services	2,944	2,944	3,904	(960)
Other	17,500	17,500	6,008	11,492
Total Expenditures	275,515	275,515	355,109	(79,594)
Net Change in Fund Balance	75,704	75,704	41,080	(34,624)
FUND BALANCE, beginning of period	73,689	73,689	73,689	-
FUND BALANCE, end of period	\$ 149,393	\$ 149,393	\$ 114,769	\$ (34,624)

See accompanying note to required supplementary information.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Budgets and Budgetary Accounting

The Board of Directors adopts a preliminary budget prior to January 1st and a final budget prior to March 30th of each year. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on the modified accrual basis. Expenditures may not legally exceed budgeted appropriation at the fund level without District Board approval.

Expenditures in Excess of Appropriation

Expenditures for the year ended June 30, 2018 exceeded the appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures in Excess of Appropriations			
General Fund	\$ 275,515	\$ 355,109	\$ (79,594)

The excess of appropriation was due to the new funding cycle for the District, and Grant Committee meetings were held for four months reviewing new applications and hearing presentations, and a significant amount of staff time was incurred as a result.

OTHER REPORT



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Concord/Pleasant Hill Health Care District (District), a component unit of the City of Concord, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 21, 2018