

# Grossmont Healthcare District



*Financial Statements and  
Independent Auditors' Reports*

*Year Ended June 30, 2015*

# GROSSMONT HEALTHCARE DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Grossmont Healthcare District  
La Mesa, California

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Grossmont Healthcare District (the District) as of and for the year ended June 30, 2015, 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 State Controller's Minimum Audit Requirements for California Special Districts. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 each major fund of the Grossmont Healthcare District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

## Emphasis of Matters

As discussed in Note A to the basic financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a \$437,656 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

As discussed in Note M to the basic financial statements, the District implemented a change in accounting principle from accrual enterprise fund accounting to modified accrual governmental fund accounting. The change in accounting principle required retrospective application resulting in a \$5,208,035 decrease of the previously reported general fund balance and a \$238,427,327 increase of the previously reported debt service fund balance as of July 1, 2014. Our opinion is not modified with respect to this matter

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress for DPHP, budgetary comparison information, Schedule of the District's Proportionate Share of Net Pension Liability, and the Schedule of Pension Contributions, as identified in the accompanying 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.

*White Nelson Dick Evans LLP*

Carlsbad, California  
October 5, 2015

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# GROSSMONT HEALTHCARE DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2015

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In 1952, the residents of the area voted to form Grossmont Healthcare District (the District) and establish, build, and operate Grossmont Hospital. Grossmont Hospital has gone through numerous renovations over the years and currently has 536 licensed beds over a sprawling campus setting. Since May 1991, the District has leased Grossmont Hospital under a 30-year agreement to Sharp HealthCare. In June 2014 the voters of the District approved a new thirty (30) year lease of Grossmont Hospital to expire in 2051. Sharp HealthCare is a multi-facility health care system located in San Diego County. As the management of the District, we are providing the readers of the financial statements a narrative "snapshot" and analysis of our financial performance during the fiscal year ended June 30, 2015. This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal year and is an integral part of the accompanying basic financial statements and should be read in connection with those statements.

### Financial Highlights

During the fiscal year that ended June 30, 2015, the District:

- Continued its improvements funded by Proposition G at Grossmont Hospital by issuing 2015 Series C General Obligation Bonds in the amount of \$24,510,000
- Issued 2015 Series D Refunding Bonds in the amount of \$200,490,000 to advance refund portions of the previously issued 2007 Series A and 2007 Series B General Obligation Bonds to reduce total debt service payments over 25 years by \$28,616,486 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$14,855,150
- Maintained a Moody's AA2 rating on all outstanding general obligation debt
- Increased its Board Contingency Fund to \$9,600,000 from \$7,350,000
- Implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*". The District will be paying its Net Pension Obligation early in August of 2015; therefore it is reflected as a current liability in the accompanying Statement of Net Position.
- Converted from a full accrual to a modified accrual financial reporting model

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following:

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2015

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## Overview of the Financial Statements, continued

Net position of the District is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

### Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. The District had \$5,682,870 unspent related financing proceeds with a corresponding outstanding balance of the related borrowing in the amount of \$12,371,708 attributable to its capital assets at June 30, 2015.

### Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

### Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service payments (principal and interest) unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

As mentioned in the Financial Highlights above the District changed from a full-accrual enterprise fund to a modified accrual financial reporting model as a result of the non-economic terms of the Extended Lease with SHARP. There are no rent payments due to the District under the terms of the Extended Lease.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above.

# GROSSMONT HEALTHCARE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2015

### Financial Activities & Fiscal Year 2015 Highlights

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, unrestricted net position is negative due to the long-term nature of Proposition G general obligation bonds recorded and the nature of the capital assets they finance. The District's most significant assets are cash, cash equivalents, and investments. The District's cash and investments position decreased \$20,046,110 from FY 2014 to FY 2015. This decrease is due primarily to the spending down of restricted financing and bond money for authorized projects. Accordingly, the District's most significant liability is long-term debt associated with Proposition G. It is important to understand that this long-term debt will be paid over time from the receipt of property tax assessments collected over the next twenty-five years. The District's *Net Investment in Capital Assets* represents its administrative and library campus and land holdings. *Net Investment in Capital Assets* includes one project that is in progress:

1. The Cogeneration Project is for a 4.4 megawatt combustion turbine generator, heat recovery steam generator and other equipment to be included in the new Central Energy Plant project at the Hospital. The Cogeneration project budget is \$18 million to be paid for by tax-exempt bank financing and is expected to be fully operational in 2016.

The Dr. John W. Hardebeck Health Occupations Training Center was abandoned by the Board in December 2014 and, accordingly, the accompanying financial statements include a loss of \$149,552 due to the abandonment. It is important for the reader to note there is no outstanding debt associated with the administrative and library campus. The following table highlights the financial position and net position of the District:

#### Statements of Net Position/(Deficit)

	FY15	FY14
Assets:		
Cash, cash equivalents and investments	\$ 98,033,404	\$ 118,079,514
Capital assets	22,700,066	21,952,837
All other assets	3,209,925	3,669,307
Total assets	123,943,395	143,701,658
Deferred outflows of resources	33,798,911	-
Liabilities:		
Long-term	303,805,929	244,990,761
Other	19,035,474	19,987,399
Total liabilities	322,841,403	264,978,160
Deferred inflows of resources	139,422	-
Net position/(deficit):		
Invested in capital assets	15,263,999	14,472,919
Restricted for debt service	5,648,345	7,135,983
Restricted for capital projects	74,577,536	92,437,208
Unrestricted	(260,728,399)	(235,322,612)
Total net position/(deficit)	\$ (165,238,519)	\$ (121,276,502)

# GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2015

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## Financial Activities & Fiscal Year 2015 Highlights, continued

The District's operating activities are comprised of the following primary segments:

- General Government - This function consists of the general mission of the District as a steward of the public trust to preserve and protect those resources entrusted to our care and to maintain and improve the physical and mental health of its constituents. Additionally, monitoring the health care provided under contract at Grossmont Hospital to assure that patients' needs are met and that their reasonable expectations are exceeded.
- Community Healthcare Program - The District administers a grant program, allocating a portion of the District's general annual property tax revenues to health-related programs serving residents of the District throughout Eastern San Diego County.
- Library Operating - The District operates the Dr. William C. Herrick Community Library specializing in healthcare related media and specialized learning programs.
- Facility - This segment consists of all campus related buildings and covers operations, maintenance and security. It also includes the James G. Stieringer Conference Center which also serves as a community meeting place with theater-style seating capacity for 65 and a technologically advanced audio/visual presentation system.
- Debt Administration - This segment consists of all costs associated with issuing and servicing the long-term debt of the District.
- Contributions to Grossmont Hospital – The District contributes general operating support and Proposition G project support to Grossmont Hospital.

# GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2015

## Financial Activities & Fiscal Year 2015 Highlights, continued

The following table highlights the changes in net position of the District:

	FY15	FY14
Revenues:		
Property tax revenue - general purposes	\$ 6,517,055	\$ 6,228,486
Property tax revenue - special assessment	9,682,330	9,022,104
Investment income	155,405	431,682
Operating grants and contributions	485,988	674,739
Total revenues	<u>16,840,778</u>	<u>16,357,011</u>
Expenses:		
General government	1,690,071	1,469,121
Community healthcare	1,063,455	1,048,883
Library operating	299,106	293,364
Facility	270,101	387,892
Debt Administration	14,534,315	12,977,957
Contributions to Grossmont Hospital	42,508,091	44,673,320
Total expenses	<u>60,365,139</u>	<u>60,850,537</u>
Change in net position	(43,524,361)	(44,493,525)
Net Position - Beginning of Year, as Previously Stated	(121,276,502)	(76,782,977)
Prior period adjustment	(437,656)	-
Net Position - Beginning of Year, as Restated	<u>(121,714,158)</u>	<u>(76,782,977)</u>
Ending net position	<u>\$ (165,238,519)</u>	<u>\$ (121,276,502)</u>

Property taxes are the District's primary source of revenue and are also levied to pay the debt service on the outstanding Proposition G general obligation bonds. Property tax revenues for general purposes increased \$288,569 from FY 2014 to FY 2015 and property tax revenues from special assessments increased \$660,226 from FY 2014 to FY 2015. The local real estate market continues to improve and the District's taxable assessed valuations have stabilized and are beginning to increase.

Community healthcare expenses increased \$14,572 from FY 2014 to FY 2015 which represents fairly consistent community healthcare outlay.

Contributions to Grossmont Hospital represent:

- Payments made to Grossmont Hospital for general operating support or equipment; and,
- Payments made to Grossmont Hospital under the Proposition G program.

Contributions decreased \$2,165,229 from FY 2014 to FY 2015 resulting primarily from the phasing and timing of Proposition G program expenses financed by Proposition G general obligation bonds.

See the *Notes to the Basic Financial Statements* for more information.

# GROSSMONT HEALTHCARE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2015

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### Capital Assets

At June 30, 2015 the District had \$24,780,969 in capital assets and \$2,080,903 in accumulated depreciation resulting in \$22,700,066 of net capital assets. A summary of the activity and balances in capital assets is presented below.

	FY15	FY14
Land	\$ 7,061,501	\$ 7,061,501
Construction in progress	12,440,577	11,618,437
Buildings	4,707,202	4,707,202
Furniture and equipment	571,689	518,518
Subtotal	<u>24,780,969</u>	<u>23,905,658</u>
Less:		
Accumulated depreciation	(2,080,903)	(1,952,821)
Total	<u>\$22,700,066</u>	<u>\$21,952,837</u>

The changes in the District's capital asset activity are primarily the result of increases to the District's two previously mentioned construction-in-progress projects.

### Debt Administration

Proposition G authorized the issuance of up to \$247,000,000 in general obligation bonds. On August 2, 2007, the District issued Series 2007A in the amount of \$85,627,076. On February 23, 2011, the District issued Series 2011B in the amount of \$136,860,000. On April 28, 2015, the District issued Series 2015C in the amount of \$24,510,000 and Series 2015D (Refunding Bonds) in the amount of \$200,490,000.

All outstanding District general obligation bond debt is Moody's Investors Service rated AA2.

On June 29, 2012 the District entered into a tax-exempt lease arrangement (Lease) with a bank (the Lessor) to build cogeneration equipment for inclusion in the planned new central energy plant at the Hospital.

# GROSSMONT HEALTHCARE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2015

## Debt Administration, continued

Changes in long-term liabilities for the period ended June 30, 2015, are as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
<b>General Obligation Bonds</b>					
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -
2007 Series A - CIB's	60,110,000	-	53,490,000	6,620,000	1,225,000
2007A unamortized premium	1,798,991	-	1,615,023	183,968	-
2007A CAB accrued interest	9,369,860	1,542,937	-	10,912,797	-
2011B CIB's	136,860,000	-	122,385,000	14,475,000	-
2011B unamortized premium	1,873,127	-	1,682,962	190,165	-
2015 Series C - CIB's	-	24,510,000	-	24,510,000	-
2015C unamortized premium	-	5,278,231	49,661	5,228,570	-
2015D Series D - CIB's	-	200,490,000	-	200,490,000	-
2015D unamortized premium	-	8,407,925	37,971	8,369,954	-
Total general obligation bonds, net	233,609,054	240,229,093	179,260,617	294,577,530	1,225,000
<b>Other Long-term Debt</b>					
Financing obligation	14,287,116	-	1,915,408	12,371,708	1,955,825
Total long-term liabilities	<u>\$ 247,896,170</u>	<u>\$240,229,093</u>	<u>\$181,176,025</u>	<u>\$ 306,949,238</u>	<u>\$ 3,180,825</u>

## Economic Outlook and Major Initiatives

The District is continuing to maximize and leverage its tax revenues to fund the increasing unmet healthcare needs in its service area. The Fiscal Year 2016 budget reflects total revenues of \$16,004,400 and total expenses, net of noncash adjustments of \$4,558,780, of \$15,316,010.

The District is continuing to make significant improvements to Grossmont Hospital under the Proposition G program. It is anticipated all improvements will be completed by the end of FY17.

## Contacting the District's Financial Management

The District believes in financial transparency and encourages any interested party to contact the District for clarification or additional information regarding this report via the District's website or email address.

Grossmont Healthcare District  
9001 Wakarusa Street  
La Mesa, CA 91942  
(619) 825-5050 Office  
(619) 825-5051 Fax  
Website: [www.grossmonthealthcare.org](http://www.grossmonthealthcare.org)  
Email: [info@grossmonthealthcare.org](mailto:info@grossmonthealthcare.org)

## **Basic Financial Statements**

# GROSSMONT HEALTHCARE DISTRICT

Statement of Net Position/(Deficit)

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 6,408,282
Investments	9,599,775
Property taxes receivable	660,070
Other accounts receivable	367,794
Accrued investment interest	62,166
Prepaid expenses and deposits	7,367
Restricted cash and cash equivalents with fiscal agent	5,682,870
Restricted investments with fiscal agent	76,342,477
Total Current Assets	<u>99,130,801</u>
Noncurrent Assets:	
Prepaid bond insurance, net	116,767
Net OPEB asset	1,995,761
Capital assets:	
Land	7,061,501
Construction in progress	12,440,577
Capital assets, net of depreciation	3,197,988
Total capital assets, net of depreciation	<u>22,700,066</u>
Total Noncurrent Assets	<u>24,812,594</u>
Total Assets	<u>123,943,395</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension contributions	140,999
Deferred charges on refunding of long-term debt	33,657,912
Total deferred outflow of resources	<u>33,798,911</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

## Statement of Net Position/(Deficit)

June 30, 2015

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts and grants payable	\$ 7,039,910
Current accrued compensated absences	12,505
Deposits	5,628,292
Unearned revenue	958,897
Net pension liability	415,578
Current maturities of long-term debt	3,180,825
Liabilities payable from restricted assets:	
Restricted accrued interest	1,799,467
Total Current Liabilities	<u>19,035,474</u>
Noncurrent Liabilities:	
Long-term accrued compensated absences	37,516
General obligation bonds	282,439,733
Financing obligation	10,415,883
Capital appreciation bond accrued interest	10,912,797
Total Noncurrent Liabilities	<u>303,805,929</u>
Total Liabilities	<u>322,841,403</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>139,422</u>
NET POSITION/(DEFICIT)	
Net investment in capital assets	15,263,999
Restricted for debt service	5,648,345
Restricted for capital projects	74,577,536
Unrestricted	<u>(260,728,399)</u>
Total Net Position/(Deficit)	<u>\$ (165,238,519)</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

## Statement of Activities

For the year ended June 30, 2015

Functions/programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Governmental Activities
Governmental activities:				
General government	\$ 1,690,071	\$ 485,988	\$ 9,682,330	\$ 8,478,247
Community healthcare	1,063,455	-	-	(1,063,455)
Library operating expenses	299,106	-	-	(299,106)
Facility expenses	270,101	-	-	(270,101)
Interest on long-term debt	13,107,086	-	-	(13,107,086)
Bond issuance costs	1,427,229	-	-	(1,427,229)
Contributions to Grossmont Hospital	42,508,091	-	-	(42,508,091)
Total Governmental Activities	<u>\$ 60,365,139</u>	<u>\$ 485,988</u>	<u>\$ 9,682,330</u>	<u>(50,196,821)</u>
General Revenues:				
Property taxes				6,517,055
Investment earnings				155,405
Total General Revenues				<u>6,672,460</u>
Change in net position				<u>(43,524,361)</u>
Net Position - Beginning of Year, as Previously Stated				(121,276,502)
Prior Period Adjustment				(437,656)
Net Position - Beginning of Year, as Restated				<u>(121,714,158)</u>
Net Position- End of Year				<u>\$ (165,238,519)</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

Balance Sheet - Governmental Funds

June 30, 2015

	General Fund	Building Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,408,282	\$ -	\$ -	\$ 6,408,282
Investments	9,599,775	-	-	9,599,775
Property taxes receivables	218,147	-	441,923	660,070
Other accounts receivable	137,655	230,139	-	367,794
Accrued investment interest	13,932	48,234	-	62,166
Prepaid expense and deposits	7,367	-	-	7,367
Restricted cash and cash equivalents with fiscal agent	5,682,870	-	-	5,682,870
Restricted investments with fiscal agent	-	68,894,666	7,447,812	76,342,477
Total Assets	<u>\$ 22,068,027</u>	<u>\$ 69,173,039</u>	<u>\$ 7,889,735</u>	<u>\$ 99,130,801</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts and grants payable	\$ 770,810	\$ 6,242,796	\$ 26,304	\$ 7,039,910
Total Liabilities	<u>770,810</u>	<u>6,242,796</u>	<u>26,304</u>	<u>7,039,910</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	7,367	-	-	7,367
Restricted for:				
Capital projects	5,682,870	62,930,243	-	68,613,113
Debt service	-	-	7,863,431	7,863,431
Assigned to:				
Board contingency fund	9,600,000	-	-	9,600,000
Unassigned	6,006,980	-	-	6,006,980
Total Fund Balances	<u>21,297,217</u>	<u>62,930,243</u>	<u>7,863,431</u>	<u>92,090,891</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,068,027</u>	<u>\$ 69,173,039</u>	<u>\$ 7,889,735</u>	<u>\$ 99,130,801</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position/(Deficit)  
June 30, 2015

	<u>Amount</u>
Total fund balances for governmental funds	\$ 92,090,891
Amounts reported for governmental activities in the statement of net position/(deficit) are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds (net of accumulated depreciation).	22,700,066
Deposits with insurance providers to pay for long-term liabilities are not current financial resources, and therefore, are not recorded on the governmental fund balance sheet.	116,767
Deposits received for equipment construction has not been reported in the governmental funds.	(5,628,292)
Interest payable for the general obligation bonds has not been reported in the governmental funds.	(1,799,467)
Unearned revenue has not been reported in the governmental funds.	(958,897)
GASB 68 net pension liability is not due in the current period and accordingly is not reported as a fund liability.	(415,578)
Deferred inflows from GASB 68 pension contribution are not reported in governmental funds.	(139,422)
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:	
General obligation bonds	\$ (283,664,733)
Financing obligation	(12,371,708)
Capital appreciation bond accrued interest	(10,912,797)
Accrued compensated absences	<u>(50,021)</u>
	(306,999,259)
The net OPEB asset is not receivable in the current period, and therefore is not reported in the governmental funds balance sheet.	1,995,761
Deferred outflows from GASB 68 pension contributions are not reported in governmental funds.	140,999
Net deferred outflows resulting from the advance refunding of debt are not current financial resources and, therefore, not reported in the governmental funds balance sheet.	33,657,912
Net position/(deficit) of governmental activities.	<u>\$ (165,238,519)</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2015

	General Fund	Building Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes, levied for general purposes	\$ 6,517,055	\$ -	\$ -	\$ 6,517,055
Property taxes, levied for special assessments	-	-	9,682,330	9,682,330
Investment income	74,814	80,220	371	155,405
Grant and other income	21,387	464,601	-	485,988
Contribution from Sharp	2,195,730	-	-	2,195,730
Total Revenues	<u>8,808,986</u>	<u>544,821</u>	<u>9,682,701</u>	<u>19,036,508</u>
<b>EXPENDITURES:</b>				
General government	1,431,949	-	-	1,431,949
Community healthcare	1,063,455	-	-	1,063,455
Library operating expense	299,106	-	-	299,106
Facility expense	270,101	-	-	270,101
Capital outlay	1,024,862	-	-	1,024,862
Contributions to Grossmont Hospital	1,000,000	41,508,091	-	42,508,091
Bond issuance costs	-	-	1,427,229	1,427,229
Debt Service:				
Principal	1,915,408	-	990,000	2,905,408
Interest and fiscal charges	280,322	-	14,727,638	15,007,960
Total Expenditures	<u>7,285,203</u>	<u>41,508,091</u>	<u>17,144,867</u>	<u>65,938,161</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,523,783	(40,963,270)	(7,462,166)	(46,901,653)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bond refunding	-	24,510,000	214,176,155	238,686,155
Payment to refunding bond escrow	-	-	(211,636,401)	(211,636,401)
TOTAL OTHER FINANCING SOURCES (USES)	-	24,510,000	2,539,754	27,049,754
NET CHANGES IN FUND BALANCES	1,523,783	(16,453,270)	(4,922,412)	(19,851,899)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>19,773,434</u>	<u>79,383,513</u>	<u>12,785,843</u>	<u>111,942,790</u>
FUND BALANCES, END OF YEAR	<u>\$ 21,297,217</u>	<u>\$ 62,930,243</u>	<u>\$ 7,863,431</u>	<u>\$ 92,090,891</u>

See accompanying independent auditors' report and notes to financial statements.

# GROSSMONT HEALTHCARE DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2015

	<u>Amount</u>
Net change in fund balances - total governmental funds	\$ (19,851,899)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets acquisitions as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:	
Capital assets acquired:	
Purchased directly by the District	\$ 1,024,862
Depreciation expense	<u>(128,082)</u>
	896,780
The statement of activities reports the loss on capital assets in the year they are disposed and the governmental funds only sales proceeds, if any:	
Loss on disposal of capital assets	(149,552)
Interest expense is recognized when paid on the statement of revenue, expenditures and changes in funds balances and recognized when incurred on the statement of activities.	
	3,367,773
Interest accrued on the capital appreciation bonds is expensed when incurred in the statement of activities.	
	(1,542,937)
The revenue for the Co-Gen lease agreement between the District and SHARP is being deferred on the statement of activities and recognized as a current financial resource on the statement of revenues, expenditures and changes in fund balances.	
	(2,195,730)
OPEB expense is recognized when paid in the statement of revenues, expenditures and changes in fund balances and recognized when incurred in the statement of activities.	
	10,355
Net pension expense	
	23,655
Certain expenses are reported when paid in the statement of revenues, expenditures and changes in fund balances and expensed when incurred in the statement of activities:	
Compensated absences	1,611
Bond insurance	<u>(16,109)</u>
	(14,498)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, these transactions have no effect on net position:	
Payments to refund bonds	211,636,401
Proceeds from bond refunding	(238,686,155)
Principal payments	2,905,408
Bond premiums	226,904
Amortization of deferred amount on refunding	<u>(150,866)</u>
	(24,068,308)
Change in net position of governmental activities	<u>\$ (43,524,361)</u>

See accompanying independent auditors' report and notes to financial statements.

**Notes To Basic Financial Statements**

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies

### Reporting Entity

Grossmont Healthcare District (the District) is a local healthcare district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code of the State of California to provide and operate health care facilities for a specified geographic region of San Diego County. The District's boundaries encompass an area of 750 square miles in eastern San Diego County. Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, and El Cajon, the San Carlos/Del Cerro communities of the City of San Diego, and certain unincorporated areas within San Diego County. The District owns Grossmont Hospital, currently leased to Sharp HealthCare (SHARP), a multi-facility health care system located in San Diego County.

Effective May 29, 1991, the District entered into an Affiliation Agreement with SHARP. The affiliation was effected through the creation of a non-profit public benefit corporation, Grossmont Hospital Corporation (the Corporation), of which SHARP is the sole statutory member. In connection with the affiliation, the District entered into a 30-year Transfer and Lease Agreement with the Corporation whereby the District's assets and liabilities, except land, investment funds, debt established pursuant to certain loan agreements and the deferred compensation program, were transferred to the Corporation in exchange for a receivable (the Transfer). In July 1992, the Corporation exercised its option to prepay the receivable. At the end of the Agreement's 30-year term, notwithstanding extensions, the Corporation will transfer back to the District all assets and liabilities pursuant to terms substantially identical to those of the Transfer Agreement.

In June 2014, the voters of the District passed a measure extending the lease an additional 30 years. The Extended Lease Agreement will expire in May 2051.

The District is governed by a five member elected Board of Directors.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position/(Deficit) and the Statement of Activities) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Government-Wide and Fund Financial Statements, continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position of the District is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

#### Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets. The District had \$5,682,870 unspent related financing proceeds with a corresponding outstanding balance of the related borrowing in the amount of \$12,371,708 attributable to its capital assets at June 30, 2015.

#### Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

#### Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Government-Wide and Fund Financial Statements, continued

The fund balances reported on the fund statements consist of the following categories:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers or through enabling legislation.

Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors.

Assigned – This classification includes amounts to be used by the District, authorized by the Board of Directors, for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned – This classification includes the residual balance for the District's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

In the government-wide statements, the District considers restricted funds to be spent first then unrestricted funds when expenditures are incurred for purposes for which both restricted and unrestricted net position is available. In the governmental funds, when both restricted and unrestricted resources are available for use, expenses are considered to be paid first from restricted resources, and then from unrestricted resources. When committed, assigned or unassigned amounts are available for use, expenses are considered to be paid first from committed, then from assigned, and then unassigned.

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position/(Deficit) and the Statement of Activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service payments (principal and interest) unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The District reports the following major governmental funds:

The **General Fund** is the primary operating fund. It accounts for and reports all financial resources of the District, except those not accounted for and reported in another fund.

The **Building Fund** is used to account for financial resources that are restricted, committed, or assigned to expenditures used for the acquisition or construction of major capital facilities.

The **Debt Service Fund** is used to account for the accumulation of resources and the payment of general obligation bond principal and interest from District resources, and special assessment bond principal and interest from special assessment levies, when the District is obligated in some manner for the payment.

Amounts reported as program revenues include: (1) fees and charges to customers, applicants, and citizens; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes. Program revenues and expenditures are classified by function. Each function is defined as a major department with a department head and separate budget.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are property tax revenues that are received for general operations and pertain directly to the mission of the District. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal activities of the District.

Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### New Accounting Pronouncement

During the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*". Due to the implementation of this statement, the District is required to reflect its Net Pension Liability on the Statement of Net Position/(Deficit). Accordingly, on the Statement of Activities, the District has restated beginning net position by (\$437,656).

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position/(Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has a significant deferred outflow of resources resulting from the advance refunding of certain general obligation bonds. Deferred outflows of \$33,808,778 relating to the 2015 Series D Refunding Bonds, net of accumulated amortization of \$150,866, at June 30, 2015, are being amortized on a straight-line basis over 302 months which represents the shortest period between the remaining outstanding debt and new debt. See Note F for more information. The District also has deferred outflows and inflows relating to implementing GASB 68 (Note H).

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$139,422 of these items as of June 30, 2015.

### Property Taxes - General Apportionments and Debt Service

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal 1978-79, general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 period. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year. This Proposition 13 limitation on general property taxes does not apply to taxes levied.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Property Taxes - General Apportionments and Debt Service, continued

Each year the District is required to provide the County with its calculation of the required property tax levy to assess for the following year's scheduled bond debt service payments. The District's current levy is at \$20.05 per \$100,000 of assessed valuation. No allowance for doubtful accounts for related property tax receivables is considered necessary due to the fact the receivables are secured by the underlying real property.

### Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at acquisition.

### Investments

Investments in debt securities with readily determinable fair values are measured at fair value in the *Statement of Net Position/(Deficit)*. Investments in government investment pools are reported at the fair value per share of the pool's underlying portfolio.

### Other Accounts Receivable

Other accounts receivable represents post-employment benefit trust fund reimbursements from the California Public Employees Retirement System (Note I).

### Other Noncurrent Assets

Prepaid bond insurance net, of \$116,767 for the 2007A Bonds, at June 30, 2015, is being amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of \$16,109 for the year ended June 30, 2015 is included in the *Statement of Activities* as prepaid bond insurance amortization.

### Accounts and Grants Payable

Accounts and grants payable represents amounts committed to vendors for general services and local nonprofit and local government agencies under the District's community healthcare grant program.

### Capital Assets

The District's office furniture and equipment and buildings are stated at cost. Depreciation has been provided over the estimated useful lives of five years for office furniture and equipment and forty years for buildings using the straight-line method. The District has set the capitalization threshold for reporting capital assets at a cost greater than \$5,000 with an expected life greater than one year. Repairs, maintenance, and minor replacements of property are charged to expense.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

### Accrued Compensated Absences

A liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

### Restricted Assets and Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees Retirement System (CalPERS), and additions to the CalPERS fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Note B. Financing Authorities

The District is a member of the North San Diego County Health Facilities Financing Authority and the San Diego County Health Facilities Financing Authority (the Authorities). The purpose of the Authorities is to provide a financing mechanism for its members. See Note F for more information on the role of the Authorities in the District's bond issuance process.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note C. Proposition G Bond Sales

Bond sale proceeds at the close of the transaction on August 2, 2007 from the Series 2007A Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 426,272
Debt service	1,032,832
Building	85,627,076
	<u>\$ 87,086,180</u>

Bond sale proceeds at the close of the transaction on February 23, 2011 from the Series 2011B Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 332,690
Debt service	1,096,300
Building	136,860,000
	<u>\$ 138,288,990</u>

Bond sale proceeds at the close of the transaction on May 20, 2015 from the Series 2015C Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 132,686
Debt service	1,095,000
Escrow fund	4,050,544
Building	24,510,000
	<u>\$ 29,788,230</u>

Bond sale proceeds at the close of the transaction on May 20, 2015 from the Series 2015D Bonds resulted in the following deposits:

<u>Fund</u>	<u>Amount</u>
Cost of issuance	\$ 1,312,068
Escrow fund	211,092,283
	<u>\$ 212,404,351</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note D. Cash, Cash Equivalents, and Investments

The primary goals of the District's Investment Policy is to assure compliance with Federal, State, and Local laws governing the investment of funds under the control of the District, protect the principal of investments entrusted, and generate income under the parameters of such policies.

Cash, cash equivalents, and investments are classified in the accompanying financial statements as follows:

Statement of Net Position/(Deficit):	
Current assets	
Cash and cash equivalents	\$ 6,408,282
Restricted cash and cash equivalents with fiscal agent	5,682,870
Investments	9,599,775
Restricted investments with fiscal agent	76,342,477
Total cash, cash equivalents, and investments	<u>\$ 98,033,404</u>

Cash, cash equivalents, and investments consist of the following:

Cash on hand	\$ 110
Deposits with financial institutions	6,219,717
Investments	91,813,577
Total cash, cash equivalents and investments	<u>\$ 98,033,404</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note D. Cash, Cash Equivalents, and Investments, continued

### Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>	<u>Max. Invest. Per Issuer</u>
Certificates of Deposit	5 Years	None	None
Negotiable Certificates of Deposit	None	20%	\$1,000,000
Local Agency Investment Fund	None	None	None
County Pooled Investment Fund	None	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Sponsored Entities	5 Years	None	None
Money Market Mutual Funds	None	20%	None

### Investments Authorized by Debt, Financing or Escrow Agreements

Investments of debt proceeds and certain construction retention accounts held by the bond, financing or escrow trustee are governed by provisions of the respective agreements, rather than the general provisions of the California Government Code or the District's Investment Policy.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note D. Cash, Cash Equivalents, and Investments, continued

### Disclosures Relating to 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. One of the ways that the District 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations are provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015:

<u>Investment Type</u>		<u>Twelve Months or Less</u>	<u>Thirteen to Twenty-four Months</u>	<u>Twenty-five to Sixty Months</u>	<u>More Than Sixty Months</u>
U.S. Government Sponsored Entities	\$ 69,129,054	\$ 44,292,549	\$ 13,007,723	\$ 11,828,782	\$ -
Money Market Mutual Funds	15,828,703	15,828,703	-	-	-
Corporate Notes	984,495	-	-	984,495	-
State and County Pooled Funds	5,871,325	5,871,325	-	-	-
	<u>\$ 91,813,578</u>	<u>\$ 65,992,577</u>	<u>\$ 13,007,723</u>	<u>\$ 12,813,277</u>	<u>\$ -</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note D. Cash, Cash Equivalents, and Investments, continued

### Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, or debt agreements, and the actual rating by Moody's Investors Service as of June 30, 2015 for each investment type.

In August 2011, Standard & Poors downgraded the AAA rating of the United States Government and all federally backed agencies to AA+. The \$69,129,054 of U.S. Government Sponsored Entity securities at June 30, 2015 below are rated AA+ by Standard & Poors:

Investment Type		Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
U.S. Government Sponsored Entities	\$ 69,129,054	N/A	\$ 69,129,054	\$ -	\$ -
Money Market Mutual Funds	15,828,703	N/A	15,828,703	-	-
State and County Pooled Funds	5,871,325	N/A	1,003,427	-	4,867,898
Corporate Notes	984,495	N/A	-	984,495	-
	<u>\$ 91,813,577</u>		<u>\$ 85,961,184</u>	<u>\$ 984,495</u>	<u>\$4,867,898</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note D. Cash, Cash Equivalents, and Investments, continued

### Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated, by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of June 30, 2015:

<u>Issuer Type</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Government Sponsored Entity	\$ 20,125,768
Federal National Mortgage Association	U.S. Government Sponsored Entity	\$ 30,650,002
Federal Home Loan Mortgage Corp.	U.S. Government Sponsored Entity	\$ 5,006,800
Federal Home Loan Bank	U.S. Government Sponsored Entity	\$ 12,285,311

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, \$5,810,213 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

### Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost-basis.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note E. Capital Assets

The following table presents a summary of the changes in capital assets at June 30, 2015:

	June 30, 2014	Additions	Deletions	June 30, 2015
<b>Governmental activities:</b>				
Capital Assets Not Depreciated:				
Land	\$ 7,061,501	\$ -	\$ -	\$ 7,061,501
Construction in progress	11,618,437	996,691	174,552	12,440,577
Total capital assets not depreciated	18,679,938	996,691	174,552	19,502,078
Capital Assets Being Depreciated:				
Buildings	4,707,202	-	-	4,707,202
Furniture and equipment	518,518	53,171	-	571,689
Total capital assets being depreciated	5,225,720	53,171	-	5,278,891
Less Accumulated Depreciation:				
Furniture and equipment	513,052	10,402	-	523,454
Buildings	1,439,769	117,680	-	1,557,449
Total	1,952,821	128,082	-	2,080,903
Total Capital Assets Being Depreciated, net	3,272,899	(74,911)	-	3,197,988
Total Capital Assets, Net	<u>\$21,952,837</u>	<u>\$ 921,781</u>	<u>\$ 174,552</u>	<u>\$22,700,066</u>

Depreciation expense of \$128,082 is included in facility expenses on the Statement of Activities for the fiscal year ended June 30, 2015. Construction in progress of \$12,440,577 represents accumulated costs for the District's cogeneration equipment project currently under construction (Note F).

During the year the District Board abandoned the previously planned Dr. John W. Hardebeck Health Occupation Training Center. Accordingly, of the \$174,552 of the related construction in progress \$149,552 was expensed to operations and \$25,000 was transferred to furniture and equipment.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note F. Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2015, are as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
<u>General Obligation Bonds</u>					
2007 Series A - CAB's	\$ 23,597,076	\$ -	\$ -	\$ 23,597,076	\$ -
2007 Series A - CIB's	60,110,000	-	53,490,000	6,620,000	1,225,000
2007A unamortized premium	1,798,991	-	1,615,023	183,968	-
2007A CAB accrued interest	9,369,860	1,542,937	-	10,912,797	-
2011B CIB's	136,860,000	-	122,385,000	14,475,000	-
2011B unamortized premium	1,873,127	-	1,682,962	190,165	-
2015 Series C - CIB's	-	24,510,000	-	24,510,000	-
2015C unamortized premium	-	5,278,231	49,661	5,228,570	-
2015D Series D - CIB's	-	200,490,000	-	200,490,000	-
2015D unamortized premium	-	8,407,925	37,971	8,369,954	-
Total general obligation bonds, net	233,609,054	240,229,093	179,260,617	294,577,530	1,225,000
<u>Other Long-term Debt</u>					
Financing obligation	14,287,116	-	1,915,408	12,371,708	1,955,825
Total long-term liabilities	\$ 247,896,170	\$240,229,093	\$181,176,025	\$ 306,949,238	\$ 3,180,825

### General Obligation Bonds

The District received authorization at an election held on June 6, 2006, by more than two-thirds of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed \$247,000,000 under Proposition G. These bonds will be issued in multiple series as general obligations of the District. The proceeds from the sale of the bonds will be used by the District to (i) improve emergency care in eastern San Diego County, including the completion of SHARP Grossmont Hospital's Emergency and Critical Care Center, (ii) improve seismic safety, (iii) improve access to medical facilities in the event of earthquakes, wildfires or other disasters, (iv) expand cardiac care, (v) increase the number of patient beds and (vi) acquire, construct, repair, and improve certain medical facilities.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

#### Authority for Issuance of the Bonds

In August 2007, Series 2007A general obligation bonds (Series 2007A Bonds) in the amount of \$85,627,076 were sold at a premium of \$2,353,567. The Series 2007A Bonds were sold by the District to the North San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1(commencing with Section 6584) of the Government Code of the State. The Series A Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

In February 2011, Series 2011B general obligation bonds (Series 2011B Bonds) in the amount of \$136,860,000 were sold at a premium of \$2,113,271. The Series 2011B Bonds were sold by the District to the San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1(commencing with Section 6584) of the Government Code of the State. The Series B Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

In April 2015, Series 2015C general obligation bonds (Series 2015C Bonds) in the amount of \$24,510,000 were sold at a premium of \$5,278,231. The Series 2015C Bonds were sold direct to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

In April 2015, Series 2015D general obligation refunding bonds (Series 2015D Refunding Bonds) in the amount of \$200,490,000 were sold at a premium of \$8,407,925. The Series 2015D Refunding Bonds were sold direct to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

#### Security for the Bonds

The Series 2007A, 2011B, 2015C and 2015D Bonds represent general obligations of the District payable from certain *ad valorem* taxes. The Board of Supervisors of the County shall levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal or accreted value of and interest on the 2007A, 2011B, 2015C and 2015D Bonds. The 2007A, 2011B, 2015C and 2015D Bonds are not obligations of the County of San Diego, the Authorities, the State or any of its political subdivisions, other than the District.

#### Insurance

Payment of the principal or accreted value of, and interest on, the 2007A Bonds are insured by a financial guaranty insurance policy issued by AMBAC Assurance Corporation.

The 2011B, 2015C and 2015D Bonds are uninsured.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

The outstanding Proposition G bonded debt is as follows:

On August 2, 2007, the District issued \$85,627,076 of capital appreciation bonds (CAB) and current interest bonds (CIB). Interest on the capital appreciation bonds is compounded each January 15 and July 15, commencing on January 15, 2008, through and including the respective maturity dates. Accrued interest as of June 30, 2015 is \$10,912,797. Interest accrued during the fiscal year ending June 30, 2015 was \$1,542,937.

The remaining maturity schedule of the 2007A capital appreciation bonds are as follows:

<u>Capital Appreciation Bonds \$23,597,076</u>		
<u>Maturity Date</u>	<u>Yield to Maturity</u>	<u>Principal Amount</u>
2023	4.720%	\$ 1,978,792
2024	4.740%	2,022,431
2025	4.780%	2,055,552
2026	4.800%	2,091,877
2027	4.820%	2,126,355
2028	4.840%	2,156,889
2029	4.860%	2,184,970
2030	4.880%	2,210,462
2031	4.900%	2,233,046
2032	4.910%	2,257,956
2033	4.920%	2,278,746
		<u>\$ 23,597,076</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

During the year a portion of the 2007A CIB Bonds were defeased by the 2015D Refunding Bonds. See below for more information on the 2015D Refunding Bonds.

The remaining maturity schedule of the 2007A current interest bonds are as follows:

Current Interest Bonds \$6,620,000		
Maturity Date	Interest Rate	Principal Amount
July 15 2015	5.000%	\$ 1,225,000
2016	5.000%	1,495,000
2017	5.000%	1,790,000
2018	5.000%	2,110,000
		<u>\$ 6,620,000</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

In February 2011, the District issued \$136,860,000 of current interest bonds. During the year a portion of the 2011B Bonds were defeased by the 2015D Refunding Bonds. See below for more information on the 2015D Refunding Bonds.

The remaining maturity schedule of the 2011B current interest bonds are as follows:

Current Interest Bonds \$14,475,000		
Maturity Date	Interest Rate	Principal Amount
July 15 2016	3.000%	\$ 5,000
2017	3.250%	5,000
2018	3.500%	5,000
2019	3.750%	5,000
2020	4.000%	5,000
2021	4.250%	5,000
2022	4.500%	5,000
2023	4.750%	5,000
2024	5.000%	5,000
2026	5.000%	785,000
2027	5.000%	1,275,000
2028	5.125%	1,815,000
2029	5.250%	2,400,000
2030	5.375%	3,050,000
2031	5.000%	3,755,000
2034	5.750%	1,350,000
		<u>\$ 14,475,000</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

The remaining maturity schedule of the 2015C current interest bonds are as follows:

Current Interest Bonds \$24,510,000		
Maturity Date July 15	Interest Rate	Principal Amount
2015	0.000%	\$ -
2016	0.000%	-
2017	0.000%	-
2018	0.000%	-
2019	5.000%	405,000
2020	5.000%	920,000
2021	5.000%	1,485,000
2022	5.000%	2,100,000
2023	5.000%	2,780,000
2024	5.000%	3,520,000
2025	5.000%	3,990,000
2026	5.000%	4,425,000
2027	5.000%	4,885,000
		<u>\$ 24,510,000</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

In May 2015, the District issued \$200,490,000 Refunding General Obligation Bonds, Series 2015D for the purpose for refunding \$52,500,000 of the outstanding balance of the 2007A CIB Bonds and \$122,385,000 of the outstanding 2011B Bonds.

The District refunded the above referenced portions of the 2007A CIB Bonds and 2011B Bonds to reduce its total debt service payments over 25 years by \$28,616,486 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$14,855,150.

The remaining maturity schedule of the 2015D current interest bonds are as follows:

Current Interest Bonds \$200,490,000		
Maturity Date	Interest Rate	Principal Amount
July 15 2015	0.000%	\$ -
2016	2.000%	775,000
2017	5.000%	790,000
2018	5.000%	825,000
2019	5.000%	3,330,000
2020	5.000%	3,745,000
2021	5.000%	4,205,000
2022	5.000%	4,695,000
2023	5.000%	1,055,000
2024	5.000%	1,110,000
2025	5.000%	1,505,000
2026	5.000%	1,225,000
2027	5.000%	1,285,000
2028	3.000%	1,350,000
2029	3.125%	1,390,000
2030	3.125%	1,430,000
2031	3.250%	1,475,000
2032	4.000%	6,065,000
2033	4.000%	6,925,000
2034	4.000%	15,030,000
2035	4.000%	18,260,000
2036	4.000%	20,245,000
2037	4.000%	22,365,000
2038	4.000%	24,645,000
2039	4.000%	27,080,000
2040	4.000%	29,685,000
		<u>\$ 200,490,000</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note F. Long-Term Liabilities, continued

### General Obligation Bonds, continued

#### Debt Service Requirements

Debt service requirements on Proposition G bonded debt as of June 30, 2015, excluding unamortized premiums, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,225,000	\$ 7,591,030	\$ 8,816,030
2017	2,275,000	10,459,719	12,734,719
2018	2,585,000	10,369,319	12,954,319
2019	2,940,000	10,240,156	13,180,156
2020	3,740,000	10,093,231	13,833,231
2021-2025	29,641,223	51,510,371	81,151,594
2026-2030	36,945,643	57,149,182	94,094,825
2031-2035	48,060,210	54,848,265	102,908,475
2036-2040	112,595,000	20,330,000	132,925,000
2041	29,685,000	1,187,400	30,872,400
Totals	<u>\$ 269,692,076</u>	<u>\$ 233,778,673</u>	<u>\$ 503,470,749</u>

#### Mandatory Sinking Fund Redemption of Refunding Bonds

The 2015D Refunding Bonds maturing on July 15, 2040, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15<sup>th</sup> of each year, beginning July 15, 2036, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of these bonds to be so redeemed and the dates therefore and the final principal payment redemption date are as indicated in the following table:

<u>Redemption Date</u>	<u>Amount</u>
15-Jul	
2036	\$ 20,245,000
2037	22,365,000
2038	24,645,000
2039	27,080,000
2040 <sup>1</sup>	29,685,000

<sup>1</sup>Final Maturity

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note F. Long-Term Liabilities, continued

### Financing Obligation

On June 29, 2012 the District entered into a tax-exempt lease arrangement (Lease) with a bank (the Lessor) to acquire cogeneration equipment for inclusion in the planned new central energy plant at the Hospital. The amount borrowed under the Lease was \$18,000,000 with a term of nine (9) years at a fixed annual interest rate of 2.09%. Effective June 29, 2012, the District simultaneously entered into a Cogeneration and Energy Equipment Purchase Agreement with the Corporation, whereby the Corporation agrees to make all scheduled lease payments required under the Lease direct to the Lessor.

Proceeds, net of costs of issuance, from the financing were deposited into an escrow account that will be used to pay for the costs of acquiring the equipment and related construction installation costs.

The acquisition and installation of the cogeneration equipment is estimated to be completed in May 2016 at which time the classification of the Lease will be recorded as a capital lease with the related asset and receivable from the Corporation being recorded at that time.

Required monthly payments beginning July 29, 2012 will be paid direct to the Lessor by the Corporation for the full term of the Lease.

### Debt Service Requirements

Minimum lease payments as of June 30, 2015, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,955,825	\$ 239,904	\$ 2,195,729
2017	1,997,096	198,634	2,195,730
2018	2,039,237	156,492	2,195,729
2019	2,082,268	113,461	2,195,729
2020	2,126,207	69,523	2,195,730
2021	2,171,075	24,657	2,195,732
Totals	<u>\$ 12,371,708</u>	<u>\$ 802,671</u>	<u>\$ 13,174,379</u>

### Liquidity Ratio

The Lessor requires the District to maintain a liquidity ratio (as described in the agreement) calculated on its general operations segment at not less than 1.00 to 1.00 of the difference between the District's annual tax revenues less administrative, library and facilities expenses to the annual lease payment. The liquidity ratio will be calculated as of June 30 of each year under the Lease. The District was in compliance with the liquidity ratio at June 30, 2015.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note G. Net Position

### Designated Net Position

In addition to the restricted net position, \$9,600,000 of the unrestricted net position has been designated by the Board of Directors for contingency reserves as of June 30, 2015.

## Note H. Defined Benefit Pension Plan

### General Information about Pension Plans

#### Plan Description

All qualified permanent and probationary employees are eligible to participate in the Local Government's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>
Benefit formula	3.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	3.00%
Required employee contribution rates	8%
Required employer contribution rates	Various

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note H. Defined Benefit Pension Plan, continued

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense was \$103,489 and \$43,509 for the District and its employees respectively.

### **Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District's net pension liability is measured as its proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and 2013 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	.03%
Proportion - June 30, 2014	.02%
Change - Increase Decrease	-.01%

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note H. Defined Benefit Pension Plan, continued

### Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

For the year ended June 30, 2015, the District recognized pension expense of \$80,561. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 140,999	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(27,888)
Net differences between projected and actual earnings on plan investments	-	(111,534)
Total	<u>\$ 140,999</u>	<u>\$ (139,422)</u>

\$140,999 reported as deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2015	\$ (37,843)
2016	(37,843)
2017	(35,851)
2018	(27,885)
2019	-
Thereafter	-

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note H. Defined Benefit Pension Plan, continued

### Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

#### Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	Micellaneous
Measurement Date	June 30, 2013
Actuarial Cost Method	June 30, 2014
Actuarial Assumptions:	Entry-Age
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase <sup>1</sup>	3.3% - 14.2%
Investment Rate of Return (1)	7.50%
Mortality	Based on CalPERS's specific data

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note H. Defined Benefit Pension Plan, continued

### Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

#### Discount Rate, continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note H. Defined Benefit Pension Plan, continued

### Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

#### Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

#### Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Local Government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 686,122
Current Discount Rate	7.50%
Net Pension Liability	\$ 415,578
1% Increase	8.50%
Net Pension Liability	\$ 191,052

#### Pension Plan Fiduciary Net Pension

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

#### Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$14,211 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note I. Other Post-Employment Benefits

### Plan Description and Provisions

The District has established a policy to participate in the California Employer Retirement Benefit Trust, a multiple-employer, Defined Benefit Other Post-Employment Benefit (OPEB) plan. The District's defined benefit postemployment healthcare plan, (DHP), provides medical benefits to eligible retired District employees and beneficiaries. DHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. DHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

### Funding Policy

The District offers lifetime health and long-term care benefits to certain eligible retirees and former Board Members and their eligible dependents. In addition to paying the full premium for the cost of health and long-term care insurance, the District also reimburses the eligible retirees for any out-of-pocket costs associated with covered benefits under its health insurance. Effective January 2014, the Board of Directors amended the policy and implemented an out-of-pocket cap of \$2,500 for current employees and Board members to reduce current and future costs. Currently, there are five eligible retired participants and beneficiaries and seven active eligible employees and beneficiaries receiving benefits. The plan is 100% District funded.

Effective November 21, 2014, the Board of Directors capped premiums for current and future employees not in the DHP to \$2,000 per year with no post-retirement benefit.

Coverage benefits are established by District policy and may be amended by the Board of Directors.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note I. Other Post-Employment Benefits, continued

### Annual OPEB Cost and Net OPEB Obligation/(Asset)

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate was 0.7% of the annual covered payroll as of June 30, 2015.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation/asset.

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 6,034	\$ 3,837
Interest on net OPEB asset	(151,089)	(150,306)
Adjustment to annual required contribution (ARC)	140,735	140,005
Annual OPEB cost	(4,321)	(6,464)
Contributions made	(6,034)	(3,837)
(Increase) in net OPEB asset	(10,355)	(10,301)
Net OPEB (asset), beginning of year	(1,985,406)	(1,975,105)
Net OPEB (asset), end of year	<u>\$(1,995,761)</u>	<u>\$(1,985,406)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/(asset) for the fiscal years ended June 30, 2015, 2014, and 2013 were as follows:

### Three Year Trend Information

Fiscal year ended June 30:	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB (Asset)</u>
2015	\$ (4,321)	140.0%	\$ (1,995,761)
2014	\$ (6,464)	60.0%	\$ (1,985,406)
2013	\$ 15,508	100.0%	\$ (1,975,105)

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note I. Other Post-Employment Benefits, continued

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,697,492
Actuarial value of plan assets	\$(2,280,542)
Unfunded actuarial accrued liability/(surplus) or (UAAL)	\$ (583,050)
Funded ratio	134%
Covered payroll	\$ 528,000
UAAL as a percentage of covered payroll	110%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as *Required Supplementary Information* following the *Notes to the Basic Financial Statements*, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note I. Other Post-Employment Benefits, continued

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Amortization method	Level percent of pay basis
Remaining amortization period	24
Asset valuation method	Expected market
Actuarial assumptions:	
Investment rate of return	7.61%
Projected salary increase	3.00%
Inflation	2.80%
Individual salary growth	N/A
Healthcare cost trend rate	7.50%

The 7.50% healthcare cost trend rate is reduced by .5% per year to an ultimate rate of 5%

## Note J. Contributions to Grossmont Hospital Corporation

Subsequent to June 30, 1995, the District's Board of Directors rescinded the standing resolution that directed the automatic transfer of cash and investments to the Corporation. Under the new resolution, all property tax revenues, as they are incrementally collected and paid to the District, will remain with the District and will not be shared, except as allocated by separate resolution. During the fiscal year ending 2015 contributions, including amounts accrued, to the Corporation were \$42,508,091 consisting of:

General Support	\$ 1,000,000
Proposition G Support	41,508,091
	<u>\$ 42,508,091</u>

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note K. Commitments and Contingencies

### Construction Commitments

The District had outstanding contracts and commitments under capital projects of \$45,362,035 at June 30, 2015.

### Grant Commitments

The District had grants payable to various agencies under its grant program in the amount of \$491,881 for the year ended June 30, 2015.

### Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

## Note L. Risk Management

### General Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other claims. Coverage limits range up to \$1 billion for all entities. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained by contacting the Special District Risk Management Authority direct via mail at 1112 "I" Street, Suite 300, Sacramento, California 95814.

### General, Auto and Public Officials Coverage Under SDRMA Policy

Includes Errors and Omissions with coverage limits of \$5,000,000 with variable deductibles depending of type of claim ranging from \$500 to \$50,000 per occurrence.

### Property Loss Coverage Under SDRMA Policy

Replacement cost for property on file with coverage limits of \$1,000,000,000 per occurrence with a \$1,000 deductible.

### Employee Dishonesty Under SDRMA Policy

Total coverage limits of \$400,000 per occurrence with a \$0 deductible.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

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## Note L. Risk Management, continued

### Workers' Compensation

The District was insured through the State Compensation Insurance Fund to \$100,000,000 for all entities for Statutory Worker's Compensation. Due to an administrative error the policy lapsed as of June 30. Effective July 1, 2015 the District joined SDRMA for statutory Worker's Compensation insurance.

SHARP provides and pays the following insurance for the District:

- Property for hospital assets transferred under the lease and subsequently acquired.
- Directors' and Officers' liability insurance. The limit of liability for the current policy is \$1,000,000, inclusive of defense expenses.

### Property Loss Coverage Under SHARP Policy

Replacement cost for property on file with coverage limits of \$1,000,000,000 per occurrence with a \$100,000 deductible.

### Boiler and Machinery Coverage Under SHARP Policy

Replacement cost up to \$100,000,000 per occurrence with a \$100,000 deductible.

### Earthquake, Flood and Terrorism Coverage Under SHARP Policy

Up to \$60,000,000 for flood loss, \$100,000,000 for terrorism, and \$10,000,000 for earthquake per occurrence with a \$100,000 deductible for each.

### Seismic Update

Senate Bill 1953 established requirements for earthquake safety for all acute care hospital buildings. SHARP Grossmont Hospital is in compliance with the current deadlines and reporting requirements of SB1953. The oldest acute care buildings on the campus (Pediatrics, South Wing and West Wing) are classified as "life safe" (or SPC-2). All other buildings are classified SPC-3 or SPC-5, and as such face no additional regulatory deadlines.

The SPC-2 buildings cannot be used for acute care after January 1, 2030. This will require rebuilding the 126 beds, food services, and other support services in these buildings. In order to address this need, an updated Master Plan and cost estimate will be developed.

### Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

# GROSSMONT HEALTHCARE DISTRICT

Notes to Financial Statements

Year Ended June 30, 2015

## Note M. Restatement of 2014 Balances

During the fiscal year ended June 30, 2015, the District implemented a change in accounting principle from full accrual enterprise fund accounting to modified accrual governmental accounting. The change results from the new Extended Lease Agreement with SHARP that went into effect on July 01, 2014. The extended lease does not require any lease payments and the transaction is non-economic in nature. The primary revenue of the District under the 30 year renewed lease will be property tax.

Beginning fund balances as of June 30, 2014, have been restated, to reflect this change in accounting principle as follows:

Asset/Liability	Fund Balance Impact			
	General Fund	Building	Debt	Totals
June 30, 2014, as originally reported	\$ 24,981,469	\$79,383,513	\$ (225,641,484)	\$ (121,276,502)
Long-term debt	-	-	233,609,053	233,609,053
Accrued interest	-	-	5,167,240	5,167,240
Employee compensated absences	51,632	-	-	51,632
Capital assets	(21,952,837)	-	-	(21,952,837)
OPEB asset	(1,985,406)	-	-	(1,985,406)
Deposits payable - cogeneration lease	3,712,884	-	-	3,712,884
Deferred interest income - cogeneration lease	678,575	-	-	678,575
Cogeneration lease payable	14,287,116	-	-	14,287,116
Prepaid bond insurance	-	-	(348,965)	(348,965)
June 30, 2014, as restated	<u>\$ 19,773,434</u>	<u>\$79,383,513</u>	<u>\$ 12,785,843</u>	<u>\$ 111,942,790</u>

During the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27". Due to the implementation of this statement, the District is required to reflect its Net Pension Liability on the Statement of Net Position/(Deficit). Accordingly, on the Statement of Net Position/(Deficit), the District has restated beginning net position by (\$437,656).

See accompanying independent auditors' report.

**Required Supplementary Information**

# GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Years Ended June 30, 2015

## Schedule of Funding Progress for DPHP <sup>1</sup>

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded / (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
06/30/13	\$ 1,698	\$ 2,281	\$ (583)	134.3%	\$ 528	-110.4%
06/30/11	\$ 1,711	\$ 2,270	\$ (559)	132.7%	\$ 488	-114.5%
06/30/09	\$ 1,705	\$ 1,812	\$ (107)	106.3%	\$ 397	-27.0%

<sup>1</sup> Represents totals expressed in thousands and is the most current data available. Bi-annual valuations began for the June 30, 2011 fiscal year.

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Years Ended June 30, 2015

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## Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2015</u>
Proportion of the net pension liability	0.00668%
Proportionate share of net pension liability	\$ 415,578
Covered- employee payroll	\$ 538,385
Proportionate Share of net pension liability as percentage of covered-employee payroll	77.19%
Plan's fiduciary net position	\$ 43,909
Plan fiduciary net position as a percentage of the total pension liability	79.62%

See accompanying independent auditors' report.

# GROSSMONT HEALTHCARE DISTRICT

Required Supplementary Information

Years Ended June 30, 2015

## Schedule of Contributions

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 94,816
Contributions in relation to the actuarially determined contributions	\$ (94,816)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 538,385
Contributions as a percentage of covered-employee payroll	17.61%
Notes to Schedule	
Valuation Date:	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - GASB 68
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	7.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	Derived using CalPERS' membership data for all funds

\*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

# GROSSMONT HEALTHCARE DISTRICT

Budgetary Comparison Schedule - General Fund

Years Ended June 30, 2015

	Budget Amount			Variance with Final Budget
	Original	Final	Actual	
FUND BALANCE, JULY 1	<u>\$ 19,773,434</u>	<u>\$ 19,773,434</u>	<u>\$ 19,773,434</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Property taxes	5,999,552	5,999,552	6,517,056	517,504
Investment income	78,000	78,000	74,814	(3,186)
Grant and other income	<u>289,000</u>	<u>289,000</u>	<u>2,217,116</u>	<u>1,928,116</u>
Amount available for appropriations	<u>6,366,552</u>	<u>6,366,552</u>	<u>8,808,986</u>	<u>2,442,434</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	1,101,680	1,101,680	1,431,949	(330,269)
Community healthcare	1,364,878	1,364,878	1,063,455	301,423
Library operating expense	329,550	329,550	299,106	30,444
Facility expense	357,260	357,260	270,101	87,159
Capital outlay			1,024,862	(1,024,862)
Contributions to Grossmont Hospital	1,000,000	1,000,000	1,000,000	-
Other expenses	343,881	343,881	-	343,881
Debt service:				
Principal	-	-	1,915,408	(1,915,408)
Interest and fiscal charges	-	-	280,322	(280,322)
Total charges to appropriations	<u>4,497,249</u>	<u>4,497,249</u>	<u>7,285,203</u>	<u>(2,787,954)</u>
NET CHANGES IN FUND BALANCES	<u>1,869,303</u>	<u>1,869,303</u>	<u>1,523,783</u>	<u>(345,520)</u>
FUND BALANCE, JUNE 30	<u>\$ 21,642,737</u>	<u>\$ 21,642,737</u>	<u>\$ 21,297,217</u>	<u>\$ (345,520)</u>

See accompanying independent auditors' report.

**GROSSMONT HEALTHCARE DISTRICT**

## Budgetary Comparison Schedule - Debt Service Fund

Years Ended June 30, 2015

	Budget Amount			Variance with Final Budget
	Original	Final	Actual	
FUND BALANCE, JULY 1	<u>\$ 12,785,843</u>	<u>\$ 12,785,843</u>	<u>\$ 12,785,843</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Property taxes	9,269,436	9,269,436	9,682,330	412,894
Investment income	420,000	420,000	371	(419,629)
Amount available for appropriations	<u>9,689,436</u>	<u>9,689,436</u>	<u>9,682,701</u>	<u>(6,735)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Debt service:				
Principal	990,000	990,000	990,000	-
Interest and fiscal charges	11,221,212	11,221,212	16,154,867	(4,933,655)
Total charges to appropriations	<u>12,211,212</u>	<u>12,211,212</u>	<u>17,144,867</u>	<u>(4,933,655)</u>
OTHER FINANCING SOURCES/USES				
Bond proceeds	-	-	214,176,155	214,176,155
Transfer to escrow agent	-	-	(211,636,401)	(211,636,401)
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>2,539,754</u>	<u>2,539,754</u>
NET CHANGES IN FUND BALANCES	<u>(2,521,776)</u>	<u>(2,521,776)</u>	<u>(4,922,412)</u>	<u>(2,400,636)</u>
FUND BALANCE, JUNE 30	<u>\$ 10,264,067</u>	<u>\$ 10,264,067</u>	<u>\$ 7,863,431</u>	<u>\$ (2,400,636)</u>

See accompanying independent auditors' report.