

BOARD OF SUPERVISORS

2008 SEP 25 P 2:52

WEST SIDE COMMUNITY HEALTHCARE DISTRICT

NEWMAN, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Financial Section:	
Statements of Net Assets	5
Statements of Revenues, Expenses and Changes in Fund Net Assets	Exhibit A 6
Statements of Cash Flows	Exhibit B 7
Notes to the Financial Statements	8-13

R. J. RICCIARDI, INC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
West Side Community Healthcare District
Newman, California

We have audited the accompanying basic financial statements of the business-type activity and the major fund of West Side Community Healthcare District as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of West Side Community Healthcare District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards as well as accounting systems prescribed by the State Controller's office and State regulations governing special districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity and the major fund of West Side Community Healthcare District on June 30, 2007, and the results of its operations and changes in fund balances for the year then ended in conformity with U.S. generally accepted accounting principles as well as accounting systems prescribed by the State Controller's office and State regulations governing special districts.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
August 11, 2008

**West Side Community Healthcare District
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2007

The management of West Side Community Healthcare District (the District) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of the District for the fiscal year ended June 30, 2007. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

Description of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements and the notes. The Business-Type Activity (BTA) reporting model is used which best represents the activities of the District.

The required financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Notes to the financial statements support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

Statement of Net Assets: This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Assets"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the District as a whole.

Statement of Revenues, Expenses and Changes in Fund Net Assets: This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenses reported during this fiscal year may result in changes to cash flow in a future period.

Statement of Cash Flows: This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

R.J. Ricciardi, Inc. CPAs has performed an independent audit examination of our financial statements in accordance with U.S. generally accepted auditing standards. Their opinion is included on Page 1 of this report.

Analytical Overview

Summary

Total Assets of the District increased this year by \$200,554. This classification is comprised of Current Assets (cash, accounts receivable and investments), which increased overall by \$165,474 and Capital Assets, which increased by \$35,080. The latter category is presented net of accumulated depreciation, and the increase is primarily due to additions to equipment.

Total Liabilities of the District increased this year by \$56,837. This classification is comprised of Current Liabilities (accounts payable and other liabilities due within one year). The increase in Total Liabilities is due primarily to an increase in accounts payable by \$26,445 and compensated absences by \$24,264.

CORRESPONDENCE NO. 4

Page 5 of 15

West Side Community Healthcare District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Total Net Assets increased this year by \$143,717. Net Assets is separated into the two captions of Net Assets: Invested in Capital Assets, which increased by \$35,080 to \$529,469, and Unrestricted Net Assets which increased by \$108,637 to \$1,377,629.

Revenue & Expenses with Year Over Year Change

	<u>2007</u>	<u>2006</u>	
Total operating revenues	\$ 894,779	\$ 738,301	
Total operating expenses	<u>1,295,731</u>	<u>1,099,749</u>	Note #1
Deficit of operating revenues over expenses	<u>(400,952)</u>	<u>(361,448)</u>	
Non-operating revenues:			
Interest and other revenues	30,026	12,186	
Rent	18,374	24,929	
Taxes and assessments	<u>496,269</u>	<u>495,337</u>	Note #2
Total non-operating revenues	<u>544,669</u>	<u>532,452</u>	
Change in net assets	<u>\$ 143,717</u>	<u>\$ 171,004</u>	

Note 1

Total operating expenses increased due to increase in operations and increased cost of insurance, fuel, supplies and utility expenses.

Note 2

Tax revenue increased due to timing of tax receipts.

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets	\$ 1,497,440	\$ 1,331,966
Property, plant and equipment, net of accumulated depreciation	<u>529,469</u>	<u>494,389</u>
Total assets	<u>2,026,909</u>	<u>1,826,355</u>
<u>LIABILITIES</u>		
Current liabilities	<u>119,811</u>	<u>62,974</u>
Total liabilities	<u>119,811</u>	<u>62,974</u>
<u>NET ASSETS</u>		
Invested in capital assets	529,469	494,389
Unrestricted (deficit)	<u>1,377,629</u>	<u>1,268,992</u>
Total net assets	<u>\$ 1,907,098</u>	<u>\$ 1,763,381</u>

Capital Assets

Property, Plant, & Equipment consists of a building (approximately 20,000 square feet) on a 7 acre parcel of land, 3 ambulances, and equipment necessary for operations. For more detailed information on Capital Assets see Note 5 to the Financial Statements.

West Side Community Healthcare District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Economic Factors

The District covers an area with increasing growth in residential housing. This will increase the population base of the District requiring more ambulance coverage. This will also result in increased revenue from property tax assessment to cover the increased costs of operations.

Contacting the District's Financial Management

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this Report should be directed to the West Side Community Healthcare District, 151 South Highway 33, Newman, CA 95360.

CORRESPONDENCE NO. 4

Page 7 of 15

West Side Community Healthcare District

STATEMENTS OF NET ASSETS

June 30, 2007

(With Comparative Totals for June 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 1,123,353	\$ 543,963
Accounts receivable, net of allowance for uncollectible accounts	331,257	174,681
Investments	-	551,078
Taxes and assessments receivable	<u>42,830</u>	<u>62,244</u>
 Total current assets	 <u>1,497,440</u>	 <u>1,331,966</u>
 Property and equipment, net of accumulated depreciation	 <u>529,469</u>	 <u>494,389</u>
 Total assets	 <u>2,026,909</u>	 <u>1,826,355</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	46,395	19,950
Accrued payroll	16,775	10,647
Compensated absences	<u>56,641</u>	<u>32,377</u>
 Total current liabilities	 <u>119,811</u>	 <u>62,974</u>
 <u>NET ASSETS</u>		
Net assets invested in capital assets	529,469	494,389
Unrestricted	<u>1,377,629</u>	<u>1,268,992</u>
Total net assets	<u>\$ 1,907,098</u>	<u>\$ 1,763,381</u>

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

CORRESPONDENCE NO. 4

Page 8 of 15

West Side Community Healthcare District

Exhibit ASTATEMENTS OF REVENUES, EXPENSES ANDCHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Ambulance services	\$ 1,734,134	\$ 1,432,639
Less: contractual allowance	(839,355)	(694,338)
Ambulance services - net	894,779	738,301
Total operating revenues	894,779	738,301
<u>OPERATING EXPENSES</u>		
Salaries	633,258	561,774
Payroll taxes	48,443	42,681
Fringe benefits	61,087	26,547
Professional services	114,494	70,172
Medical supplies	50,597	45,926
Non-medical supplies	53,827	47,880
Repairs and maintenance	36,851	34,811
Utilities	14,185	12,561
Insurance	122,256	118,077
Telephone	11,951	9,860
Other	28,411	6,021
Depreciation	120,371	123,439
Total operating expenses	1,295,731	1,099,749
Operating loss	(400,952)	(361,448)
<u>NON-OPERATING REVENUES</u>		
Interest	28,924	11,516
Rent	18,374	24,929
Taxes and assessments	496,269	495,337
Other revenues	1,102	670
Total non-operating revenues	544,669	532,452
Net income	143,717	171,004
Net assets, beginning of period	1,763,381	1,592,377
Net assets, end of period	\$ 1,907,098	\$ 1,763,381

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

CORRESPONDENCE NO. 4

Page 9 of 15

West Side Community Healthcare District

Exhibit B

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 894,779	\$ 738,301
Payments to employees	(602,866)	(555,351)
Payments to suppliers	(652,819)	(353,458)
Net cash used by operating activities	<u>(360,906)</u>	<u>(170,508)</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of equipment	(157,301)	(118,840)
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Rent	18,374	24,929
Taxes and assessments	496,269	495,337
Other	1,102	670
Net cash provided by non-capital financing activities	<u>515,745</u>	<u>520,936</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Reclassification of investments	551,078	(11,516)
Construction in progress	1,850	(1,850)
Interest income	28,924	11,516
Net cash provided (used) by investing activities	<u>581,852</u>	<u>(1,850)</u>
 Net increase in cash during period	<u>579,390</u>	<u>229,738</u>
 Cash and cash equivalents balance, beginning of period	<u>543,963</u>	<u>314,225</u>
Cash and cash equivalents balance, end of period	<u>\$ 1,123,353</u>	<u>\$ 543,963</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income	\$ (400,952)	\$ (361,448)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	120,371	123,439
Changes in assets and liabilities:		
Accounts receivable	(156,576)	7,039
Taxes and assessment receivable	19,414	56,692
Account payable	26,445	(2,653)
Accrued payroll	6,128	2,562
Compensated absences	24,264	3,861
Net used by operating activities	<u>\$ (360,906)</u>	<u>\$ (170,508)</u>

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

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - GENERAL

West Side Community Healthcare District (the District) is a local healthcare district organized under the provisions of Section 32.000 et. Seq. of the California Health and Safety Code. The District was originally set-up to provide health services for residents of Gustine and Newman, California. As a local government entity, it is governed by a lay Board of Directors elected by the registered voters in the District. In June of 1993, the Board discontinued its hospital operation due to cash flow problems caused by declining Medicare and MediCal revenues and increasing costs. On December 21, 1993, the District filed a voluntary petition for debt relief under Chapter 9 of the Bankruptcy Code. The District's operations for the year beginning July 1, 1993 through the present consist of ambulance service and leased and/or rented out portions of the Healthcare building. These operations are funded by revenues from the ambulance service, receipts from local property taxes and rental income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESA. Basis of Presentation

The District uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and related activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The District uses the proprietary fund type (Enterprise Fund) to account for its operations.

The financial statements required by Governmental Accounting Standards Board (GASB) Statements No. 34 include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

The majority of the District's revenue comes from ambulance fees, and accordingly has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities.

This model allows all financial information for the District to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the District prepares its Statement of Cash Flows using the direct method.

Proprietary Fund

Enterprise Fund – The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the members on a continuing basis be financed or recovered primarily through user charges. The Fund should be self-supporting, with user charges set at a level sufficient to meet operations and claims servicing.

All Proprietary Funds are accounted for using the *accrual basis* of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred.

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)B. Measurement Focus

Proprietary funds are accounted for on a cost of services or economic resources measurement focus, which means that all assets and all liabilities associated with their activity are included on their balance sheet.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The District maintains its accounts on the accrual basis of accounting. Revenue is recorded when earned and expenses are recognized when incurred.

The District follows those Financial Accounting Standards Board Statements issued before November 13, 1989 that do not conflict with GASB Statements. In addition, the District's accounting records and accompanying financial statements conform with the recommendation of the Healthcare Audit Guide published by the American Institute of Certified Public Accountants, with the uniform reporting system prescribed by the Office of Statewide Health Planning and Development and with the reporting guidelines for California Special Districts as prescribed by the State Controller under Government code Section 26909.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenses. The District's policy is first to apply restricted grant resources to such programs, followed by general revenues if necessary.

D. Use of Estimates

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

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

F. Budgets

The District adopts a budget each year. Estimated revenues and proposed expenses are subjected to a line-by-line analysis by the Board. The budget may be revised by the Board during the year to give consideration to unanticipated revenue and expenses. The final amended budget is presented in the financial statements.

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)G. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include all cash accounts purchased with a maturity of three months or less.

H. Property and Equipment

Property and equipment is carried at cost or at the fair market value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives, ranging from ten to forty years for improvements and buildings, and ten to twenty years on equipment. District policy has set the capitalization threshold for reporting capital assets at \$1,000.

I. Accounts Receivable and Ambulance Services

Accounts receivable and ambulance services are recorded on the accrual basis at full billing rates for all classes of patients. Contractual allowances and uncollectible accounts have reduced receivables and revenues to net realizable amounts based on Medicare and MediCal cost reimbursement principles and on the District's valuation of the private pay accounts.

J. Operating and Non-Operating Revenues

Operating revenues, such as charges for services, result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Charges for services, which are "ambulance services" in the case of the District, are the primary constituent of operating revenues.

Non-operating revenues result from non-exchange transactions and are defined as those revenues that are not a direct result of operations, such as "interest".

K. Taxes and Assessments

The District sets the rate of assessment annually for the special tax assessment that was passed by the voters in 1984. The District also receives a portion of the general property taxes collected in the District by both Merced and Stanislaus counties to support District operations. These assessments have been classified as non-operating revenue in the accompanying financial statements.

The County of Merced assesses properties, bills for, collects, and distributes property taxes for the District per the following schedule:

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10, April 10	August 31

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)K. Taxes and Assessments (concluded)

The County of Stanislaus assesses properties, bills for, collects, and distributes property taxes for the District per the following schedule:

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10, April 10	August 31

Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3 "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Such time thereafter shall not exceed sixty (60) days.

NOTE 3 - CASH AND INVESTMENTS

Cash balances are combined and invested to the extent possible pursuant to the District Board approved Investment Policy and Guidelines and State Government Code.

	<u>June 30, 2007</u>
Cash and cash equivalents:	
Demand accounts	\$ 1,123,353
Total cash and cash equivalents	<u>\$ 1,123,353</u>

A. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of bank failures, the District's deposits may not be returned. The District's policy is that deposits will be made in institutions in California; they will be insured or collateralized in accordance with State Law. At June 30, 2007, \$1,097,309 of the District's bank balances of \$1,197,309 was exposed to credit risk as follows:

Uninsured and collateral held by the pledging bank's agent but not in the District's name:	\$ 1,197,309
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B. Authorized Investments

The District's investment policy and section 53601 of the California Government Code allows the following investments:

- A) Certificates of Deposit
- B) Obligations of the State of California.

The District does not enter into reverse repurchase agreements.

CORRESPONDENCE NO. 4

Page 14 of 15

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (concluded)

B. Authorized Investments (concluded)

The District's investments are carried at fair value instead of cost, as required by U.S. generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end if material, and it includes the effects of these adjustments in income for that fiscal year.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007 are as follows:

Ambulance services	\$ 599,393
Less contractual allowance for uncollectible accounts	<u>(268,136)</u>
Ambulance service receivable, net	<u>\$ 331,257</u>

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment during the years ended June 30:

	<u>Life /</u> <u>Years</u>	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/07</u>
Assets not being depreciated:					
Land	10-40	\$ 2,500	\$ -	\$ -	\$ 2,500
Assets being depreciated:					
Buildings & improvements	10-40	1,299,021	118,093	-	1,417,114
Equipment	10-20	975,416	39,207	-	1,014,623
Construction in progress		<u>1,850</u>	<u>-</u>	<u>1,850</u>	<u>-</u>
Total property and equipment		<u>2,278,787</u>	<u>\$ 157,300</u>	<u>\$ 1,850</u>	<u>2,434,237</u>
Less accumulated depreciation		<u>(1,784,398)</u>			<u>(1,904,768)</u>
Property and equipment, net		<u>\$ 494,389</u>			<u>\$ 529,469</u>

Depreciation expense for the year ending June 30, 2007 was \$120,371.

NOTE 6 - COMPENSATED ABSENCES

Compensated absences, employee vacation benefits earned but not used, are recognized as liabilities of the District. The compensated absences liability at June 30, 2007 was \$56,641.

West Side Community Healthcare District
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 - CONTINGENT LIABILITIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a materially adverse effect on the financial condition of the District.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

The District has a money purchase pension plan with VALIC for the District's employees. The District contributes an amount equal to 6% of the employee's compensation. The District contributed approximately \$31,628 during the year ended June 30, 2007.

