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# PUBLIC NOTICE

Bloss Memorial Healthcare District, A Public Entity • 3605 Hospital Road, • Atwater, California 95301 •  
(209) 381-2000 x 7002 • fax: (209) 722-9020

**Date:** October 16, 2017

**Phone:** (209) 724-4102

**Fax:** (209) 722-9020

Bloss Memorial Healthcare District will hold their Finance Committee meeting on Friday, October 20, 2017 at 1:30 pm in the Board Room at 3605 Hospital Road, Atwater, CA 95301.

The next Bloss Memorial Healthcare District Board of Directors meeting will be held Friday, October 20, 2017 at 2:00 pm in the Board Room at 3605 Hospital Road, Atwater, Ca 95301.

I, Fily Cale, posted a copy of the agenda of the Board of Directors of Bloss Memorial Healthcare District, said time being at least 72 hours in advance of the meeting of the Board of Directors.

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)  
 BOARD OF DIRECTORS MEETING  
 BOARD ROOM  
 Friday, October 20, 2017  
 2:00 pm**

**AGENDA FOR PUBLIC SESSION**

**I. CALL TO ORDER**

**II. ROLL CALL**

	<u>ACTION</u>	<u>EXHIBIT</u>
<b>III. APPROVAL OF AGENDA</b>	*	

**IV. PUBLIC COMMENTS**

**Comments can be made concerning any matter within the Board’s jurisdiction; but if the matter is not on the agenda, there will be no Board discussion of the issue. Anyone wishing to address the Board on any issue, please stand and approach the microphone.**

**V. APPROVAL OF MINUTES**

- A. September 26, 2017 CCDSC Advisory Committee Meeting – **Informational**
- B. September 26, 2017 CCDSC Advisory Committee Meeting – **Informational**
- C. September 28, 2017 Board of Directors Meeting \* 1

**VI. FINANCIAL REPORT**

- A. September 28, 2017 Finance Committee Minutes \* 2
- B. Chief Financial Officer Report 3
- C. September Payroll, Electronic Payments & Check Register \* 4

**VII. CHIEF EXECUTIVE OFFICER REPORT**

**VIII. OLD BUSINESS / REPORTS**

- A. Castle Family Health Centers, Inc Report 5
- B. Bloss Board Member Report

**IX. NEW BUSINESS**

- A. Provider Credentialing / Privileging \*
- B. Approval of CCDSC / CDSC Policies & Procedures \*
- C. ThiesenDueker / LPL Financial Report
- D. Approval of Draft FYE 2017 Audited Financial Statements \* 6

**X. AGENDA FOR CLOSED SESSION**

Closed Session Items Pursuant the Brown Act will be:  
 Section 54954.5(h) Report Involving Trade Secrets – Regarding New Services.  
 Estimated date of public disclosure will be in 2017.  
 Section 54954.5 (c); 54956.9 Conference with Legal Counsel for Initiation of  
 Litigation.

**XI. NEXT MEETING DATE**

**XII. ADJOURNMENT**

Assistance for those with disabilities: If you have a disability and need accommodation to participate in the meeting, please call Fily Cale at (209) 724-4102 or (209) 381-2000 extension 7000 for assistance so that any necessary arrangements may be made.

Any written materials relating to an agenda item to be discussed in open session of a regular meeting that is distributed within the 72 hours prior to the meeting is available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. These documents are available from the Executive Assistant in administration at 3605 Hospital Road, Suite F, Atwater, California 95301.

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)  
CENTRAL CALIFORNIA DENTAL SURGERY CENTER (CCDSC)  
Advisory Committee Meeting  
Executive Conference Room  
Tuesday, September 26, 2017  
10:00 am**

**CALL TO ORDER**

Edward Lujano called the meeting to order at 10:00 am.

**ROLL CALL**

Present: Edward Lujano, Bloss CEO; Fily Cale, Executive Assistant;  
Dawnita Castle, CFO; Kory Billings, Committee Member and  
Lloyd Weaver, Committee Member

Others Present: Kylene Powell, CCDSC Administrator and David Thompson,  
CCDSC

Absent: None

**APPROVAL OF AGENDA**

**A motion was made / seconded, (Kory Billings / Lloyd Weaver) to approve the September 26, 2017 agenda as presented. Motion carried.**

**APPROVAL OF MINUTES**

A. August 22, 2017 Meeting Minutes, Exhibit 1

**A motion was made /seconded, (Lloyd Weaver / Kory Billings) to approve the August 22, 2017 meeting minutes as presented, Exhibit 1. Motion carried.**

**FINANCIAL REPORT**

A. August 2017 Financials, Exhibit 2

Dawnita Castle reported that CCDSC visits had been low for August 2017, but they were up 19% from the previous month. They treated 172 patients and recorded a net profit of \$3,022 before allocations and a net loss of \$3,130 after allocations.

David Thompson and Kylene Powell do a great job and the cost be visits corresponds with the visits. There were some high expenses for the purchase of crowns and meds.

The net patient revenue was \$1,251 per visit and expenses were \$1,023. Days in AR increased to 71 days and cash flow is doing very well and CCDSC has \$900,000 in the bank.

**A motion was made /seconded, (Kory Billings / Lloyd Weaver) to approve and accept the September 2017 Financials report, Exhibit 2. Motion carried.**

### **ADMINISTRATOR REPORT**

Kylene Powell, Administrator reported that referrals picked up by over 100 compared to last month. They had to adjust the schedule and change 2 OR days to 1 OR days due to personnel changes in Stockton. She is still actively recruiting for dental anesthesiologists. She is looking at exploring CRNA option.

She has been in contact with an anesthesia group that has come CRNA's available and Dr. Cho has a contact as well.

Dr. Cho is working on individual peer review assessments, individual peer review assessments will be done with each of the dental providers and that should be completed by next week. It is part of the quality study they are doing for follow up appointments. They also had their quarterly pharmacy audit and CCDSC is compliant.

Edward Lujano asked if the CRNA was for CCDSC. Kylene Powell replied that it is for CCDSC, she may be able to include CDSC, but that would only be for one day due to the reimbursement. Health Plan of San Joaquin and California Health and Wellness would have issues with using a CRNA.

David Thompson stated that CRNA's for CCDSC would be a good option especially for the reimbursement.

### **OLD BUSINESS**

None

### **NEW BUSINESS**

#### **A. Policies & Procedures Recommendation, Exhibit 4**

Kylene Powell presented the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines policies and procedures. All of these policies were related to the survey that was held at CDSC.

The policies and procedures were reviewed and discussed.

It was recommended that these policies go to the full Board for approval.

**A motion was made / seconded, (Kory Billings / Lloyd Weaver) to recommend full Board of Directors approval of the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines. Motion carried.**

B. Credentialing Privileging Recommendation

None.

C. ByLaws Amendment, Exhibit 4

Kylene Powell presented the amended ByLaws, which were reviewed and discussed. “Nurse Anesthetists” was added in all areas where “nurse anesthetists” language was not noted.

Only the pages that needed change were presented, not the full 60 page ByLaws.

**A motion was made / seconded, (Kory Billings / Lloyd Weaver) to recommend full Board of Directors approval for ByLaw Amendment, Exhibit 4. Motion carried.**

**AGENDA FOR CLOSED SESSION**

Section 1461 of the Health and Safety Code – Quality Management.

**NEXT MEETING DATE**

The next Advisory Committee meeting will be held Tuesday, October 24, 2017 at 10:00 am.

**ADJOURNMENT**

As there was no further business, the meeting adjourned into closed session at 10:122 am for the Quality Report under Section 1461 Quality Management.

The meeting reconvened into public session at 10:23 am and adjourned. No action taken.

Respectfully Submitted,

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Fily Cale  
Executive Assistant

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Kory Billings  
Advisory Committee Chair

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)  
U.S. DENTAL SURGERY  
d/b/a CHILDREN'S DENTAL SURGERY CENTER (CDSC)  
Advisory Committee Meeting  
Executive Conference Room  
Tuesday, September 26, 2017  
10:30 am**

**PUBLIC COMMENTS**

None.

**CALL TO ORDER**

Edward Lujano, Bloss CEO, called the meeting to order at 11:00 am.

**ROLL CALL**

Present: Edward Lujano, Bloss CEO; Fily Cale, Executive Assistant;  
Dawnita Castle, CFO; Rosalie Heppner, Committee Member and  
Glenn Arnold, Committee Member

Others Present: Kylene Powell, CDSC Administrator and David Thompson, CDSC

Absent: None

**APPROVAL OF AGENDA**

**A motion was made / seconded, (Rosalie Heppner / Glenn Arnold) to approve the September 26, 2017 agenda as presented. Motion carried.**

**APPROVAL OF MINUTES**

A. August 22, 2017 Meeting Minutes, Exhibit 1

**A motion was made / seconded, (Glenn Arnold / Rosalie Heppner) to approve and accept the August 22, 2017 Meeting minutes as presented, Exhibit 1. Motion carried.**

**FINANCIAL REPORT**

A. August 2017 Financials, Exhibit 2

Dawnita Castle reported that currently CDSC has a cash balance of \$335,000 for August 2017. CDSC is not paying any payroll back and she did a couple of cash projections and it looks like they can withhold for 2-3 month. They also have a net A/R in the amount of \$259,000. BMHD may need to cover some AP in the near future.

Dawnita Castle stated that for August 2017 CDSC had treated 117 patients and recorded a net loss in the amount of \$84,834. Revenue per case was \$1,411 and operating expense per case was \$2,143.

Edward Lujano asked David Thompson if he had done an analysis with the new opportunity of receiving more revenue for the services as of July 2017. What this will look like once it kicks in with the State.

David Thompson stated that it will look like a 40% increase on 2/3rds of our increased revenues. The dental providers would get a 40% increase instead of on a percentage basis. It would increase the case rate to the point that it would bring our breakeven point down significantly.

**A motion was made / seconded, (Rosalie Heppner / Glenn Arnold) to approve and accept the August 2017 Financial Report as presented, Exhibit 2. Motion carried.**

### **ADMINISTRATOR REPORT, EXHIBIT 3**

Kylene Powell, Administrator reported that referrals are picking up, July had 151 and August had 203, September is at 149 and it is moving into our slower time of the year.

Since the incident, there were 9 offices that had stopped referring, 3 have started to refer back and Sonny Vasquez will continue to work with the community in educating the offices. Western Dental in Rancho Cordova has opened a pediatric office and they have contacted Sonny Vasquez who will be providing information to them.

The State survey was wrapped up and a re-visit was done, the plan of correction was completed and she recently received notification from the State and CMS that the plan of correction was accepted and CDSC is in compliance. Kylene Powell also had correspondence with AAAHC and they also received all of the documentation along with the plan of correction and they stated that no further action needs to be taken.

Edward Lujano asked that since CDSC is under AAAHC and how does this factor into any future audits. Kylene Powell replied that the next time they do our survey they will look into it more when they come in to do the survey. The next survey should be in 2020. We did have a condition level deficiency and when that happen the State took over jurisdiction, but then once we submitted our plan of correction and they did the re-visit, it is now back into AAAHC.

Rosalie Heppner asked what the deficiency was. Kylene Powell replied that it was that the anesthesiologist on rare occasions did step out of the OR and that was under the surgical services component. Some policies have been changed to address this.

There were personnel changes at CDSC and in August some of the CCDSC providers were going to CDSC. They are also looking at getting some anesthesia providers also in anticipation of when they get back to 2 OR's. They are looking into the CRNA option, but she has put out a posting for a DA.

Dr. Cho is working on individual Peer Review assessments as part of a quality study and he is wrapping that up. He will do individual assessment with the dental providers by next week.



The quarterly pharmacy audit has been completed and they are in compliance.

David Thompson stated that Kylene Powell has done a great job with the surveys, which have been very long and thorough.

### **OLD BUSINESS**

None.

### **NEW BUSINESS**

#### **A. Policies & Procedures Recommendation, Exhibit 4**

Kylene Powell presented the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines policies and procedures. All of these policies were related to the survey that was held at CDSC.

The policies and procedures were reviewed and discussed.

It was recommended that these policies go to the full Board for approval.

**A motion was made / seconded, (Glenn Arnold / Rosalie Heppner) to recommend full Board of Directors approval of the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines, Exhibit 4. Motion carried.**

#### **B. Credentialing / Privileging Recommendation**

None.

#### **C. ByLaws Amendment, Exhibit 4**

Kylene Powell presented the amended ByLaws, which were reviewed and discussed. “Nurse Anesthetists” was added in all areas where “nurse anesthetists” language was not noted.

Only the pages that needed change were presented, not the full 60 page ByLaws.

**A motion was made / seconded, (Rosalie Heppner / Glenn Arnold) to recommend full Board of Directors approval for ByLaw Amendment, Exhibit 4. Motion carried.**

### **AGENDA FOR CLOSED SESSION**

Section 1461 of the Health and Safety Code – Quality Management.

### **NEXT MEETING DATE**

The next Advisory Committee Meeting will be held Tuesday, October 24, 2017 at 10:30 a.m.

**ADJOURNMENT**

As there was no further business, the meeting adjourned into closed session at 10:55 am for the Quality Report under Section 1461 Quality Management.

The meeting reconvened into public session at 11:08 am and adjourned. No action taken.

Respectfully Submitted,

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Rosalie Heppner  
Advisory Committee Chair

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Edward Lujano  
Chief Executive Officer

**BLOSS MEMORIAL HEALTHCARE DISTRICT (BMHD)  
BOARD OF DIRECTORS MEETING  
BOARD ROOM  
Thursday, September 28 2017  
2:00 pm**

**CALL TO ORDER**

Rosalie Heppner, Board Chair, called the meeting to order at 2:00 pm.

**ROLL CALL**

Board Members Present: Rosalie Heppner, Chair; Kory Billings, Vice Chair; Al Peterson, Secretary / Treasurer; Glenn Arnold, Board Member and Lloyd Weaver, Board Member

Others Present: Edward Lujano, CEO; Fily Cale, Executive Assistant; Dawnita Castle, CFO; Dorothy Bizzini, CFHC Board Chair; Kylene Powell, RN, CCDSC/CDSC Administrator; David Thompson, CCDSC/CDSC; Sabrina Cooksey @ 2:01pm; Ralph Temple, Jr., Legal Counsel @ 2:02 pm and Sonny Vasquez, CCDSC/CDSC Marketing @ 2:04 pm

Absent: Peter Mojarras, CFHC COO

**APPROVAL OF AGENDA**

**A motion was made/seconded, (Alfonse Peterson / Kory Billings) to approve the September 28, 2017 agenda as presented. Motion carried.**

**PUBLIC COMMENTS**

None.

**APPROVAL OF MINUTES**

- A. August 22, 2017 CCDSC Advisory Committee Meeting - Informational
- B. August 22, 2017 CDSC Advisory Committee Meeting – Informational
- C. August 31, 2017 Board of Directors Meeting, Exhibit 1
- D. August 31, 2017 Board of Directors’ Joint Advisory Meeting, Exhibit 1a

**A motion was made / seconded, (Kory Billings / Alfonse Peterson) to approve and accept the August 31, 2017 Board of Directors Meeting as presented, Exhibit 1 and the August 31, 2017 Board of Directors’ Joint Advisory Meeting as presented, Exhibit 1a. Motion carried.**

## FINANCIAL REPORT

### A. August 31, 2017 Finance Committee Meeting Minutes, Exhibit 2

**A motion was made / seconded, (Alfonse Peterson / Glenn Arnold) to accept the August 31, 2017 Finance Committee Meeting Minutes as presented. Exhibit 2. Motion carried.**

### B. Chief Financial Officer Report, Exhibit 3

Dawnita Castle, CFO, reported that the Blomberg & Associates auditors have a deadline of September 30<sup>th</sup> to complete the audit and he has taken the extra days to go through a second thorough review. The audit will be on the next board meeting agenda.

On the Balance Sheet she did re-class according to the auditor, the CCDSC Other Receivable for BMHD. This will make the financials more user friendly.

BMHD recorded a loss in August 2017 before depreciation in the amount of \$70,125 and including depreciation BMHD recorded a loss of \$129,992.

Dawnita Castle presented Cash Flows for review, as the Bloss Trust funds should be received soon. These were reviewed and discussed with the board of directors. Page 1 is for CDSC including payroll, which reflects that they will be in the negative in the third month. Page 2 is CDSC excluding payroll, which means that BMHD would cover the payroll, and they are able to pay their AP. Page 3 reflects BMHD covering CDSC payroll, and adding the \$550,000 Trust Fund you would see the cash flow going negative at the last 12-months. Based on these numbers it is possible that if the surgery centers pick up some investments would be possible.

### C. August 2017 Payroll, Electronic Payments and Check Register, Exhibit 4

**A motion was made / seconded, (Alfonse Peterson / Glenn Arnold) to approve and accept the August 2017 Payroll in the amount \$200,585.05 and Accounts Payable in the amount of \$344,251.48 for a total Disbursement of \$544,836.53, Exhibit 4. Motion carried.**

## CHIEF EXECUTIVE OFFICER'S REPORT

Edward Lujano, CFO, reported that the surgery centers' Christmas Party will be held on Thursday, December 7, 2017 at Bel Piatto in Modesto. The annual BMHD/CFHC Thanksgiving Luncheon will be held on Wednesday, November 15, 2017.

CDSC scheduled 165 patients for August 2017 and completed 117. As of yesterday CDSC was at 93 completed cases and they have two more days to go. They had less OR days as they had a holiday and one provider out for half of the month. They had to alternate clinicians between both CCDSC and CDSC. Sonny Vasquez continues to monitor referrals from the north.

Sonny Vasquez, Marketing Director, reported that we are seeing an increase in referrals from Stockton to Atwater. He ran a report and there were at least 5 dental offices from the Stockton area that are now referring to CCDSC. Edward Lujano asked if it was the facility driving those referrals or is the patient asking to go elsewhere. Sonny Vasquez commented that the offices are giving the patient the option of going to CDSC or CCDSC.

Edward Lujano stated that the CDSC referrals had gone from 150 in July to 203 in August. He and David Thompson have done some projections for the upcoming year for CDSC. Edward Lujano and David Thompson have met with Mahesh Khatwani and he is willing to work with us. Sonny Vasquez visited 195 offices in the Stockton area.

CCDSC scheduled 238 patients for August 2017 and completed 172 and as of yesterday they are at 142 completed cases with 2 more days to go. CCDSC received 295 referrals for the month compared to 194 the month before. Sonny Vasquez visited 165 offices and participated in CFHCs Summer Family Health Festival where they screened 75 children and 24 were identified as needing additional treatment.

### **OLD BUSINESS / REPORTS**

#### A. Castle Family Health Centers, Inc Report, Exhibit 5

No report.

#### B. Bloss Board Member Report

Kory Billings reported that BMHD held a Joint Advisory Committee meeting with CFHC and the minutes were approved today. He felt that it was a positive meeting between the two entities. They were able to discuss and identify a few projects that maybe they care work on together.

Ralph Temple, Legal Counsel, commented that it is in the lease document with CFHC, that there should be periodic meetings between the two boards as there are joint interests.

### **NEW BUSINESS**

#### A. Provider Credentialing / Privileging

None.

#### B. Approval of CCDSC / CDSC Policies & Procedures, Exhibit 6

Kory Billings presented the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines, which went through both advisory committees' and were recommended for approval by the board.

**A motion was made / seconded, (Kory Billings / Lloyd Weaver) to recommend full Board of Directors approval of the Adverse Events, Operating Room Time Out and Consent Time Out and Anesthesia Service Guidelines with recommended corrections for spelling and grammatical, Exhibit 6. Motion carried.**

#### C. ByLaws Amendment for CCDSC / CDSC, Exhibit 7

Kory Billings reported that the ByLaws Amendment had gone through both Advisory Committees', some minor changes with spelling were made.

**A motion was made / seconded, (Kory Billings / Alfonse Peterson) to recommend full Board of Directors approval for ByLaw Amendment with minor corrections, Exhibit 7. Motion carried.**

**AGENDA FOR CLOSED SESSION**

Ralph Temple, Legal Counsel, reported that he has three things. Board Member wishes to discuss a matter pursuant to Section 54954.5(h) Involving Trade Secrets that will require the Sonny Vasquez, Marketing to participate. He has two matters, one is the Annexation Application that is now at the LAFCO level for the Ferrari Ranch Annexation, and there is a possibility that the Board would take action following discussion.

A claim was received in the matter of Hernandez-Avila vs. Bloss Memorial Healthcare District, pursuant to Section 54954.5 (c) and 54956(c) 54956.9. He expects the Board to fully take action following the executive session and asked that the representatives of Children’s Dental Surgery Center join the discussion in executive session of the claim.

There will be a Performance Improvement report under Section 1461 of the Health and Safety Code – Quality Management.

**NEXT MEETING DATE**

The next Board of Directors Meeting will be held on Friday, October 20, 2017 at 2:00 p.m. in the Board Room.

The Finance Committee will also meet on Friday, October 20, 2017 at 1:30 p.m. in the Board Room.

CCDSC and CDSC Advisory Committee meetings will be held on Thursday, October 19, 2017.

**ADJOURNMENT**

As there was no further business, the meeting adjourned into closed session at 2:18 pm.

The meeting reconvened into public session at 3:47 pm.

**A motion as made, seconded, (Glenn Arnold / Lloyd Weaver) to reject the claim of Hernandez-Avila vs. Bloss Memorial Healthcare District. Motion carried.**

As there was not further business, the meeting adjourned at 3:48 pm.

Respectfully Submitted,

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Fily Cale  
Executive Assistant

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Alfonse Peterson  
Board Secretary

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)  
FINANCE COMMITTEE MEETING  
BOARD ROOM  
Thursday, September 28, 2017  
1:30 p.m.**

Committee: Edward Lujano, CEO; Dawnita Castle, Chief Financial Officer;  
Fily Cale, Executive Assistant; Alfonse Peterson, Committee Chair  
and Glenn Arnold, Committee Member

Others Present: Rosalie Heppner, Board Chair; Kory Billings, Board Vice Chair  
and Dorothy Bizzini, Castle Board Chair

Absent: None

**CALL TO ORDER**

Al Peterson, Committee Chair, called the meeting to order at 1:30 p.m. in the Board Room.

**APPROVAL OF AGENDA**

**A motion was made/seconded, (Edward Lujano / Glenn Arnold) to approve the September 28, 2017 agenda as presented. Motion carried.**

**PUBLIC COMMENTS**

None.

**APPROVAL OF FINANCE COMMITTEE MINUTES**

A. August 31, 2017 Finance Committee Minutes, Exhibit 1

A grammatical correction was made.

**A motion was made / seconded, (Glenn Arnold / Edward Lujano) to approve and accept the August 31, 2017 Finance Committee Minutes with correction, Exhibit 1. Motion carried.**

**REVIEW OF DISTRICT FINANCIAL STATEMENTS, EXHIBIT 2**

Dawnita Castle, CFO, reported that the auditor is doing a final review of the audit and it will be on the agenda for the next meeting. Upon the suggestion of the auditor, the CDSC receivable was

moved under Investments, Other Assets on the Balance Sheet. This is more user friendly for reading the financials.

BMHD had a net loss for the month of August 2017 in the amount of \$70,125 before depreciation and a net loss in the amount of \$129,992 after depreciation. Cash on Hand had a slight decrease from 169 days last month to 143 days for August 2017.

### **CCDSC FINANCIAL REPORT, EXHIBIT 3**

Dawnita Castle stated CCDSC had a 19% increase in visits for August 2017 and saw 172 patients and recorded a profit of \$3,022 before allocations.

Over the past 12 months, CCDSC has recorded a profit before allocations and this brings the total for the 12 months to \$515,450.

### **SKDSC FINANCIAL REPORT, EXHIBIT 4**

Dawnita Castel reported that SKDSC total expenses for August 2017 were \$21,783.

### **CDSC FINANCIAL REPORT, EXHIBIT 5**

Dawnita Castle reported that for the month of August 2017, CDSC treated 117 patients and recorded a net loss in the amount of \$84,834.

### **DENTAL CENTERS' COMPARISON, EXHIBIT 6**

The Dental Center's Comparison report was reviewed and discussed.

Dawnita Castle reported that net patient revenue cases for CCDSC was \$1,252 and CDSC was \$1,411. Net expenses per case for CCDSC was \$1,239 and CDSC was \$2,143.

**A motion was made / seconded, (Edward Lujano / Glenn Arnold) to approve and accept the Review of District Financial Statements as presented, Exhibit 2; CCDSC Financial Report, Exhibit 3; SKDSC Financial Report, Exhibit 4; CDSC Financial Report, Exhibit 5 and Dental Centers' Comparison, Exhibit 6 as presented. Motion carried.**

### **WARRANTS AND PAYROLL**

A. August 2017 Payroll, Electronic Payments & Check Register, Exhibit 7

**A motion was made/seconded, (Glenn Arnold / Edward Lujano) to approve and accept the August 2017 Total Payroll in the amount \$200,858.05 and Total Accounts Payable in the amount of \$344,251.48 for a total Grand Total Disbursement of \$544,836.53, Exhibit 7. Motion carried.**



**DISCUSSION**

None.

**AGENDA FOR CLOSED SESSION**

-  
There was no Closed Session item(s) for discussion.

**NEXT MEETING DATE/ADJOURNMENT**

The next Finance Committee meeting will be held on Friday, October 20, 2017 at 1:30 pm.

As there was no further business, the meeting adjourned at 1:40 p.m.

Respectfully Submitted,

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Fily Cale  
Executive Assistant

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Alfonse Peterson  
Committee Chair

**CHIEF FINANCIAL OFFICER REPORT**

This item unavailable at this time

**SEPTEMBER PAYROLL, ELECTRONIC PAYMENTS  
& CHECK REGISTER**

Bloss Memorial Healthcare District  
 Payroll, Accounts Payable and Funds Disbursements - Summary  
 Month of September-17

Payroll	Payroll People transfer for 09/05/17 payroll in Aug 2017		(\$74,782.72)
Payroll			\$141,430.16
<b>Total Payroll</b>			<u><u>\$66,647.44</u></u>

Accounts Payable:

A/P Checks	Bloss	<u>\$119,445.22</u>	<u>\$119,445.22</u>
Auto Debits		\$150.08	
Electronic Payments to Castle on Payable		<u>\$61,643.46</u>	
Total Auto Debits and Electronic Transfers		<u>\$61,793.54</u>	<u>\$61,793.54</u>

Electronic Payments - ACH		<u>\$183,801.75</u>	<u>\$183,801.75</u>
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<b>Total Accounts Payable</b>			<u><u>\$365,040.51</u></u>
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<b>Grand Total Disbursements</b>			<u><u>\$431,687.95</u></u>
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BLOSS	Payroll Disbursements for		September-17
	Payroll dated		
Earnings	09/05/17	09/20/17	Total
Regular			-
Overtime			-
Vacation			-
Sick			-
Holiday			-
Salary	4,125.00	4,125.00	8,250.00
Double Time			-
Call In			-
On Call			-
Other			-
			-
CCDSC Surgery Center	30,224.25	30,713.55	60,937.80
CDSC Surgery Center	33,528.98	27,847.86	61,376.84
			-
Total	67,878.23	62,686.41	130,564.64
			-
Deductions			-
FICA (+)	5,169.30	4,772.18	9,941.48
Insurance (-)	(1,000.56)	(1,032.78)	(2,033.34)
Emp Deduction(-)/Reimb(+)	2,846.20	599.20	3,445.40
Christmas Fund (-)	(545.00)	(545.00)	(1,090.00)
Process Fee (+)	434.55	167.43	601.98
			-
Total	6,904.49	3,961.03	10,865.52
			-
			-
Net Payroll	\$ 74,782.72	\$ 66,647.44	141,430.16

RUN DATE: 09/29/17  
 RUN TIME: 1021  
 RUN USER: COOKS

Castle Family Health Centers AP \*\*LIVE\*\*  
 CHECK REGISTER BY DATE

C  
 FROM 09/01/17 TO END

DATE	CHECK NUM	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED/ CLEARED	VOIDED/ UNCLAIMED
09/01/17	037398	B0223	BEVERLY YI ZHANG HONG	ISSUED	09/06/17	3308.60	
09/01/17	037414	B0235	STANTON E. SCHULER	ISSUED	09/06/17	2631.80	
09/06/17	037396	B0060	GLENN ARNOLD	ISSUED	09/06/17	400.00	
		REMITTED TO: ARNOLD, GLENN					
09/06/17	037397	B0072	BETA HEALTHCARE GROUP	ISSUED	09/06/17	2846.42	
09/06/17	037399	B0109	KORY BILLINGS	ISSUED	09/06/17	400.00	
09/06/17	037400	B0132	CLARK PEST CONTROL	ISSUED	09/06/17	299.00	
09/06/17	037401	B0153	GEIL ENTERPRISES INC.	ISSUED	09/06/17	2948.40	
09/06/17	037402	B0016	GUARDCO SECURITY SERVICES	ISSUED	09/06/17	8628.75	
09/06/17	037403	B0043	INSIGHT EMPLOYEE ASSISTANCE PRGRM	ISSUED	09/06/17	85.02	
09/06/17	037404	K0034	JOE S RODRIGUEZ	ISSUED	09/06/17	375.00	
09/06/17	037405	B0059	LLOYD WEAVER	ISSUED	09/06/17	400.00	
09/06/17	037406	K0003	M-D VENTURES	ISSUED	09/06/17	19007.11	
09/06/17	037407	B0017	MERCED COUNTY - CASTLE AIRPORT	ISSUED	09/06/17	4637.05	
09/06/17	037408	B0133	MERCED/MODESTO COMMERCIAL SWEEPERS	ISSUED	09/06/17	240.00	
09/06/17	037409	B0218	JOHN P. NIEMOTKA	ISSUED	09/06/17	405.00	
		REMITTED TO: OCTANE ADVERTISING & DESIGN					
09/06/17	037410	B0064	PETERSON, ALFONSE	ISSUED	09/06/17	400.00	
09/06/17	037411	B0014	PG&E (4705482162-5)	ISSUED	09/06/17	7575.09	
09/06/17	037412	B0061	ROSALIE HEPPNER	ISSUED	09/06/17	200.00	
09/06/17	037413	K0057	SOCAL GAS (090 828 6930 7)	ISSUED	09/06/17	14.30	
09/06/17	037415	B0102	THE HARTFORD	ISSUED	09/06/17	227.15	
09/06/17	037416	B0200	UPS	ISSUED	09/06/17	85.12	
09/06/17	037417	B0013	WEST COAST GAS CO, INC.	ISSUED	09/06/17	2347.22	
09/06/17	037418	B0015	WINTON, WATER & SANITARY DISTRICT	ISSUED	09/06/17	72.80	
09/13/17	037419	B0084	AMERICHEK	ISSUED	09/13/17	52.00	
09/13/17	037420	B0072	BETA HEALTHCARE GROUP	ISSUED	09/13/17	194.00	
		REMITTED TO: BETA RISK MANAGEMENT AUTHORITY					
09/13/17	037421	K0035	CITY OF PARLIER	ISSUED	09/13/17	272.61	
09/13/17	037422	B0043	INSIGHT EMPLOYEE ASSISTANCE PRGRM	ISSUED	09/13/17	58.86	
09/13/17	037423	B0226	NONSTOP ADMIN. & INS. SRVCS, INC.	ISSUED	09/13/17	9620.00	
09/13/17	037424	B0218	JOHN P. NIEMOTKA	ISSUED	09/13/17	400.00	
		REMITTED TO: OCTANE ADVERTISING & DESIGN					
09/13/17	037425	B0042	RALPH TEMPLE	ISSUED	09/13/17	900.00	
09/13/17	037426	B0044	TRIPP SECURITY SYSTEMS	ISSUED	09/13/17	20.00	
09/19/17	037430	B0223	BEVERLY YI ZHANG HONG	ISSUED	09/20/17	864.40	
09/19/17	037437	B0235	STANTON E. SCHULER	ISSUED	09/20/17	864.20	
09/20/17	037427	B0026	MERCED IRRIGATION DISTRICT	ISSUED	09/20/17	31195.81	
09/20/17	037428	B0199	ANTHEM BLUE CROSS L AND H	ISSUED	09/20/17	831.63	
09/20/17	037429	B0199	ANTHEM BLUE CROSS L AND H	ISSUED	09/20/17	906.65	
09/20/17	037431	B0037	CARDMEMBER SERVICE-4798510044371793	ISSUED	09/20/17	1466.99	
09/20/17	037432	B0132	CLARK PEST CONTROL	ISSUED	09/20/17	857.00	
09/20/17	037433	B0032	GRAINGER INDUSTRIAL SUPPLY	ISSUED	09/20/17	598.56	
09/20/17	037434	B0030	HD SUPPLY FACILITIES MAINTENANCE	ISSUED	09/20/17	116.79	
09/20/17	037435	B0025	MERCED IRRIGATION DISTRICT	ISSUED	09/20/17	363.45	
09/20/17	037436	B0003	SIMPLEXGRINNELL	ISSUED	09/20/17	689.93	
09/20/17	037438	B0039	VALERO MARKETING AND SUPPLY CO.	ISSUED	09/20/17	529.18	

RUN DATE: 09/29/17  
 RUN TIME: 1021  
 RUN USER: COOKS

Castle Family Health Centers AP \*\*LIVE\*\*  
 CHECK REGISTER BY DATE

C  
 FROM 09/01/17 TO END

DATE	CHECK NUM	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED/ CLEARED	VOIDED/ UNCLAIMED
09/20/17	037439	B0210	THE DEPARTMENT OF PUBLIC HEALTH	ISSUED	09/20/17	4804.88	
09/26/17	037440	B0027	CITY OF ATWATER (010448-000)	ISSUED	09/26/17	796.57	
09/26/17	037441	B0134	CITY OF ATWATER (020161-000)	ISSUED	09/26/17	654.34	
09/26/17	037442	B0236	DIBUDUO & DEFENDIS INSURANCE BROKER	ISSUED	09/26/17	109.00	
09/26/17	037443	B0030	HD SUPPLY FACILITIES MAINTENANCE	ISSUED	09/26/17	936.31	
09/26/17	037444	B0038	KINGS VIEW WEC	ISSUED	09/26/17	2430.50	
09/26/17	037445	B0212	JAVIER MENDOZA	ISSUED	09/26/17	105.00	
			REMITTED TO: NATURAL GARDENS				
09/26/17	037446	B0021	PG&E (1384254881-3)	ISSUED	09/26/17	845.98	
09/26/17	037447	B0020	PG&E (1873896591-4)	ISSUED	09/26/17	426.75	
<b>TOTAL \$</b>						<b>119445.22</b>	

Bloss Memorial Healthcare District  
September-17

**Bloss Electronic Transfers**

**Bloss Auto Debits**

Bank Fees	150.08
<b>Total</b>	<b><u>150.08</u></b>

Electronic Payments to Castle on Payabl	61,643.46
<b>Total</b>	<b><u>61,643.46</u></b>

<b>Grand Total</b>	<b><u>61,793.54</u></b>
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RUN DATE: 09/29/17  
 RUN TIME: 1239  
 RUN USER: COOKS

Castle Family Health Centers AP \*\*LIVE\*\*  
 ELECTRONIC PAYMENT NUMBER LIST

C  
 FROM D111448 TO D111986

PMT NUM	DATE	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED	VOIDED
D111529	09/01/17	B0149	SUNG Y. CHO DDS, INC.	DIRECTD	09/01/17	20008.25	
D111530	09/01/17	B0178	CHRISTOPHER CHIU, D.D.S., INC.	DIRECTD	09/01/17	18080.00	
D111531	09/01/17	B0215	JANICE JAI-YING HUANG, DDS, INC.	DIRECTD	09/01/17	4700.00	
D111532	09/01/17	B0219	KAREN ANN DROSDIK	DIRECTD	09/01/17	8373.60	
D111533	09/01/17	B0220	JOSEPH S. KIM, D.D.S. INC.	DIRECTD	09/01/17	4992.25	
D111534	09/01/17	B0221	CHRISTINA BAEK, DDS, PC	DIRECTD	09/01/17	15600.00	
D111535	09/01/17	B0222	FUTURE HEALTH SERVICES, LLC	DIRECTD	09/01/17	7500.00	
D111537	09/01/17	B0224	PERRY SOLOMON	DIRECTD	09/01/17	5000.00	
D111826	09/19/17	B0149	SUNG Y. CHO DDS, INC.	DIRECTD	09/19/17	11295.50	
D111827	09/19/17	B0178	CHRISTOPHER CHIU, D.D.S., INC.	DIRECTD	09/19/17	15879.25	
D111828	09/19/17	B0215	JANICE JAI-YING HUANG, DDS, INC.	DIRECTD	09/19/17	1500.00	
D111829	09/19/17	B0219	KAREN ANN DROSDIK	DIRECTD	09/19/17	12428.00	
D111830	09/19/17	B0221	CHRISTINA BAEK, DDS, PC	DIRECTD	09/19/17	16000.00	
D111831	09/19/17	B0222	FUTURE HEALTH SERVICES, LLC	DIRECTD	09/19/17	7500.00	
D111986	09/29/17	C0001	OMNI MEDICAL PROPERTIES	DIRECTD	09/29/17	34944.90	
TOTAL \$						183801.75	

CASTLE FAMILY HEALTH CENTERS, INC REPORT

This item unavailable at this time

**APPROVAL OF DRAFT FYE 2017  
AUDITED FINANCIAL STATEMENTS**

**BLOSS MEMORIAL  
HEALTHCARE DISTRICT**

**Audited Financial Statements**

**June 30, 2017 and 2016**

# Bloss Memorial Healthcare District

## Audited Financial Statements

June 30, 2017

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Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Bloss Memorial Healthcare District  
Atwater, California

We have audited the accompanying balance sheet of Bloss Memorial Healthcare District (the District) as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bloss Memorial Healthcare District, as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2017, on our consideration of the Bloss Memorial Healthcare District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bloss Memorial Healthcare District internal control over financial reporting and compliance.

*Blomberg & Griffin, A.C.*

Blomberg & Griffin, A.C.

Stockton, CA

August 30, 2017

# Bloss Memorial Healthcare District

## Management's Discussion and Analysis

June 30, 2017

The management of Bloss Memorial Healthcare District ("Bloss") has prepared the following analysis and discussion of the financial performance of the District for the fiscal Year ended June 30, 2017 to accompany the financial statements prepared in accordance with the Governmental Accounting Standards Board Statement Numbers 34, 37 and 38. This discussion and the associated schedules are intended to provide an analysis, explanation, and historical basis of comparison for the reporting of financial results of the District for the Fiscal Year 2017. The audited financial statements included herewith have been prepared and submitted with an unqualified opinion from the District's independent auditor.

In FY 2017 Bloss continued to operate two Dental Surgery Centers in the San Joaquin Valley – Central California Dental Surgery Center in Atwater (CCDSC), and Children's Dental Surgery Center in Stockton (CDSC). Central California Dental Surgery Center was purchased on January 1, 2015 and Bloss became sole owner of the Dental Surgery Center located in Atwater. CDSC is a Partnership in which Bloss is the majority partner with 65% ownership. Both surgery centers have struggled to continue providing much needed dental services, primarily to children from low income families, while dealing with the ongoing challenges of decreased reimbursement from its payer sources.

Bloss had a gain in FY 2017 of \$104,016 which includes \$720,773 of depreciation expense: Bloss's financial position continues to improve and CCDSC ended with a profit of \$574,751 and \$161,366 CDSC Partnership loss.

A comparison of Dental Surgery patient volumes by site is as follows:

	<u>FYE 17</u>	<u>FYE 16</u>	<u>Change</u>	<u>% change</u>
CCDS	<u>2,421</u>	<u>2,208</u>	<u>213</u>	<u>9.65%</u>
CDSC	<u>2,651</u>	<u>3167</u>	<u>-516</u>	<u>-16.29%</u>
Totals	<u><u>5,072</u></u>	<u><u>5,375</u></u>	<u><u>-303</u></u>	<u><u>-5.64%</u></u>

Bloss has also continued its affiliation with Castle Family Health Centers, Inc (CFHC), which provided services to 127,358 patient visits during FY 2017. The affiliation with CFHC has allowed Bloss to continue its mission in the provision of healthcare services to the community. In FY 2017 Bloss provided grant funds from its Goodwin Trust to CFHC to provide Optometry Services, Flu Vaccines, and Financial Assistance for senior citizens residing within the District.



# Bloss Memorial Healthcare District

## Management's Discussion and Analysis

June 30, 2017

### Comments on the Statement Net Position

Total Cash and Cash Equivalents increased by \$848,556 (59.61%) from the prior year. Bloss Net Patient Accounts Receivable while a RHC consists of \$ 364,931 patient accounts in collections services which are offset with a 100%. CCDSC Net Patient Accounts receivable account for \$384,356 during FY 2017 as Bloss continued to fund the dental centers operations. Other Receivables increased by \$107,341 (3.51%) over the prior year.

Table 1

Condensed Statements of Net Position:

	2017	2016	Dollar Change	Percent Change
Current and Other Assets	\$ 6,096,392	\$ 5,248,486	\$ 847,906	16.16%
Capital Assets, Net	17,350,650	17,941,104	(590,454)	-3.29%
<b>Total Assets</b>	<b><u>23,447,042</u></b>	<b><u>23,189,590</u></b>	<b><u>257,452</u></b>	<b><u>1.11%</u></b>
Long-term Debt	566	32,949	(32,383)	-98.28%
Other Liabilities	2,236,109	2,062,261	173,848	8.43%
<b>Total Liabilities</b>	<b><u>2,236,675</u></b>	<b><u>2,095,210</u></b>	<b><u>141,465</u></b>	<b><u>6.75%</u></b>
Net Position Invested in Capital Assets, Net of Related Debt	17,350,084	17,908,155	(558,071)	-3.12%
Temporarily restricted	167,595	155,623	11,972	7.69%
Unrestricted	3,692,688	3,030,602	662,086	21.85%
<b>Total Net Position</b>	<b><u>\$ 21,210,367</u></b>	<b><u>\$ 21,094,380</u></b>	<b><u>\$ 115,987</u></b>	<b><u>0.55%</u></b>

### Property Plant and Equipment

Fixed Assets increased by \$130,319 (0.73%) during FY 2017 over the prior year. The addition of CCDSC Fixed Assets accounted for \$68,219 of the total increase. The district also disposed asset with the book value of \$8,568. A Summary of changes in Fixed Assets is as follows:

Capital Expenditures:	
Building Upgrades and Repairs	\$ 62,100
CCDSC Equipment- Major Movable	56,268
CCDSC Equipment-Minor	<u>11,951</u>
Net Change in fixed assets	<b><u>\$ 130,319</u></b>

Total Liabilities as of June 30, 2017 of \$463,442 decreased from the prior year by \$18,803 (3.90%).

# Bloss Memorial Healthcare District

## Management's Discussion and Analysis

June 30, 2017

### Comments on the Statement of Revenue and Expenses

Net patient revenues increased by \$190,887 in FY 2017 over the prior year. The increase is attributable to CCDSC as Bloss assumed full ownership of the dental center's activities were integrated into Bloss operations in January 1, 2015.

Bloss's other operating revenue consists of reimbursement for services provided to Stockton surgery center. Services Reimbursement Revenue earned in FY 2017 was \$8,896 compared to \$8,326 in FY 2016. FY 2017 Operating Revenue also included \$1,746 of Recoveries of Bad Debt which consists of patient and collection service payments received on Bloss Rural Health Accounts Receivable. Miscellaneous Other Operating Revenue is \$9,236 includes Beta and Alpha Funds special dividends.

Total operating expenses in FY 2017 were \$5,099,830, an increase of \$157,586 (3.19%) from the prior year. Total CCDSC expenses account for 2,681,674 of the FY 2017 total expense.

Major sources of Non-Operating Revenues in FY 2017 are Rental Income of \$1,164,053, Bloss Trust income of \$566,885, and Property Tax Revenue of \$346,565. Non-Operating Revenues also include: \$161,366 CDSC Partnership loss.

Table 2

Condensed Statements of Revenues, Expenses and Changes in Net Position:

	2017	2016	Dollar Change	Percent Change
Operating Revenues	\$ 3,828,388	\$ 3,333,358	\$ 495,030	14.85%
Nonoperating Revenues	1,374,667	1,377,506	(2,839)	-0.21%
<b>Total Revenues</b>	<b>5,203,055</b>	<b>4,710,864</b>	<b>492,191</b>	<b>10.45%</b>
Depreciation Expense	720,773	714,022	6,751	0.95%
Other Operating Expenses	4,378,267	4,227,432	150,835	3.57%
<b>Total Expenses</b>	<b>\$ 5,099,040</b>	<b>\$ 4,941,454</b>	<b>\$ 157,586</b>	<b>3.19%</b>

### ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information; please contact the Bloss Memorial Healthcare District's Office Manager at 3605 Hospital Road, Atwater, CA 95301.

**BLOSS MEMORIAL HEALTHCARE DISTRICT**

## Statement of Net Position

June 30, 2017 and 2016

	June 30,	
	2017	2016
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,263,700	\$ 1,416,429
Patient accounts receivable, net of allowances	384,356	503,550
Other receivables and physician advances	3,167,939	3,060,598
Assets limited as to use	8,315	7,030
Supplies	30,960	29,882
Prepaid expenses and deposits	73,527	75,374
Total Current Assets	<u>5,928,797</u>	<u>5,092,863</u>
Assets limited as to use- UNG Goodwin Trust	167,595	155,623
Capital assets, net of accumulated depreciation	<u>17,350,650</u>	<u>17,941,104</u>
Total Assets	<u>\$ 23,447,042</u>	<u>\$ 23,189,590</u>
<b>Liabilities and Net Position</b>		
Current Liabilities:		
Current maturities of debt borrowings	\$ 566	\$ 31,850
Accounts payable and accrued expenses	326,641	318,056
Accrued payroll and related liabilities	<u>136,235</u>	<u>132,339</u>
Total Current Liabilities	<u>463,442</u>	<u>482,245</u>
Debt borrowings, net of current maturities	-	1,099
Investments in CCDSC and CDSC	<u>1,773,233</u>	<u>1,611,866</u>
Total Liabilities	<u>2,236,675</u>	<u>2,095,210</u>
Net Position:		
Temporarily restricted	167,595	155,623
Invested in capital assets, net of related debt	17,350,084	17,908,155
Unrestricted	<u>3,692,688</u>	<u>3,030,602</u>
Total Net Position	<u>21,210,367</u>	<u>21,094,380</u>
Total Liabilities and Net Position	<u>\$ 23,447,042</u>	<u>\$ 23,189,590</u>

See accompanying notes and auditor's report.

**BLOSS MEMORIAL HEALTHCARE DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2017 and 2016

	Year Ended June 30	
	2017	2016
<b>Operating Revenues</b>		
Net patient service revenue	\$ 3,143,210	\$ 2,952,323
Donations	566,885	294,276
Other operating revenue	118,293	86,759
	3,828,388	3,333,358
<b>Operating Expenses</b>		
Salaries and wages	733,230	667,404
Employee benefits	167,095	170,373
Professional fees	1,347,439	1,367,022
Purchased services	664,873	603,298
Supplies	400,884	384,757
Repairs and maintenance	109,491	88,377
Utilities	512,095	484,261
Rental and lease	227,588	226,173
Depreciation and amortization	720,773	714,022
Insurance	94,631	102,446
Other operating expenses	120,941	133,321
	5,099,040	4,941,454
Operating Income (loss)	(1,270,652)	(1,608,096)
<b>Non-Operating Revenues (Expenses)</b>		
District tax revenue	346,565	320,262
Investment income	2,260	7,923
Partnership income (Loss)	(161,366)	(78,883)
Rental income	1,164,053	1,119,728
Other non-operating income (Loss)	23,945	10,000
Interest expense	(790)	(1,524)
	1,374,667	1,377,506
Excess (deficit) of Revenues over expenses	104,015	(230,590)
Acquisition of partnership interest in CCDSC	-	-
Net change in temporarily restricted position	11,972	(12,031)
	115,987	(242,621)
Increase (decrease) in Net Position	115,987	(242,621)
Net Position at Beginning of the Year	21,094,380	21,337,001
Net Position at End of the Year	\$ 21,210,367	\$ 21,094,380

See accompanying notes and auditor's report

**BLOSS MEMORIAL HEALTHCARE DISTRICT**

Statements of Cash Flows

June 30, 2017 June 2016

	Year Ended June 30	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Cash received from patients and third-parties on behalf of patients	\$ 3,262,404	\$ 818,495
Cash received for operations, other than patient services	577,837	2,921,163
Cash payments to suppliers and contractors	(3,468,588)	(3,581,813)
Cash payments to employees and benefit programs	(894,308)	(813,534)
Net cash used in operating activities	(522,655)	(655,689)
<b>Cash Flows from Non-Capital Financing Activities:</b>		
District tax revenues	346,565	320,262
Net cash provided by non-capital financing activities	346,565	320,262
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets, net of disposals	(121,751)	(15,272)
Principal payments on debt borrowings	(32,383)	(42,236)
Interest payments on debt borrowings	(790)	(1,524)
Net cash used in capital and related financing activities	(154,924)	(59,032)
<b>Cash Flows from Investing Activities:</b>		
Net (purchase), transfers or sale of investments	-	11,888
Net change in other liabilities	161,366	78,884
Partnership income (Loss)	(161,366)	(78,883)
Rental income	1,164,053	1,119,728
Other non-operating income (expenses)	23,945	10,000
Net change in temporarily net assets	(11,972)	(12,031)
Net income from investmenta	2,260	7,923
Net cash provided by investing activities	1,178,286	1,137,509
Net increase in cash and cash equivalents	847,272	743,050
Cash and cash equivalents at beginning of year	1,416,429	673,379
Cash and cash equivalents at end of year	\$ 2,263,701	\$ 1,416,429
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$ (1,270,652)	\$ (1,608,095)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	720,773	714,022
Changes in operating assets and liabilities:		
Patient accounts receivable	119,194	298,686
Other receivables	(107,341)	145,289
Supplies	(1,078)	230
Prepaid expenses and deposits	1,847	(6,745)
Accounts payable and accrued expenses	10,706	(192,158)
Accrued payroll and related liabilities	3,896	24,243
Estimated third party payor settlements	-	(31,161)
Net cash used in operating activities	\$ (522,655)	\$ (655,689)

See accompanying notes and auditor's report

# BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

## NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

**Reporting Entity:** Bloss Memorial Healthcare District (the District) is a public entity organized under Local District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five member Board of Directors, elected from within the healthcare District to four year terms of office. The District is located in Atwater, California and operates two dental clinics; CCDSC in Atwater and CDSC in Stockton, California, providing dental and oral surgical clinical services. The District also provides support to a local health care clinic located in Atwater, California which provides primary health care services primarily to individuals who reside in the local geographic area. On January 2, 2015, the District purchased all outstanding partnership shares of CCDSC and became the sole partner. The assets, liabilities and operations of CCDSC were consolidated into the District's accounting records and financial statements at that time and all intercompany balances were eliminated. See Note 13.

**Basis of Preparation:** The accounting policies and financial statements of the District generally conform to the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses proprietary fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Government Accounting Standard Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and AICPA Pronouncements*, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989. The District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Financial Statement Presentation:** The District applies the provisions of GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statements 34), as amended by GASB 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method. The application of these accounting standards had no impact on the total net position.

# BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

## NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

**Management's Discussion and Analysis:** GASB Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

**Recent Pronouncements:** The GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No.65"), which was effective for financial statements for periods beginning after December 15, 2012. GASB No.65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resource, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows or resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The adoption of this pronouncement did not materially affect the District's financial statements.

GASB issued GASB Statement No.68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No.27* ("GASB No.68"), which was effective for financial statements for periods beginning after June 15, 2014. GASB No.68 replaces r the requirements of Statement No.27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirement of Statement No.50, *Pension Disclosures*, as they relate to pensions that are provided through pensions plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement IT establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The District has evaluated the impact of the adoption of GASB No.68 for the fiscal year ending June 30, 2017 and there is no effect to the District's financial statements.

## BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

### NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

GASB also issued GASB Statement No.69, *Government Combinations and Disposals of Government Operations* (“GASB No.69”), which was effective for financial statements for periods beginning after December 15, 2013.-GASB No.69 requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. It also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. It defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations, and provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The District has evaluated the impact of the adoption of the GASB No.69 for the fiscal year ending June 30, 2017 and there is no effect to the District’s financial statements.

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

***Cash and Cash Equivalents and Investments:*** The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in non-operating revenues when earned.

***Accounts Receivable:*** Accounts receivable is stated at net realizable value. The District accounts for uncollectible accounts by establishing a reserve. At June 30, 2017, the allowance for doubtful accounts and contractual adjustments was \$529,727.

***Supplies:*** Supply inventory are stated at cost, which is determined using the first-in, first-out method (FIFO).

***Assets Limited as to Use:*** Assets limited as to use include donor restricted funds. Assets limited as to use consist primarily of deposits on hand with banking and investments institutions.



# BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

## NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

**Capital Assets:** Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2017 and 2016, the District has determined that no capital assets are impaired.

**Compensated Absences:** District employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2017 and 2016 are \$25,051 and \$31,449 respectively.

**Risk Management:** The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illness; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

**Net Position:** Net Position is presented in three categories. The first category is net position “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on those net assets by creditors (such as through debt covenants), grantors contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net-position. This category consists of assets that do not meet the definition or criteria of the previous two categories.

## BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

### NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

***District Tax Revenue:*** The District receives financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, and mail bills, and received payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

***Grants and Contributions:*** From time to time, the District receives grants from various governmental agencies and private organizations. The District also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

***Operating Revenues and Expenses:*** The District's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-operating revenues and expenses are those transactions not considered directly linked to providing health care services.

***Net Patient Service Revenue:*** Net patient service revenue is reported at the estimated net realizable value amounts from patients, third-party payers and others for services rendered.

***Subsequent Events:*** Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

***Reclassifications:*** Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

## **BLOSS MEMORIAL HEALTHCARE DISTRICT**

Notes to Financial Statements

June 30, 2017 and 2016

### **NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

As of June 30, 2017 and 2016, the District had deposits invested in various financial institutions in the form of cash equivalents amounting to \$2,439,610 and \$1,579,082. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of equity securities and real estate funds invested through an investment broker and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

### **NOTE 3 – NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS**

On January 2, 2015, the District purchased all outstanding partnership shares of CCDSC and became the sole partner. The assets, liabilities, and operations of CCDSC were consolidated into the District's accounting records and financial statements at that time and all intercompany balances were eliminated. See Note 13. The District through CCDSC now renders dental services to patients under contractual arrangements with Medicare and Medi-Cal programs, health maintenance organization (HMOs) and preferred provider organizations (PPOs). Patient service revenues from these programs approximate 98% of gross patient service revenues.

Medicare and Medi-Cal Program dental services are generally paid under a fee for service arrangement.

Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimates will change by a material amount in the near term.

# BLOSS MEMORIAL HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2017 and 2016

### NOTE 4 – INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2017 and 2016.

	2017			
	Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5
Money Market Accounts	\$ 400,859	\$ 400,859	\$ -	\$ -
Mutual Funds Accounts	337,992	337,992	-	-
Marketable Securities	164,008	164,008	-	-
Total Investments	<u>\$ 902,859</u>	<u>\$ 902,859</u>	<u>\$ -</u>	<u>\$ -</u>

	2016			
	Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5
Money Market Accounts	\$ 100,759	\$ 100,759	\$ -	\$ -
Mutual Funds Accounts	218,541	218,541	-	-
Marketable Securities	148,286	148,286	-	-
Total Investments	<u>\$ 467,586</u>	<u>\$ 467,586</u>	<u>\$ -</u>	<u>\$ -</u>

The District investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's exposure to interest rate risk is minimal as 100% of their investments have a maturity of less than one year. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

**Credit Risk:** Credit risk is the risk that the 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, such as Moody's Investor Service, Inc. The District's investments in such obligations are in U.S. government obligations. The District believes that there is minimal credit risk with these obligations at this time.

**BLOSS MEMORIAL HEALTHCARE DISTRICT**

Notes to Financial Statements

June 30, 2017 and 2016

**NOTE 4 – INVESTMENTS (Continued)**

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. Broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments are generally held by banks or investment companies. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attribution to the magnitude of the District's investment in a single issuer. The District's investments are held as follows: banks 22% and investment companies 78%. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The District grants credit without collateral to its patients and third-party payers. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there is any credit risks associated with these governmental agencies. Concentration of patient accounts receivable at June 30, 2017 is as follows:

MediCal	80%
Medicare	0%
Other 3rd Party Payors	20%
Private Party	0%
	<hr/>
	100%
	<hr/>

**NOTE 6 – ASSETS LIMITED AS TO USE**

Assets limited as to use as of June 30, 2017 and 2016 were comprised of cash and cash equivalents held as donor restricted funds. Interest income, dividends and both realized and unrealized gains and losses are recorded as investment income. Total investment income was \$8,315 and \$7,923 for the years ended June 30, 2017 and 2016, respectively. Total investment income includes both income from unrestricted and assets limited as to use. Debt securities, when present are recorded at market price or the fair market value as of the date of each balance sheet.

**BLOSS MEMORIAL HEALTHCARE DISTRICT**

Notes to Financial Statements

June 30, 2017 and 2016

**NOTE 7 – OTHER RECEIVABLES**

Other receivables as of June 30, 2017 and 2016 were comprised of the following:

	<u>2017</u>	<u>2016</u>
Children's Dental Surgery Center	\$ 3,134,367	\$ 2,921,138
Castle Family Health Center	-	113,314
Property taxes receivable	33,449	27,689
Other	123	(1,544)
	<u>\$ 3,167,939</u>	<u>\$ 3,060,597</u>

**NOTE 8 – CAPITAL ASSETS**

Capital assets as of June 30, 2017 and 2016 were comprised of the following:

	<u>Balance June 30, 2016</u>	<u>Transfer &amp; Additions</u>	<u>Retirement &amp; Adjustments</u>	<u>Balance at June 30, 2017</u>
Land and land improvements	\$ 2,257,611	\$ -	\$ -	\$ 2,257,611
Building and improvements	22,730,694	62,100	-	22,792,794
Equipment	8,285,815	68,219	(8,568)	8,345,466
Total at historical cost	33,274,120	130,319	(8,568)	33,395,871
Less accumulated depreciation	(15,333,018)	(720,771)	8,568	(16,045,221)
Capital Assets Net	<u>\$ 17,941,102</u>	<u>\$ (590,452)</u>	<u>\$ -</u>	<u>\$ 17,350,650</u>
	<u>Balance June 30, 2015</u>	<u>Transfer &amp; Additions</u>	<u>Retirement &amp; Adjustments</u>	<u>Balance at June 30, 2016</u>
Land and land improvements				
Building and improvements				
Equipment	\$ 2,257,611	\$ -	\$ -	\$ 2,257,611
Total at historical cost	22,726,874	3,820	-	22,730,694
	8,274,365	11,450	-	8,285,815
Less accumulated depreciation	33,258,850	15,270	-	33,274,120
Capital Assets Net	<u>(14,618,996)</u>	<u>(714,022)</u>	<u>-</u>	<u>(15,333,018)</u>
	<u>\$ 18,639,854</u>	<u>\$ (698,752)</u>	<u>\$ -</u>	<u>\$ 17,941,102</u>

**BLOSS MEMORIAL HEALTHCARE DISTRICT**

Notes to Financial Statements

June 30, 2017 and 2016

**NOTE 9 – DEBT BORROWINGS**

Long-term debt at June 30, 2017 and 2016 consists of the following:

	June 30,	
	2017	2016
Notes Payable, interest charged at 5% per annum, monthly principal and interest payments of \$2,453 through June, 2017 unsecured	\$ 566	\$ 32,949
Total Debt Borrowing	566	32,949
Less Current Portion	(566)	(31,850)
Total Long Term Portion	\$ -	\$ 1,099

Future principal maturity for debt borrowings at June 30, 2017 is \$566.

**NOTE 10 – RETIREMENT PLANS**

The District sponsors a 403(b) defined contribution plan (the plan). The District is the Plan's administrator as defined by section 316 of the Employee Retirement Income Security Act of 1974 (ERISA). All plan assets are held in a retirement trust with legal title held by the District's Board of Directors as Trustees.

All employees are eligible to participate in the Plan except for those who belong to a union, where the retirement benefits have been the subject of collective bargaining or contract negotiation, or work less than 2,000 hours per year for the District.

The District also offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan is generally available to all District employees and permits them to defer a portion of their income. The compensation deferred is generally not available to employees until termination, retirement, death or certain hardship situations.

## BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

### NOTE 11 – INCOME TAXES

The District is a political subdivision of the state of California organized under the Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District has been determined to be exempt from income taxes under Local Health Care District Law. Accordingly, no provision for income taxes is included in the accompanying financial statements. The District is no longer subject to examination by federal or state authorities for years prior to June 30, 2011, nor has it been notified of any impending examination and no examinations are currently in process.

### NOTE 12 – COMMITMENTS AND CONTINGENCIES

**Operating Leases:** The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2017 and 2016, were \$227,588 and \$226,173, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2017, with initial or remaining lease terms in excess of one year are not considered material.

**Litigation:** The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2017 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

**Workers Compensation Program:** The District is a participant in the Association of California Healthcare District's ALPHA Fund which administers a self-insured worker's compensation plan for employees of its member District's. The District pays a premium to the ALPHA Fund which is adjusted annually. If participation in the ALPHA Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the ALPHA Fund.

**Health Insurance Portability and Accountability Act:** The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations including future financial commitments that will be required.



## BLOSS MEMORIAL HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

### NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

**Health care Reform:** The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, and reimbursement for patient services, antitrust, anti-kickback and anti-referral by physicians, false claims prohibition and, in the case of tax exempt organizations, the requirements of tax exemption. In recent years, government activity has increased with respect to investigations

and allegations concerning possible violations by health care providers or reimbursement, false claims, anti-kickback statues and regulations, quality of care provided to patients, and handling of controlled substances. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Laws and regulations concerning government programs, including Medicare, Medicaid and various other programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements.

Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from related programs. The District expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the District's compliance with these regulations, and it is not possible to determine the effect (if any) such claims or penalties would have upon the District.

**Current Economic Conditions:** Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the District's ability to meet debt requirements or maintain sufficient liquidity.

### NOTE 13 – RELATED PARTIES

The District is a partner in the Children Dental Surgery Center, a general partnership. The District's partnership share is 65%. The District recorded partnership income (loss) of \$(161,367) and \$(78,884) for the years ended June 30, 2017 and 2016 respectively. The District has receivable from the partnership for services provided and funds advanced in the amounts of \$3,134,367 and \$2,931,138 at June 30, 2017 and 2016 respectively.



Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

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

Board of Directors  
Bloss Memorial Healthcare District  
Atwater, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Bloss Memorial Healthcare District as of and for the year ended June 30, 2017, which collectively comprise Bloss Memorial Healthcare District basic financial statements and have issued our report thereon dated August 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

A significant deficiency is a deficiency or combination of control deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Blomberg & Griffin A.C.*

Blomberg & Griffin A.C.  
Stockton, CA  
August 30, 2017