Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

El Camino Healthcare District

June 30, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal year 2013, El Camino Hospital District changed its name to become more transparent in the public eye, to El Camino Healthcare District (the "District"), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the "Hospital") and its subsidiaries.

The District is comprised of six (6) entities: the District, the Hospital, El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center ("ECSC"), and Silicon Valley Medical Development, LLC ("SVMD").

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSC's interest in ECASC has increased to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of $750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2015 and June 30, 2014, there were total draws of $0, and $414,000 against the line of credit, respectively. The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was $717,000 of rental income recorded for the year ended June 30, 2015, and $506,000 of rental income recorded for the year ended June 30, 2014, related to the lease.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a whole, including all the entities it controls. Financial information for each separate entity is shown in the supplemental schedules on the last pages of the report. In accordance with the Governmental Accounting Standards Board ("GASB") Codification Section 2200, *Comprehensive Annual Financial Report,* the District presents comparative financial highlights for the fiscal years ended June 30, 2015, 2014, and 2013. This discussion and analysis should be read in conjunction with the consolidated financial statements in this report.

The consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows provide an indication of the District's financial health. The consolidated statements of net position include all the District's assets and liabilities, using the accrual basis of accounting. The consolidated statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The consolidated statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2015

- The increase in net position for 2015 was $91.6 million over fiscal year 2014, creating an ending net position of $1.2 billion at year end.

- In May 2015, the Hospital issued $160.5 million of Revenue Bonds (Series 2015A) to (i) finance certain capital expenditures owned by the Hospital (the Project - $40.3 million), (ii) advance refund ($120.1 million) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

  The advance refunding of the Series 2007A, 2007B, and 2007C Bonds provides a net present value savings over the life of the Bonds of $13.5 million, which over the Bonds life produces a total reduction of $26.3 million in interest expense.

- Income from operations contributed $75.3 million. Nonoperating income added another $25.4 million that was primarily due to property taxes received by the El Camino Healthcare District and net investment incomes. The District funded various community benefit programs in its service area for $8 million during the year.

Year Ended June 30, 2014

- The increase in net position for 2014 was $129.3 million over fiscal year 2013, creating a net position of over $1.1 billion at year end.

- Net operating income contributed $69.1 million. Nonoperating added another $60.2 million, primarily driven by realized investment income of $18.7 million and $35.9 million in unrealized investment income. The District contributed to various community benefit programs $7.2 million during the year.

- Total assets increased by $125.9 million over fiscal year 2013, which was mostly in the increase of total surplus cash and investments.

Summary of Assets, Liabilities and Net Position
As of June 30, 2015, 2014 and 2013

(In Thousands)

	2015	2014	2013
Assets:			
Current assets	$ 413,799	$ 415,893	$ 379,513
Board designated and restricted funds, net of current portion	474,888	422,119	343,632
Funds held by trustee, net of current portion	50,081	19,418	14,866
Capital assets, net	698,436	663,650	647,036
Other assets	56,870	47,340	57,518
Total assets	**1,694,074**	**1,568,420**	**1,442,565**
Deferred Outflows:			
Loss on defeasence of debt	$ 15,364	$ -	$ -
Deferred outflow of resources	7,200	6,600	-
Deferred outflow - actuarial	2,654	-	-
Total deferred outflows	**25,218**	**6,600**	**-**
Total assets and deferred outflows	**$ 1,719,292**	**$ 1,575,020**	**$ 1,442,565**
Liabilities:			
Current liabilities	$ 115,252	$ 113,325	$ 97,619
Bonds payable, net of current portion	358,906	316,991	321,986
Other long-term liabilities	50,249	50,573	48,955
Total liabilities	**524,407**	**480,889**	**468,560**
Net position:			
Unrestricted and invested in capital assets, net	$ 1,185,190	$ 1,096,477	$ 966,923
Restricted by donors - charity and other	7,460	4,993	5,297
Restricted - endowments	2,235	1,785	1,785
Total net position	**1,194,885**	**1,103,255**	**974,005**
Total liabilities and net position	**$ 1,719,292**	**$ 1,584,144**	**$ 1,442,565**
Operating cash equivalents & short-term investments	$ 285,907	$ 279,342	$ 256,841
Board designated & restricted funds	484,186	433,854	355,367
Total available cash & investments	**$ 770,093**	**$ 713,196**	**$ 612,208**

Investments

The consolidated District maintains sufficient cash balances to pay daily operational expenses and all short term liabilities. In late fiscal year 2012, the Hospital (exclusive of the District) selected an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments, and both the investment policies for Surplus Cash and Cash Balance Plan were updated and approved by the Hospital Board of Directors. The policies allow for greater diversification in the investment portfolios to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength. Beginning early in fiscal year 2013, an Investment Committee was formed to perform the following responsibilities, among others: monitor performance of investment managers, monitor allocations across investment styles and investment managers, review compliance with the policies, and make recommendations for revisions to the policies. Throughout fiscal years 2015 and 2014, the number of money managers expanded from two money managers for Surplus Cash to approximately twenty-seven managers.

Capital Assets

In fiscal year 2015, the organization continued the replacement of its current electronic health record. In January 2014, the Hospital entered into a multi-year strategic partnership with Epic Corporation to install an electronic system known internally as "iCare". The Hospital will be able to provide access to lifetime health records across its regional community while delivering real time bedside clinical decision support and data sets that will be optimized with best practices on a single platform. This platform will provide for exchange of patient medical data with many of the Hospital's strategic service area partners thus demonstrating to the community that the Hospital and its partners want to treat each citizen using timely, relevant information. The capital investment for the next 18 months will be approximately $73.0 million with a projected "go-live" date of November 2015. Since the beginning of the project (late fiscal year 2014) through the end of fiscal year, the District has spent $36.0 million on the implementation of iCare.

At the Mountain View campus, the $19.0 million project to build out a 16,000 square foot area of the new hospital for the relocation of its Data Center and other non-IT functions were completed in fiscal year 2015. The Hospital replaced its prior Mountain View Dialysis campus site with a state of the art Cancer Center at a cost of $5.5 million which moved from a previous campus location and opened to patients in late May 2015.

The Hospital continued with its structural design and development of its replacement Behavior Health building on the Mountain View campus projected at a total cost of $50.0 million and projected completion date of 2017. Initial Board approvals were granted in fiscal year 2015 for design development of the expansion of the North Drive parking structure and an Integrated Medical Office Building to replace the North Addition of the old hospital building.

Building infrastructure for Imaging, Surgery, and Central Sterile Processing at the Los Gatos site continued in fiscal year 2015. All required seismic upgrades to make the Los Gatos site in seismic compliance to 2030 were completed during 2015.

Revenues and Expenses

The following table displays revenues and expenses for 2015, 2014, and 2013:

Revenues & Expenses
Years Ended June 30, 2015, 2014 and 2013

(In Thousands)

	2015	2014	2013
Operating revenues:			
Net patient service revenue net of bad debt of $22,160, $18,690, $14,623 in 2015, 2014, and 2013, respectively	$ 746,645	$ 719,487	$ 691,545
Other revenue	29,830	28,378	21,565
Total operating revenues	**$ 776,475**	**$ 747,865**	**$ 713,110**
Operating expenses:			
Salaries, wages & benefits	$ 412,818	$ 398,577	$ 373,480
Professional fees and purchased services	100,152	91,240	90,649
Supplies	110,003	104,382	103,603
Depreciation and amortization	44,913	47,839	48,116
Rent and utilities	15,137	15,431	13,937
Interest	5,256	7,403	7,757
Other	12,882	13,930	10,571
Total operating expenses	**$ 701,161**	**$ 678,802**	**$ 648,113**
Operating income	**$ 75,314**	**$ 69,063**	**$ 64,997**
Nonoperating revenue (expense) items:			
General Obligation bond interest expense	(4,604)	(4,674)	(4,787)
Intergovernmental transfer expense	(6,759)	(2,391)	-
Realized investment income	14,795	18,706	26,848
Unrealized investment income	3,979	35,943	95
Property tax revenues	21,097	19,153	18,264
Restricted gifts, grants and other net of contributions to related parties	4,344	1,521	4,432
Unrealized (loss) gain on interest rate swap	(1,009)	(142)	4,061
Community benefit expense	(8,023)	(7,150)	(7,407)
Other, net	1,621	(779)	(3,641)
Total nonoperating revenues and expenses	**$ 25,441**	**$ 60,187**	**$ 37,865**
Increase in net position	**$ 100,755**	**$ 129,250**	**$ 102,862**
Total net position, beginning of year	**1,103,255**	**974,005**	**871,143**
CUMULATIVE EFFECT OF RESTATEMENT	**(9,125)**	**-**	**-**
Total net position, beginning of year, as restated	**1,094,130**	**974,005**	**871,143**
Total net position, end of year	**$ 1,194,885**	**$ 1,103,255**	**$ 974,005**

Fiscal Year 2015 Consolidated Financial Analysis

Net Patient Services Revenues

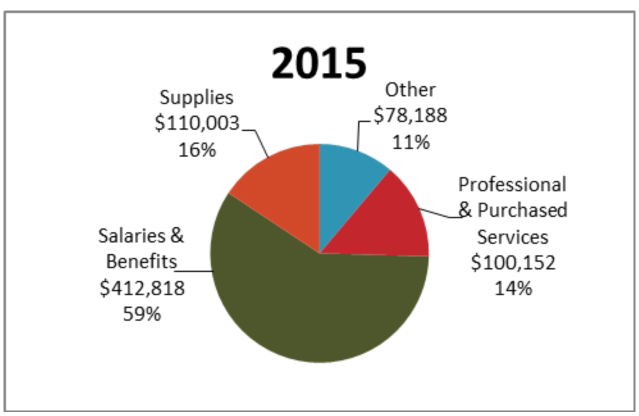
Net patient services revenue in fiscal year 2015 increased by $27.2 million, or 3.8% over fiscal year 2014. This increase was due to increases in volumes and contribution margins for the HIV, Oncology, Spine, and Imaging service lines. Additional intergovernmental funds ("IGT") of $6.0 million was received in fiscal year 2015 to catch up for a one year backlog in payment.

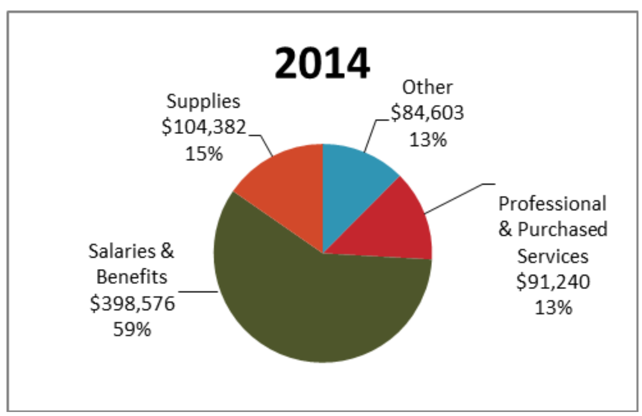
Specialty	2015 Days	2014 Days	% Change
Medical/Surgical	60,403	57,210	5.6%
Maternity	15,618	16,169	-3.4%
Pediatrics	15	42	-64.3%
NICU	5,808	5,980	-2.9%
Psychiatry	7,943	7,482	6.2%
Normal newborn	11,522	11,670	-1.3%
Total	**101,309**	**98,553**	**2.8%**

Specialty	2015 LOS	2014 LOS	% Change
Medical/Surgical	4.9	4.8	4.3%
Maternity	3.0	3.1	-6.3%
Pediatrics	1.9	1.9	0.0%
NICU	9.8	10.4	-5.8%
Psychiatry	9.7	8.9	9.0%
Normal newborn	2.5	2.4	4.2%
ALOS	**4.3**	**4.2**	**2.4%**

The overall case mix index, which is an indicator of patient acuity, was 1.44 in fiscal year 2015, compared to 1.42 in fiscal year 2014.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $14.2 million in fiscal year 2015 over 2014, which is 58.9% of total operating expenses and consistent with fiscal year 2014. Salaries and wages (exclusive of employee benefits) increased by $11.8 million over fiscal year 2015. Registered Nurse ("RN") payroll salaries increased by $6.9 million in fiscal year 2015 compared to 2014. Approximately $1.8 million of this increase was due to scheduled contract wage increases of 2.0% that occurred in September 2014 and March 2015. The remaining increase was due to greater hours worked due to increased patient load. With an RN turnover rate of 4.5%, the Hospital continues to do better than the Northern California rate of 8.8% and the statewide rate of 10.1%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2015.

In fiscal year 2015, the Hospital added a very modest 10 Full Time Equivalents ("FTE"). With the on-going implementation of the Hospital's iCare electronic medical record system, the Hospital had to backfill a number of internal positions that were assigned to the project with more expensive outside temporary personnel.

Employees represented by SEIU United Healthcare Workers ("SEIU – UHW") are under a current contract that extends through June 2016. In fiscal year 2015 they received 3.0% increases in June 2015.

The Hospital's Stationary Engineers – Local 39, per the current three year contract through October 2016, received a 3.0% contractual increase in November 2014.

Hospital-represented, non-management staff were granted a 2.0% salary and wage increase in July 2014.

Senior executive staff received market-based adjustments in August 2014 that averaged 3.0% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by $2.9 million.

Significant increases were as follows:

- Healthcare expense increased by $1.7 million over fiscal year 2014 primarily due to employees' spouses and/or families opting into the Hospital's healthcare plans.

- Accrued PTO increased by $1.5 million over the prior year driven by wage and salary increases during the year.

- Employer Social Security and Medicare taxes increased by $700 thousand principally due to the increase in the Social Security wage base threshold and salary and wage increases.

- Retention bonuses of $500 thousand were paid in fiscal year 2015 to certain IT personnel to retain them to support the legacy electronic medical record system that will replaced by the new iCare system in November 2015.

- Net Workers Compensation expense decreased by $1.7 million over fiscal year 2014 due to a decrease in the needed actuarial reserves due, again as in the prior year, positive changes made administration of the program by the Hospital and the change in the Third Party Administrator for processing claims.

Professional and Purchased Services

Total professional and purchased services increased by $8.9 million over the prior fiscal year.

Significant increases were as follows:

- Cost of issuance expenses for the $160,455,000 2015A Revenue Bonds in May 2015 totaling $1.9 million.
- Physician medical fees for 24/7 on-call arrangements at Emergency Rooms (primarily adding OB Hospitalists services at both Mountain View and Los Gatos campuses in fiscal year 2015) totaling $1.6 million.
- Conversion to iCare (electronic healthcare record) to occur in November 2015 the legacy system's maintenance contract was being terminated before its normal expiration date - $1.5 million.
- Growth in the CONCERN's Employee Assistance Program caused increases for purchased outside counseling providers totaling $1.4 million.
- On-going repairs and maintenance to all the buildings on the Mountain View and Los Gatos campuses increased by $900 thousand in fiscal year 2015.
- Additional collection agency services were utilized in the current year to assist in working down the Accounts Receivable of the legacy system upon conversion to iCare in November totaling $600 thousand.

Supplies

Total supplies increased by $5.6 million in fiscal year 2015 over 2014. There was a significant outpatient volume increase of cancer patients causing an increase of infusion drugs of $3.3 million over last year, along with drug supply price increases in the range of 4.0% to 5.0% over the year. Surgery instrumentation sets increased in the fiscal year by $600 thousand due to increasing and standardizing of the instrumentation inventories.

Depreciation and Amortization

Depreciation and amortization expense this fiscal year decreased over the prior year by $2.9 million primarily caused by the state of art Imaging equipment in excess of $20.0 million put into service as the Mountain View hospital opened in November 2009 became fully depreciated in mid fiscal year 2014, thus in fiscal year 2015 no depreciation expense was attributable to this equipment.

Rent and Utilities

Rent and utilities this fiscal year decreased by an insignificant $294 thousand over fiscal year 2014.

Interest Expense

Operating interest expense is related to the newly issued 2015A Bonds, along with the 2009A bonds and the 2007 Series A, B, C bonds that were defeased in May 2015. This interest expense decreased in fiscal year 2015 by $2.1 million over fiscal year 2014 primarily by refunding of the 2007 Series Bonds as part of the 2015A issuance.

Other Expense

The decrease of $1.0 million over the prior fiscal year is due to decreased property taxes as the prior year had a one-time four (4) year retro billing for certain buildings at the Mountain View campus which are leased as medical offices to physicians; reduced malpractice in current year due to decreased monthly premiums, deductible payments, and special dividends. An offset to these decreases was an increase to employee expense for traveling to Wisconsin for necessary Epic (iCare) training sessions.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2015, the Hospital had twenty-seven money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The Hospital experienced unrealized gains of $4.0 million during fiscal year 2015; however, the change in net unrealized gains and losses for fiscal year 2015 was a Year over Year ("YOY") decrease of $32.0 million. Net unrealized gains in 2015 were primarily a result of strong domestic equity market returns as the S&P 500 Index was up 7.4% for the twelve months ended June 30, 2015. The combination of hedge funds and mutual funds unrealized gains were the main drivers of the increase; hedge funds experienced unrealized gains of $4.0 million in fiscal year 2015 and mutual funds $3.8 million. Mutual fund investments are primarily comprised of equity securities. Fixed income securities experienced a net unrealized loss of $3.8 million in 2015.

The YOY decrease in net unrealized gains and losses were primarily due to an $18.0 million decrease in mutual fund investments and an $11.3 million decrease in fixed income investments. Equity based mutual funds performed well during the fiscal year, however, were not able to keep pace with the level of returns in fiscal year 2014 as the S&P 500 Index was up 24.6% in fiscal year 2014. Within fixed income investments, the Barclays Aggregate Index return fell 2.5% fiscal YOY.

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2016 budget at their June 2015 meeting. The District is budgeting net income of $85.3 million in fiscal year 2016. Volumes are budgeted to increase 1.0%. Reimbursement rates are projected to decrease by 1.6%. Expenses are budgeted to increase by 3.9% with the implementation of Epic. The organization continues to improve quality indicators and has launched the Bundled Payment for Care Improvement program ("BPCI") focused on continuum of care.

Fiscal Year 2014 Consolidated Financial Analysis

Net Patient Services Revenues

Net patient services revenue in fiscal year 2014 increased by $27.9 million or 4.0% over fiscal year 2013. This increase was due to changes in payor reimbursement arrangements, infusion treatments, surgical volumes, and emergency room visits. Offsetting these increases was the closure of dialysis units. In fiscal year 2014, the Hospital was qualified to receive intergovernmental transfers ("IGT") and experienced an increase in AB 915 settlement revenue.

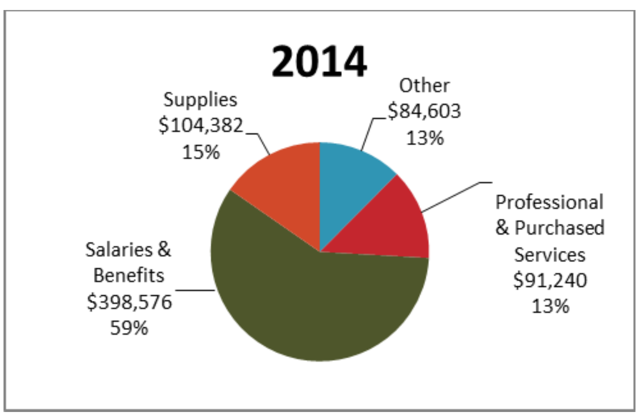
Inpatient Business Activity

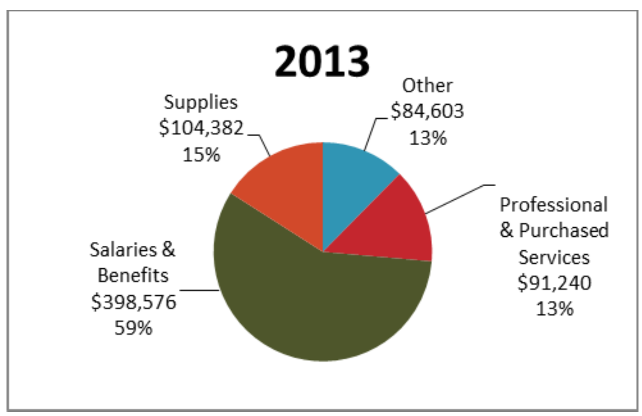
Specialty	2014 Days	2013 Days	% Change
Medical/Surgical	57,210	57,274	-0.1%
Maternity	16,169	13,600	18.9%
Pediatrics	42	72	-41.7%
NICU	5,980	5,936	0.7%
Psychiatry	7,482	7,789	-3.9%
Normal newborn	11,670	11,850	-1.5%
Total	**98,553**	**96,521**	**2.1%**

Specialty	2014 LOS	2013 LOS	% Change
Medical/Surgical	4.8	4.6	4.3%
Maternity	3.1	2.6	19.2%
Pediatrics	1.9	1.7	11.8%
NICU	10.4	10.3	1.0%
Psychiatry	8.9	9.2	-3.3%
Normal newborn	2.4	2.4	0.0%
ALOS	**4.2**	**4.0**	**5.0%**

The overall case mix index, which is an indicator of patient acuity, was 1.42 in fiscal year 2014, compared to 1.43 in fiscal year 2013.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $25.1 million in fiscal year 2014 over 2013, which is 58.7% of total operating expenses compared to 57.6% in fiscal year 2013. Salaries and wages (exclusive of employee benefits) increased by $17.0 million over fiscal year 2013. RN payroll salaries increased by $8.6 million in fiscal year 2014 compared to 2013. Approximately $3.4 million of this increase was due to scheduled contract wage increases of 2.0% that occurred in September 2013 and March 2014. The remaining increase was due to greater hours worked due to increased patient load. With an RN turnover rate of 6.9%, the Hospital continues to do better than the Northern California rate of 8.3% and the statewide rate of 8.9%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2014.

In fiscal year 2014, the Hospital added 146 Full Time Equivalents ("FTEs") of which 69 FTEs were due to the insourcing of total IT and Health Information Medical Records departments (beginning the last quarter of fiscal year 2013), which for the full year of 2014 added $4.69 million in additional salaries. Additionally, 30 FTEs were added in nursing and clinical areas, 12 FTEs for quality and patient satisfaction, and 17 FTEs for support services.

Employees represented by SEIU United Healthcare Workers ("SEIU – UHW") are under their current contract that extends through June 2015. In fiscal year 2014 they received 1% increases in July 2013 and January 2014.

The Hospital's Stationary Engineers – Local 39, per their current two year contract through November 2014, received a 2% contractual increase in November 2013. Additionally in November 2013, the contract was renegotiated for a new three year contract term through October 2016.

Hospital-represented, non-management staff were granted a 3% salary and wage increase in July 2013.

Senior executive staff received market-based adjustments in August 2013 that averaged 3.4% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by $8 million.

Significant increases were as follows:

- Healthcare expense increased by $9.6 million in fiscal year over 2013. This was attributable to the Hospital reverting back to covering 100% of the premium for the healthcare and dental coverage that became effective halfway through fiscal year 2013. Employees had previously contributed 10.0% of these costs. Also adding to the increase were the overall monthly premium increases and a significant increase in the number of covered employees.

- Accrued PTO increased by $4.0 million, driven by salary and wage increases, flat dollar differentials being paid for RN's on evening and night shifts and while on extended sick leave that occurred in January 2013.

- Employer Social Security and Medicare taxes increased by $1.9 million in fiscal year 2014, driven by the increase in the Social Security wage threshold, salary and wage increases, and additional FTEs.

- 403B Employer Match expense increased in fiscal year 2014 over prior year by $1.2 million due to increased participation and the return to an enhancement match of 5.0% and 6.0% for employees with longevity of 15 years and 20 years, respectively.

- Starting in fiscal year 2014, per the contract with Professional Resource of Nurses ("PRN"), the nursing staff could qualify for an incentive bonus for specific pre-determined enterprise-wide inpatient "Patient Satisfaction" measures ("HCAHPS" survey scores). Making great strides in service with Medication Communication being in the top 10% they qualified for approximately $0.9 million in this incentive bonus.

- Pension expense decreased in fiscal year 2014 over fiscal year 2013 by $4.5 million, attributable to an increased expense contribution to the Cash Balance Plan in fiscal year 2013 to be at the greater than 90.0% funded status. This additional expense was not needed in fiscal year 2014 to maintain the greater than 90.0% funded status.

- Workers compensation decreased by $4.3 million in fiscal year 2014 due to a decrease in needed actuarial reserves because of changes made administering the workers compensation program by the Hospital and change in the Third Party Administrator in claims processing bringing the backlog of claims current during the year.

Professional and Purchased Services

Total professional fees and purchased services increased by $0.6 million over the prior fiscal year.

Due to the insourcing of the IT and Health Information Management ("HIMS") departments (also discussed in the salaries and wages section) there was a decrease for payments to former outsource providers of $14.6 million offset by the Hospital now paying for all of its software maintenance agreements, which added $6.5 million in expense, for a net decrease of $8.1 million.

Other purchased services and medical equipment maintenance service agreements increased by $6.1 million, principally due to initial IT consulting work for the "iCare" (discussed in Capital Assets on page 3) that could not be capitalized, maintenance contracts for sophisticated medical equipment, HIMS outside coders, online patient accounts statements where a patient can review their accounts realtime, and in the pharmacy for mixing of drug compounds. Fees paid to physicians for various 24/7 on-call arrangements for the two campus' Emergency Rooms and fees in providing physician professional services in supporting Hospital programs of the Cancer Institute and Senior Health Center, increased by $2.6 million in the fiscal year 2014 over prior year 2013.

Supplies

Total supplies increased by a modest $0.8 million in fiscal year 2014 over 2013. Primarily this was due to significant price successions negotiated by Materials Management with certain vendors providing medical supplies in spine and orthopedic supplies.

Depreciation and Amortization

Depreciation and amortization expense in fiscal year 2014 decreased over the prior year by $0.3 million which was a combination of over $20.0 million in new Imaging equipment that was placed into the new hospital that opened in Mountain View in November 2009 becoming fully depreciated in fiscal year 2014 offset by recently acquired medical office buildings at the Los Gatos campus and the new surgical robot at the Mountain View site.

Rent and Utilities

Rent and utilities in fiscal year 2014 increased over the prior year by $1.5 million. Primary increases were in utilities of $1.1 million of which $0.3 million was the Hospital now paying the telecomm charges at the Mountain View campus triggered by the insourcing of the IT department occurring in fourth quarter of fiscal year 2013. There were increases to rental expense of $0.4 million due to the need of leasing a CT scanner at the Los Gatos campus as building renovations occur for the Imaging areas and for the tug robots at the Mountain View campus (which are being purchased in fiscal year 2015).

Interest Expense

Operating interest expense is related to the 2007 and 2009 bonds and capitalized equipment leases (General Obligation ("G.O.") Bonds are nonoperating expense). Interest expense decreased from the prior year by $0.4 million due to decreased 2007 bond interest expense, and all capitalized leases for imaging medical equipment ended in fiscal year 2014.

Other Expense

The increase of $3.4 million over the prior fiscal year is due to 1) back property taxes (four years) being billed by the County for certain buildings at the Mountain View campus which are medical office space for physicians; and 2) additional property tax areas with the Hospital taking on more properties as the master tenant around the Mountain View campus and the new medical office buildings acquired at the Los Gatos campus. The Hospital participated in a number of community benefit non-profit sponsorships and expended more in advertising of the Hospital's health services. Lastly there was a significant increase for training and travel expense due to the beginning of the implementation and install of the Epic electronic health record for over 100 employees traveling to Wisconsin for training and use of the new software.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2014, the Hospital had twenty-seven money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The change in net unrealized gains and losses for fiscal year 2014 was a Year over Year ("YOY") positive change of $35.8 million. The net unrealized gain in 2014 was a result of strong equity market returns as the S&P 500 Index was up 24.6% for the twelve months ended June 30, 2014. The combination of equities and mutual funds unrealized gains was the main driver of the increase; equities experienced unrealized gains of $1.8 million in fiscal year 2014 and mutual funds $21.9 million. Mutual fund investments are primarily comprised of equity securities.

Fixed income securities experienced a net unrealized gain of $4.7 million as the Barclays Capital Aggregate Index returned 4.4% during fiscal year 2014. Hedge fund investments also generated net unrealized gains of $7.5 million in fiscal year 2014.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
El Camino Healthcare District

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Camino Healthcare District (the "District"), which comprise the consolidated statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the District as of June 30, 2015 and 2014, and the consolidated results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, for the fiscal year ended June 30, 2015, the District adopted new Government Accounting Standard Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions – An amendment to GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 65, Pension Disclosures. As required by the standard, net position was restated as of July 1, 2014, and therefore the required disclosures are for fiscal year ended June 30, 2015 only. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 1 through 12, and the accompanying supplemental pension and postretirement benefit information on page 43, are not required parts of the consolidated financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers them to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational economic, or historical context. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position, on pages 41 to 43, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying supplemental schedule of community benefit on page 46 is presented for purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the District's management. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
October 21, 2015

CONSOLIDATED FINANCIAL STATEMENTS

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF NET POSITION
June 30, 2015 and 2014
(In Thousands)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 59,149	$ 53,112
Short-term investments	226,758	226,230
Current portion of board designated and trusteed assets	9,298	11,735
Patient accounts receivable, net of allowances for doubtful accounts of $2,832 and $9,138 in 2015 and 2014, respectively	96,053	103,056
Prepaid expenses and other current assets	22,538	21,730
Notes receivable, current	3	30
Total current assets	413,799	415,893
Non-current cash and investments		
Board-designated funds	474,833	422,066
Restricted funds	55	53
Funds held by trustee	50,081	19,418
	524,969	441,537
Capital assets, net	698,436	663,650
Pledges receivable, net	1,825	846
Prepaid pension asset	24,327	36,099
Investments in healthcare affiliates	30,718	26,119
Total assets	1,694,074	1,584,144
Deferred outflows		
Loss on defeasence of bond payable	15,364	-
Deferred outflows of resources	7,200	-
Deferred outflows - actuarial	2,654	-
Total deferred outflows	25,218	-
Total assets and deferred outflows	$ 1,719,292	$ 1,584,144
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 30,926	$ 30,441
Salaries, wages, and related liabilities	46,248	43,847
Other current liabilities	10,112	12,099
Estimated third-party payor settlements	20,253	21,944
Current portion of bonds payable	7,713	4,994
Total current liabilities	115,252	113,325
Bonds payable, net of current portion	358,906	316,991
Other long-term obligations	10,633	10,247
Workers' compensation, net of current portion	22,419	24,037
Post-retirement medical benefits, net of current portion	17,197	16,289
Total liabilities	524,407	480,889
Net position		
Invested in capital assets, net of related debt	353,560	363,111
Restricted - expendable	7,460	4,993
Restricted - nonexpendable	2,235	1,785
Unrestricted	831,630	733,366
Total net position	1,194,885	1,103,255
Total liabilities and net position	$ 1,719,292	$ 1,584,144

See accompanying notes.

(In Thousands)

	2015	2014
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $22,160 and $18,690 in 2015 and 2014, respectively)	$ 746,645	$ 719,487
Other revenue	29,830	28,378
Total operating revenues	776,475	747,865
OPERATING EXPENSES		
Salaries, wages, and benefits	412,818	398,577
Professional fees and purchased services	100,152	91,240
Supplies	110,003	104,382
Depreciation and amortization	44,913	47,839
Rent and utilities	15,137	15,431
Other	18,138	21,333
Total operating expenses	701,161	678,802
Income from operations	75,314	69,063
NONOPERATING REVENUES (EXPENSES)		
Investment income, net	18,774	54,649
Property tax revenue		
Designated to support community benefit programs and operating expenses	7,100	6,953
Designated to support capital expenditures	5,152	4,145
Levied for debt service	8,845	8,055
General Obligation bond interest expense	(4,604)	(4,674)
Intergovernmental transfer expense	(6,759)	(2,391)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	4,344	1,521
Unrealized loss on interest rate swaps	(1,009)	(142)
Community benefit expense	(8,023)	(7,150)
Other, net	1,621	(779)
Total nonoperating revenues (expenses)	25,441	60,187
Increase in net position	100,755	129,250
TOTAL NET POSITION, beginning of year	1,103,255	974,005
CUMULATIVE EFFECT OF RESTATEMENT	(9,125)	-
TOTAL NET POSITION, beginning of year, as restated (Note 1)	1,094,130	974,005
TOTAL NET POSITION, end of year	$ 1,194,885	$ 1,103,255

See accompanying notes.

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	$ 745,198	$ 703,229
Other cash receipts	30,819	28,707
Cash payments to employees	(418,327)	(391,793)
Cash payments to suppliers	(250,969)	(226,236)
Net cash from operating activities	106,721	113,907
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	12,252	11,098
Restricted contributions and investment income	3,365	2,326
Transfers from restricted funds and other	(2)	5
Net cash from noncapital financing activities	15,615	13,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property, plant, and equipment	(81,057)	(65,547)
Proceeds from disposal of property, plant and equipment	369	765
Payments on capital leases obligations	-	(4,961)
Payments on bonds payable	(2,719)	(4,593)
Proceeds from bond issuance	177,921	-
Interest paid on General Obligation bond debt	(4,604)	(4,674)
Refunding of bonds payable	(145,932)	-
Tax revenue related to General Obligation bond debt	8,845	8,055
Net cash used for capital and related financing activities	(47,177)	(70,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(925,344)	(867,339)
Sales of investments	874,486	770,600
Investment income	12,372	46,720
Decrease in notes receivable	27	43
Change in funds held by trustee, net	(30,663)	(4,552)
Net cash used for investing activities	(69,122)	(54,528)
Net increase in cash and cash equivalents	6,037	1,853
CASH AND CASH EQUIVALENTS at beginning of year	53,112	51,259
CASH AND CASH EQUIVALENTS at end of year	$ 59,149	$ 53,112
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	$ 75,314	$ 69,063
Adjustments to reconcile income from operations to net cash from from operating activities		
Loss on disposal	989	329
Depreciation and amortization	44,913	47,839
Provision for bad debts	22,160	18,690
Changes in assets and liabilities		
Patient accounts receivable, net	(23,607)	(34,948)
Prepaid expenses and other current assets	(12,614)	(7,980)
Current liabilities	899	19,438
Other long-term obligations	(2,241)	728
Postretirement medical benefits	908	748
Net cash from operating activities	$ 106,721	$ 113,907

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – During fiscal year 2013, El Camino Hospital District changed its name to El Camino Healthcare District (the "District"), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the "Hospital") and its related corporations.

The District includes the following component units, which are included as blended component units of the District's consolidated financial statements: the Hospital, El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center, LLC ("ECSC"), and Silicon Valley Medical Development, LLC ("SVMD").

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws. As of June 30, 2015 and 2014, the Hospital owns 100% of ECSC.

The purpose of CONCERN is to provide and operate a specialized healthcare service plan for various business organizations nationwide; CONCERN has a limited Knox-Keene license from the Department of Corporations of the State of California.

SVMD was formed in September 2008 as a Limited Liability Corporation ("LLC"), a wholly owned subsidiary of the Hospital focused on the expansion of the clinical enterprise outside of the Hospital through various business ventures and physician alignment initiatives that improve access for the Hospital's current patients and new, underserved members of the community, extend healthcare into people's homes through the applications of electronic connectivity and assist independent physicians in clinical integration with the Hospital, among other initiatives.

All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements.

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

Accounting standards – Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Alliance'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 and the California Code of Regulations, Title 2, Section 1131, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines.

Use of estimates – The preparation of the consolidated 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates include contractual allowances related to net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, workers' compensation liability, postretirement medical benefits liability, and useful lives of capital assets. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in fiscal years 2015 and 2014, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments – Investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, hedge funds, hedge fund of funds, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the board for future capital improvements and other operational reserves, over which the board retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating revenue or expense.

Funds held by trustee – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee. These assets are available for the settlement of future current bond obligations and capital expenditures.

Capital assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair market value on the date of donation. All purchases over $2,500 are capitalized. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	16 years
Buildings and fixtures	25 – 47 years
Equipment	3 – 16 years

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Costs of borrowing – Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investments in healthcare affiliates – The Hospital holds an interest in Pathways Home Health & Hospice, Pathways Private Duty (formerly Pathways Continuous Care), and five Satellite Dialysis Centers, which are reported based on the equity method of accounting. ECSC holds an interest in El Camino Ambulatory Surgery Center ("ECASC"), which is reported based on the cost method of accounting.

Risk management – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-insurance plans – The Hospital maintains professional liability insurance on a claims-made basis, with liability limits of $40,000,000 in aggregate, and which is subject to a $50,000 deductible. Additionally, the Hospital is self-insured for workers' compensation benefits. The Hospital purchases a Workers' Compensation Excess Policy that insures claims greater than $1,000,000 with a limit of $25,000,000 and a $1,000,000 deductible. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as other current liabilities and workers' compensation, net of current portion, respectively, in the accompanying consolidated financial statements.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30, (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2015	$ 26,337	$ 3,584	$ 5,202	$ 24,719	$ 2,300

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2014	$ 25,709	$ 3,812	$ 3,184	$ 26,337	$ 2,300

Compensated absences – Vested or accumulated vacation and sick leave are recorded as an expense and liability of the Hospital as the benefits accrue to employees. For all employees, vacation leave is accumulated to a maximum of 356 hours per employee per year for a full-time employee, pro-rated for part time employee, and accumulations are payable in full to employees upon termination. For most employees, the maximum that can be accrued is 400 hours. Sick leave is accumulated indefinitely at a maximum of 40 hours for a full-time employee per year, and is not vested with the employee upon termination.

The following is a summary of changes in compensated absences transactions for the years ended June 30, (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2015	$ 21,152	$ 39,830	$ 39,062	$ 21,920	$ 21,920

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2014	$ 19,298	$ 37,739	$ 35,885	$ 21,152	$ 21,152

Interest rate swap agreements – During the fiscal year ended June 30, 2007, the Hospital entered into derivative instruments in the form of three swap agreements to hedge variable interest rate exposure. During the fiscal year ended June 30, 2008, the underlying variable rate debt was refunded for fixed rate debt, leaving the Hospital with speculative derivative instruments that largely offset the variable rate debt issued in 2009. Two of these swaps were terminated in the fiscal year ended June 30, 2010. Refer to Note 9 for a full description of the interest rate swap agreements.

Net position – Net position of the District is classified as invested in capital assets, restricted–expendable, restricted-nonexpendable, and unrestricted net position.

> **Invested in capital assets, net of related debt** – Invested in capital assets of $353,560,000 and $363,111,000 at June 30, 2015 and 2014, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation less any debt issued to finance those capital assets.
>
> **Restricted - expendable** – The restricted expendable net position is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted - nonexpendable – The restricted nonexpendable net position is equal to the principal portion of permanent endowments.

Unrestricted net position – Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted.

Statements of revenues, expenses, and changes in net position – For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on short term investments, unrealized losses or gains on interest rate swap, nonexchange contributions received from the Foundation's fundraising activities and are reported as nonoperating. Investments in Pathways Home Health & Hospice and Pathways Private Duty are accounted for under the equity method. The Hospital's share of the operating income of these entities is included as other, net in the consolidated financial statements.

Net patient service revenue and patient accounts receivable – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. At June 30, 2015 and 2014, the Hospital provided allowances for losses on amounts receivable directly from patients totaling $3,371,000 and $9,125,000, respectively. The distribution of net patient accounts receivable by payor at June 30, 2015 and 2014, is as follows:

	June 30,	
	2015	2014
Medicare	17%	15%
Medi-Cal	4%	4%
Commercial and other	78%	79%
Self pay	1%	2%
	100%	100%

Uncollectible accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of estimated costs for services and supplies furnished under the Hospital's charity care policy aggregated approximately $1,708,000 and $1,764,000 in 2015 and 2014, respectively.

Property tax revenue – The District received approximately 21% in 2015 and 15% in 2014 of its total increase in net position from property taxes. These funds were designated as follows (in thousands):

	June 30, 2015	June 30, 2014
Designated to support community benefit programs and operating expenses	$ 7,100	$ 6,953
Designated to support capital expenditures	$ 5,152	$ 4,145
Levied for debt service	$ 8,845	$ 8,055

Property taxes are levied by the County on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as nonoperating revenue by the District when they are earned.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and 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 for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District operates under the purview of the Internal Revenue Code (the "Code"), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. ECSC and SVMD are limited liability companies and are treated as pass-through entities for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

Reclassifications – Certain amounts in the 2014 notes to the consolidated financial statements have been reclassified to conform to the 2015 presentation.

Restatement – The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("GASB No. 68"), which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension 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 are also addressed. The District has adopted this statement for the fiscal year ended June 30, 2015, and as a result, the consolidated financial statements presented herein have been restated retrospectively as follows (in thousands):

	June 30, 2014		
	As previously Reported	Adjustment	As Adjusted
Unrestricted net position, end of year	$ 1,103,255	$ (9,125)	$ 1,094,130
Total net position, beginning of year	$ 974,005	$ -	$ 974,005
Total net position, end of year	$ 1,103,255	$ (9,125)	$ 1,094,130

New accounting pronouncements - The GASB also issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"), which is 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 reviewed and evaluated this pronouncement and has determined no impact to the consolidated financial statements for the fiscal year ended June 30, 2015.

The GASB also issued GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68.* ("GASB No. 71"), which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 71 amends GASB No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB No. 68. The District has reviewed and evaluated this pronouncement and has determined no material impact to the consolidated financial statements for the fiscal year ended June 30, 2015.

NOTE 2 – OPERATING REVENUES

The following table reflects the percentage of net patient revenues by major payor group for the years ended June 30:

	2015	2014
Medicare	21%	23%
Commercial and other	77%	74%
Medi-Cal	2%	3%
	100%	100%

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per procedure. The District is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The effect of updating prior year estimates for Medicare and other liabilities was to decrease 2015 net operating income by $1,691,000, and increase 2014 net operating income by $701,000. The Hospital's cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.

Non-Designated Public Hospitals ("NDPHs"), including the Hospital, were authorized, in 2011's AB 113, to use intergovernmental transfers ("IGTs") to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit ("UPL"). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2015 and 2014, the Hospital recognized amounts under the IGT program of $12,302,000 and $4,351,000, respectively, which have been reported as net patient service revenue.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

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

Included in other revenue are amounts from investments in health-related activities, rental income, cafeteria, and other nonpatient care revenue.

NOTE 3 – CASH DEPOSITS

At June 30, 2015 and 2014, District cash deposits had carrying amounts of $59,149,000 and $53,112,000, respectively, and bank balances of $62,854,000 and $57,204,000, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code ("CGC"), except for $250,000 per account that is federally insured by the Federal Deposit Insurance Corporation ("FDIC").

The District participates in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender. At June 30, 2015 and 2014, balances in repurchase agreements had bank balances of $58,069,000 and $55,883,000, respectively, and are included in the carrying amounts above.

NOTE 4 – BOARD-DESIGNATED, TRUSTEED ASSETS, AND INVESTMENTS

Board-designated funds, trusteed assets, and short-term investments, collectively, as of June 30, 2015 and 2014, comprised the following (in thousands):

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
2015				
Cash and cash equivalents	$ 26,868	$ -	$ -	$ 26,868
Mutual funds	178,470	27,189	-	205,659
Real estate funds	22,058	4,163	-	26,221
Hedge funds	94,138	8,784	(207)	102,715
Equities	33,599	10,254	(1,575)	42,278
Fixed income securities	300,953	8,540	(2,345)	307,148
	$ 656,086	$ 58,930	$ (4,127)	$ 710,889
2014				
Cash and cash equivalents	$ 22,857	$ -	$ -	$ 22,857
Mutual funds	129,554	33,125	(37)	162,642
Real estate funds	14,842	425	-	15,267
Hedge funds	86,528	5,179	(289)	91,418
Equities	31,961	9,898	(1,329)	40,530
Fixed income securities	323,307	5,197	(1,187)	327,317
	$ 609,049	$ 53,824	$ (2,842)	$ 660,031

At June 30, 2015, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years): Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 26,868	$ 26,868	$ -	$ -	$ -
Mutual funds	205,659	205,659	-	-	-
Real estate funds	26,221	26,221	-	-	-
Hedge funds	102,688	102,688	-	-	-
Government and agencies	130,276	23,268	75,917	16,542	14,549
Corporate bonds	70,565	15,888	34,900	11,968	7,809
Domestic fixed income	101,181	-	19,309	10,171	71,701
Foreign fixed income	5,153	-	236	2,975	1,942
	668,611	$ 400,592	$ 130,362	$ 41,656	$ 96,001
Equities	42,278				
Total fair value	$ 710,889				

At June 30, 2014, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 22,857	$ 22,857	$ -	$ -	$ -
Mutual funds	162,642	162,642	-	-	-
Real estate funds	15,267	15,267	-	-	-
Hedge funds	91,418	91,418	-	-	-
Government and agencies	126,485	17,953	76,033	20,885	11,614
Corporate bonds	99,602	18,319	58,410	15,351	7,522
Domestic fixed income	89,133	-	12,799	7,701	68,633
Foreign fixed income	12,097	1,536	2,114	4,592	3,855
	619,501	$ 329,992	$ 149,356	$ 48,529	$ 91,624
Equities	40,530				
Total fair value	$ 660,031				

Interest rate risk – Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting duration of fixed income securities in its portfolio to no more than 30% of the designated benchmark.

Credit risk – District investment policies require fixed income investments to have a minimum of 85% of a money manager's assets in investment grade assets. The investment policy requires investment managers maintain an average of A- or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 5% of a money manager's portfolio at the time of purchase shall be invested in the securities of any one issuer, with the exception of a United States government agency, agency MBS or other Sovereign issues rated AAA or Aaa.

Foreign currency risk – The District's investment policy permits it to invest up to 30% of total investments in foreign currency denominated investments.

Alternative investments risk – The District's alternative investments include ownership interest in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. The District's holdings can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously relating to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance are considered and reviewed by the District's Investment Committee and the Board of Directors. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from naturals. Intangible assets are subject to legal challenge and other possible impairment.

The carrying amount of deposits and investments are included in the District's consolidated statements of net position as follows (in thousands):

	2015	2014
Included in the following consolidated statement of net position captions:		
Short-term investments	$ 226,758	$ 226,230
Current portion of board designated and trusteed assets	9,298	11,735
Board designated, less current portion	474,833	422,066
Total carrying amount of deposits and investments	$ 710,889	$ 660,031

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, is as follows (in thousands):

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 55,130	$ -	$ -	$ 55,130
Construction in progress	24,404	21,914	-	46,318
	79,534	21,914	-	101,448
Capital assets being depreciated				
Land improvement	13,872	-	-	13,872
Buildings	723,628	11,733	1,938	733,423
Capital equipment	283,813	47,410	1,173	330,050
	1,021,313	59,143	3,111	1,077,345
Less accumulated depreciation for				
Land improvement	6,505	909	-	7,414
Buildings	220,318	20,628	713	240,233
Capital equipment	210,374	23,376	1,040	232,710
	437,197	44,913	1,753	480,357
Total capital assets being depreciated, net	584,116	14,230	1,358	596,988
Total capital assets, net	$ 663,650	$ 36,144	$ 1,358	$ 698,436

Capital assets activity for the year ended June 30, 2014, is as follows (in thousands):

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated				
Land	$ 39,627	$ 15,503	$ -	$ 55,130
Construction in progress	11,226	13,178	-	24,404
	50,853	28,681	-	79,534
Capital assets being depreciated				
Land improvement	11,283	2,589	-	13,872
Buildings	713,538	10,502	412	723,628
Capital equipment	264,711	23,775	4,673	283,813
	989,532	36,866	5,085	1,021,313
Less accumulated depreciation for				
Land improvement	5,694	811	-	6,505
Buildings	200,308	20,422	412	220,318
Capital equipment	187,347	26,606	3,579	210,374
	393,349	47,839	3,991	437,197
Total capital assets being depreciated, net	596,183	(10,973)	1,094	584,116
Total capital assets, net	$ 647,036	$ 17,708	$ 1,094	$ 663,650

Construction contracts of approximately $74,522,000 exist for the construction of various projects including upgrading the Los Gatos campus, Los Gatos seismic upgrades, and the Women's Hospital at the Mountain View campus. At June 30, 2015, the remaining commitment on these contracts approximated $17,159,000.

NOTE 6 – EMPLOYEE BENEFIT PLANS

The Hospital sponsors a cash-balance pension plan (the "Plan"), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer Plan benefits are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after five pension years.

For fiscal years prior to 2015, the District recognized pension expense based upon GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* In fiscal year 2015, the District adopted GASB No. 68 retroactive to fiscal year beginning July 1, 2013. The adoption of GASB No. 68 resulted in the following changes to the statement of net position as of June 30, 2014; recognition of an additional $15,725,000 in pension-related liability and $6,600,000 in deferred outflows of resources, and a reduction in unrestricted net positon by $9,125,000.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Participant data for the Plan, as of the measurement date January 1 for the indicated years is as follows:

	2015
Active	2,677
Retirees and beneficiaries	460
Vested terminated	897
Total participants	4,034

Components of pension cost and deferred outflows of resources as calculated under the requirements of GASB No. 68 are as follows (in thousands):

Deferred outflows of resources		
Deferred outflows of resources as of June 30, 2015		
Difference between expected and actual experience	$	519
Changes in assumptions		799
Difference between projected and actual investment earnings		1,336
Total	$	2,654
Deferred inflows of resources as of June 30, 2015		
Difference between expected and actual experience	$	-
Changes in assumptions		-
Difference between projected and actual investment earnings		-
Total	$	-
Contributions between the measurement date and fiscal year end recognized as a deferred outflow of resources	$	7,200

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense are as follows

Future Years' Recognition of		
2016	$	601,853
2017	$	601,853
2018	$	601,853
2019	$	601,853
2020	$	246,475
Thereafter	$	-

The following table summarizes changes in pension liability for fiscal year ended June 30, 2015, with a measurement date of December 31, 2014 (in thousands):

Total pension liability	**2015**
Service cost	$ 7,757
Interest	10,892
Changes of benefit terms	-
Differences between expected and actual experience	625
Changes of assumptions	961
Benefit payments	(9,982)
Net change in total pension liability	10,253
Total pension liability beginning of fiscal year	178,701
Total pension liability end of fiscal year	$ 188,954

	2015 with Measurement Date of 12/31/2014
Total pension liability	$ 188,954
Plan fiduciary net position	213,281
Net pension liability	$ (24,327)
Plan fiduciary net position as a percentage of total pension liability	112.87%
Covered payroll	$ 266,844
Net pension liability as a percentage of covered payroll	-9.12%
Contributions between the measurement date and year ended June 30, 2015 as deferred outflow of resources	$ 7,200

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2015:

Assumptions	
Valuation Date	Contributions related to the actuarially determined contributions are made for the plan year January 1 to December 31.
Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Based on the RE-2014 Healthy Annuitant and Employee tables for males and females with generational projections from 2015 using projection scale MP-2014
Discount Rate	6.00%

Sensitivity of the Net Pension Liability (in thousands):

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset) as of December 31, 2014	$ 1,653	$ 24,327	$ 43,223

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash–balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of $9,183,000 and $8,167,000 in 2015 and 2014, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash–balance pension plan.

NOTE 7 – POSTRETIREMENT MEDICAL BENEFITS

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994, are eligible. Under the plan, employees are credited with employment history accumulated under a prior Hospital plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits. As of June 30, 2015 and 2014, approximately 413 and 486 employees and former employees, respectively, were eligible to participate in the plan. For the fiscal years ended June 30, 2015 and 2014, the Hospital contributed $525,000 and $526,000, respectively, to fund benefits paid in those years.

The Hospital's annual postretirement benefit cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits - Employer Reporting*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Hospital's annual postretirement benefit cost, the amount actually contributed to the plan, and the changes in the Hospital's postretirement benefit obligation (in thousands):

	2015	2014
Annual required contribution	$ 1,711	$ 1,683
Interest on postretirement benefit obligation	692	654
Adjustment to annual required contribution	(971)	(353)
Annual postretirement benefit expense	1,432	1,984
Employer contributions	(525)	(526)
Increase in accumulated benefit obligation	$ 907	$ 1,458
Postretirement benefit obligation, beginning of the year	$ 16,290	$ 14,832
Postretirement benefit obligation, end of the year	$ 17,197	$ 16,290

The Hospital's annual postretirement benefit cost, the percentage of annual postretirement benefit cost contributed to the plan, and the postretirement benefit obligation for 2015 and the two preceding years were as follows (in thousands):

	Annual Postretirement Benefit Expense	Percentage of Annual Postretirement Benefit Expense Contributed	Postretirement Benefit Obligation
Fiscal Year Ended			
June 30, 2013	$ 1,024	71.00%	$ 14,832
June 30, 2014	$ 1,984	26.51%	$ 16,290
June 30, 2015	$ 1,432	36.66%	$ 17,197

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $21,118,000, resulting in an unfunded actuarial accrued liability ("UAAL") of $21,118,000. The covered payroll (annual payroll of active employees covered by the plan) was $32,016,000, and the ratio of the UAAL to the covered payroll was -66.0%.

The measurement date for the baseline actuarial analysis as of June 30, 2015 and 2014, is June 30, 2013. For measurement purposes, annual rates of increase in the per capita cost of covered healthcare benefits of 9% were assumed for both fiscal years 2015 and 2014. The rate was assumed to decrease gradually to 4.5% over the next six years and remain at that level thereafter as of June 30, 2015 and June 30, 2014. The dental benefit trend rate was assumed to be 4.5% in all future years for 2015 and 2014, respectively. The discount rate used was 4.25% for both 2015 and 2014. The UAAL is being amortized as a level percentage over 30 years on an open basis.

The Hospital's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial valuation was determined using the following assumptions:

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

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

NOTE 8 – INSURANCE PLANS

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group ("BHG"), and also purchases all-risk property insurance (including limited flood), fiduciary, crime, and excess workers' compensation coverage needs from Alliant Insurance Services ("Alliant"). The Hospital's coverage is under a claims-made policy with limits of $30 million per occurrence, $40 million in the annual aggregate, and with a self-insured retention level of $50,000 per claim.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted from services provided to patients. The Hospital has actuarial estimates performed annually on its self-insurance plans of professional liability and workers' compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims. The balances are included in salaries and wages payable, workers' compensation and other long-term liabilities in the accompanying consolidated statements of net position.

NOTE 9 – BONDS PAYABLE

Bonds payable consists of the following obligations (in thousands):

	June 30, 2015	June 30, 2014
El Camino Hospital District 2006		
General Obligation Bonds		
Principal	$ 138,345	$ 140,010
Unamortized premium	353	525
El Camino Hospital Revenue Bonds		
Series 2007		
Principal	-	131,100
Unamortized premium	-	350
Series 2009		
Principal	50,000	50,000
Series 2015A		
Principal	160,455	-
Unamortized premium	17,466	-
Total long-term debt	366,619	321,985
Less current maturities	7,713	4,994
Maturities due after one year	$ 358,906	$ 316,991

2015

	Balance at June 30, 2014	Additions	Payments	Balance at June 30, 2015
General Obligation Bonds	$ 140,533	$ -	$ 1,835	$ 138,698
Revenue bonds	181,452	177,921	131,452	227,921
	$ 321,985	$ 177,921	$ 133,287	$ 366,619

2014

	Balance at June 30, 2013	Additions	Payments	Balance at June 30, 2014
General obligation bonds	$ 142,013	$ -	$ 1,480	$ 140,533
Revenue bonds	184,565	-	3,113	181,452
	$ 326,578	$ -	$ 4,593	$ 321,985

General obligation bonds – Upon voter approval, in November 2003, the District issued in 2006, $148,000,000 principal amount of General Obligation Bonds, which consists of $115,665,000 of Current Interest Bonds, and $32,335,000 of Capital Appreciation Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from $1,665,000 in 2015 to $18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% to 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity.

The Current Interest Bonds maturing on or before August 1, 2016, are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2007 – Each Series of Bonds initially bore interest at Auction Rates for successive seven-day Auction Periods. Interest on the Bonds was payable on the Business Day immediately following the applicable Auction Period.

In May 2008, the Hospital issued $147,525,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2007A, B, and C, at rates of 5.125% to 5.750%, to advance refund $147,525,000 of the outstanding original Series 2007A, B, and C. Principal maturities on the serial bonds range from $3,075,000 in 2015 to $7,200,000 in 2041, and are due annually on February 1. In May 2015, the Hospital advance refunded these bonds with the issuance of the Revenue Bonds, Series 2015.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued $50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A to fund completion of the Hospital Replacement construction project. Interest on the Bonds is payable on the Business Day immediately following the applicable Remarketing Period. Principal maturities on the bonds range from $100,000 in 2025 to $10,920,000 in 2044, and are due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust ("Indenture") dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all Gross Revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

Revenue Bonds, Series 2015 – In May 2015, the Hospital advance refunded its Series 2007 Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2007") through the issuance of the $160,455,000 of Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2015A"). The issuance of the Series 2015A is to (i) finance and refinance certain capital expenditures owned by the Hospital (the Project - $40,300,000), (ii) advance refund ($120,100,000) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

Letter of credit – In March 2009, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for $50,000,000. This Letter of Credit expires April 2017 and requires the Hospital to maintain a long-term debt service coverage ratio of 1.20 to 1.

Interest costs – Interest costs incurred for the years ended June 30, 2015 and 2014, are (in thousands):

	June 30, 2015	June 30, 2014
Operating expense	$ 5,258	$ 7,403
Nonoperating expense	4,604	4,674
	$ 9,862	$ 12,077

Debt service requirements for bonds payable are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2016	$ 2,065	$ 4,773	$ 5,475	$ 5,378
2017	2,485	4,690	53,635	7,224
2018	2,950	4,578	3,735	7,115
2019	3,440	4,460	3,850	7,003
2020	4,005	4,288	3,965	6,887
2021-2025	22,576	25,526	22,505	31,654
2026-2030	17,977	43,158	27,155	25,589
2031-2035	48,367	29,507	31,570	18,370
2036-2040	34,480	2,338	36,615	9,991
2041-2045	-	-	21,950	2,953
	$ 138,345	$ 123,318	$ 210,455	$ 122,164

Interest rate swap – On March 7, 2007, the Hospital entered into three interest rate swap agreements in connection with the issuance of the Series 2007 Revenue Bonds. The intention of the swap is to create debt with a synthetic, fixed interest rate on the variable-rate Revenue Bonds. The swaps were effective March 23, 2007, with a termination date of February 1, 2041, and notional amounts of $50 million each, these terms match the terms of the underlying Series 2007 Revenue Bonds. Under each swap transaction, the Hospital pays a fixed rate of interest of 3.204% and the counterparty pays a variable rate of interest equal to the sum of (i) 56% of USD-LIBOR-BBA plus (ii) .23%. In March 2008, the Hospital Board directed management to terminate the floating to fixed interest rate swap when economically prudent in connection with the refunding of their Series 2007 Revenue Bonds. In December 2009, two of the three swaps were terminated. The fair value of the remaining swap is a liability of $7,827,000 at June 30, 2015, and $6,818,000 at June 30, 2014, included in other long-term obligations in the consolidated statements of net position.

Risks associated with the swap agreements – From the Hospital's perspective, the following risks are generally associated with swap agreements:

Credit risk – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event the counterparty becomes insolvent or their credit rating falls below BBB-/Baa2 the Hospital has the right to terminate the swap. Upon exercise of early termination the amounts due from or to the counterparty will be determined by the market pricing of the swaps at the time of termination.

Termination risk – The Hospital or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, the Hospital would be liable to the counterparty for that payment.

NOTE 10 – RESTRICTED NET POSITION

Restricted net position consists of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follows (in thousands):

	2015	2014
Charity and other	$ 7,460	$ 4,993
Endowments	2,185	1,735
Restricted by donor for specific uses	9,645	6,728
Restricted by Department of Managed Health Care	50	50
Total restricted net position	$ 9,695	$ 6,778

Permanently restricted contributions ("endowments") remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

The Foundation is the beneficiary of gifts through testamentary and other trusts in which the gift assets are held by the trustees and administered for the benefit of the Foundation and Hospital. Pooled income trust assets are donated to the Foundation under life annuity agreements. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Although these gifts are irrevocable, applicable GASB pronouncements permit financial statement recognition only upon satisfaction of all eligibility requirements. Since the Foundation is not eligible to receive the assets held in the trusts until maturity of the trusts (generally the donor's death), long-term receivables from charitable remainder trusts and pooled income funds are not recognized in the consolidated financial statements.

The total of these contributions, measured at the fair value of assets to be received, discounted to their estimated net present value, is $2,053,000 and $2,200,000, respectively, at June 30, 2015 and 2014 The applicable federal discount rate for June 2015 and 2014 of 3.14% per annum and the Standard Ordinary Mortality Rate Table were used to arrive at the present value.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Hospital pays vendor-related expenses on behalf of the Foundation and is reimbursed for these costs incurred. The Hospital also pays employee-related expenses, which are reimbursed by the Foundation. The Foundation's employees also participate in the cash-balance pension plan, sponsored by the Hospital. Full footnote disclosures relating to the cash-balance pension plan is included in the consolidated financial statements. The Hospital performs certain administrative functions on behalf of the Foundation for which no amounts are charged to the Foundation. As of June 30, 2015 and 2014, the Foundation has a payable to the Hospital in the amount of $350,000 and $581,000, respectively. During the fiscal years 2015 and 2014, the Foundation paid the Hospital $3,586,000 and $4,223,000 for such expenses, respectively, which included amounts for operations, but also disbursements from Donor Restricted Funds in support of Hospital operations and capital acquisitions.

In June 2012, the Hospital board approved the funding of the Foundation's salaries, wages, and benefits for fiscal year 2015 and 2014, thus along with the 2012 fiscal year approved funding of the Foundation's rent provided a maximum funding of $1,783,000 for both items on an ongoing basis. All related party transactions are eliminated upon consolidation.

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSCs' interest in ECASC has change to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of $750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2015 and June 30, 2014, there was a total draw of $0, and $414,000 against the line of credit, respectively. The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was $717,000 of rental income recorded for the year ended June 30, 2015, and $506,000 of rental income recorded for the year ended June 30, 2014, related to the lease.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Lease commitments – The District is obligated for land and office rental under the terms of various operating lease agreements. Following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2015 (in thousands):

	Operating Lease Commitments	Lease Income	Net Lease Benefit
2016	$ 1,575	$ 8,897	$ 7,322
2017	1,572	7,293	5,721
2018	1,567	5,911	4,344
2019	1,615	1,957	342
2020	1,665	1,018	(647)
Thereafter	24,759	656	(24,103)
	$ 32,753	$ 25,732	$ (7,021)

Total rental expense in 2015 and 2014 for all operating leases was approximately $1,657,000 and $2,072,000, respectively.

Regulatory environment – The healthcare 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, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on-going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with survey corrective action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Hospital Seismic Safety Act – In the 2010 fiscal year, the Mountain View campus completed its three year construction of the Hospital Replacement Project with the opening of its new five story, 450,000 square foot, state-of-the-art hospital facility on November 15, 2009. This completion made the Mountain View hospital campus in compliance with the State of California's SB 1953 in meeting all requirements of the Hospital Seismic Safety Act of 1994.

Financing of the Hospital Replacement Project at the Mountain View campus financing included the proceeds from a combination of: (1) General Obligation bonds, totaling $148,000,000 that were issued by the County of Santa Clara approved by the November 2003 Measure D; (2) $150,000,000 in revenue bonds issued by the Hospital in 2007; (3) an additional $50,000,000 revenue bond issue in 2009, and (4) cash reserves.

At the Los Gatos campus, where most of the buildings were constructed in the 1960's, the campus has been going through a seismic compliance review. All required seismic upgrades to make the Los Gatos site in seismic compliance to 2030 were completed during 2015.

NOTE 13 – HEALTH CARE REFORM

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the healthcare industry, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the District. The effect of the changes that will be required in future years are not determinable at this time.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are available to be issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the consolidated statement of net position date, including the estimates inherent in the process of preparing the consolidated financial statements. The District's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated statement of net position date but arose after the consolidated statement of net position date and before consolidated financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATING STATEMENT OF NET POSITION
June 30, 2015
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
ASSETS								
Current assets								
Cash and cash equivalents	$ 2,320	$ 55,224	$ 87	$ 959	$ 446	$ 113	$ -	$ 59,149
Short-term investments	4,402	209,155	917	12,284	-	-	-	226,758
Current portion of board designated and trusteed assets	9,298	-	-	-	-	-	-	9,298
Patient accounts receivable, net of allowances for doubtful accounts of $2,832	-	95,737	-	316	-	-	-	96,053
Prepaid expenses and other current assets	-	23,701	-	199	414	1	(1,777)	22,538
Notes receivable, current	3	-	-	-	-	-		3
Total current assets	16,023	383,817	1,004	13,758	860	114	(1,777)	413,799
Non-current cash and investments								
Board-designated funds	8,888	443,486	22,459	-	-	-	-	474,833
Restricted funds	-	5	-	50	-	-	-	55
Funds held by trustee	12,405	37,676	-	-	-	-	-	50,081
	21,293	481,167	22,459	50	-	-	-	524,969
Capital assets, net	11,701	686,537	81	117	-	-	-	698,436
Pledges receivable, net	-	-	1,825	-	-	-	-	1,825
Prepaid pension	-	24,327	-	-	-	-	-	24,327
Investment in health care affiliates	-	31,808	-	-	1,856	-	(2,946)	30,718
Total assets	49,017	1,607,656	25,369	13,925	2,716	114	-4,723	1,694,074
Deferred outflows								
Loss on defeasence of debt	-	15,364	-	-	-	-	-	15,364
Deferred outflows of resources	-	7,200	-	-	-	-	-	7,200
Deferred outflows - actuarial	-	2,654	-	-	-	-	-	2,654
Total deferred outflows	-	25,218	-	-	-	-	-	25,218
Total assets and deferred outflows	$ 49,017	$ 1,632,874	$ 25,369	$ 13,925	$ 2,716	$ 114	$ (4,723)	$ 1,719,292

(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
LIABILITIES AND NET POSITION								
Current liabilities								
Accounts payable and accrued expenses	$ -	$ 30,345	$ -	$ 580	$ 19	$ 9	$ (27)	$ 30,926
Salaries, wages, and related liabilities	-	45,728	-	470	50	-	-	46,248
Other current liabilities	2,601	6,125	816	1,274	-	-	(704)	10,112
Estimated third-party payor settlements	-	20,253	-	-	-	-	-	20,253
Current portion of bonds payable	2,238	5,475	-	-	-	-	-	7,713
Total current liabilities	4,839	107,926	816	2,324	69	9	(731)	115,252
Bonds payable, net of current portion	136,460	222,446	-	-	-	-	-	358,906
Other long-term obligations	-	10,633	-	-	-	-	-	10,633
Workers' compensation, net of current portion	-	22,419	-	-	-	-	-	22,419
Postretirement medical benefits, net of current portion	-	17,197	-	-	-	-	-	17,197
Total liabilities	141,299	380,621	816	2,324	69	9	(731)	524,407
Net position								
Invested in capital assets, net of related debt	(105,294)	458,616	121	117	-	-		353,560
Restricted - expendable	-	5	7,455	-	-	-	-	7,460
Restricted - nonexpendable	-	-	2,185	50	-	-	-	2,235
Unrestricted	13,012	793,632	14,792	11,434	2,647	105	(3,992)	831,630
Total net position	(92,282)	1,252,253	24,553	11,601	2,647	105	(3,992)	1,194,885
Total liabilities and net position	$ 49,017	$ 1,632,874	$ 25,369	$ 13,925	$ 2,716	$ 114	$ (4,723)	$ 1,719,292

(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
Operating revenues								
Net patient service revenue (net of provision for bad debts of $22,160)	$ -	$ 746,645	$ -	$ -	$ -	$ -	$ -	$ 746,645
Other revenue	87	21,105	-	10,994	10	-	(2,366)	29,830
Total operating revenues	87	767,750	-	10,994	10	-	(2,366)	776,475
Operating expenses								
Salaries, wages and benefits	-	409,897	1,418	2,963	-	227	(1,687)	412,818
Professional fees and purchased services	700	92,373	1,175	5,996	70	67	(229)	100,152
Supplies	-	109,961	41	-	1	-	-	110,003
Depreciation and amortization	250	44,627	13	23	-	-	-	44,913
Rent and utilities	-	14,897	134	194	-	-	(88)	15,137
Other	-	17,702	158	278	0	-	-	18,138
Total operating expenses	950	689,457	2,939	9,454	71	294	(2,004)	701,161
(Loss) income from operations	(863)	78,293	(2,939)	1,540	(61)	(294)	(362)	75,314
Nonoperating revenues (expenses):								
Investment income, net	(107)	17,970	643	249	19	-	-	18,774
Property tax revenue								
Designated for community benefit programs and operating expenses	7,100	-	-	-	-	-	-	7,100
Designated for capital expenditures	5,152	-	-	-	-	-	-	5,152
Levied for debt service	8,845	-	-	-	-	-	-	8,845
General Obligation bond interest expense	(4,604)	-	-	-	-	-	-	(4,604)
Intergovernmental transfer expense	(6,759)	-	-	-	-	-	-	(6,759)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	-	-	5,647	-	-	-	(1,303)	4,344
Unrealized loss on interest rate swap	-	(1,009)	-	-	-	-	-	(1,009)
Community benefit expense	(5,626)	(2,397)	-	-	-	-	-	(8,023)
Other, net	-	2,103	-	(587)	-	399	(294)	1,621
Total nonoperating revenues and (expenses)	4,001	16,667	6,290	(338)	19	399	(1,597)	25,441
Excess (deficit) of revenues over expenses before capital grants, contributions, and additions to permanent endowments	3,138	94,960	3,351	1,202	(42)	105	(1,959)	100,755
Capital transfers	(1,259)	2,535	(455)	(821)	-	-	-	-
Increase (decrease) in net position	1,879	97,495	2,896	381	(42)	105	(1,959)	100,755
Total net position, beginning of year	(94,161)	1,163,883	21,657	11,220	2,689	-	(2,033)	1,103,255
Cumulative effect of restatement	-	(9,125)	-	-	-	-	-	(9,125)
Total net position, beginning of year, as restated (Note 1)	(94,161)	1,154,758	21,657	11,220	2,689	-	(2,033)	1,094,130
Total net position, end of year	$ (92,282)	$ 1,252,253	$ 24,553	$ 11,601	$ 2,647	$ 105	$ (3,992)	$ 1,194,885

Supplemental pension information – The following tables summarize changes in net pension liability (in thousands):

Total pension liability		**2015**
Service cost	$	7,757
Interest		10,892
Changes of benefit terms		-
Differences between expected and actual experience		625
Changes of assumptions		961
Benefit payments		(9,982)
Net change in total pension liability		10,253
Total pension liability beginning of fiscal year		178,701
Total pension liability end of fiscal year	$	188,954

Plan fiduciary net position		**2015**
Contributions	$	13,800
Net investment income		10,388
Benefit payments, including refunds of member contributions		(9,982)
Administrative expenses		-
Other		-
Net change in Plan fiduciary net position		14,206
Plan fiduciary net positon beginning of fiscal year		199,076
Plan fiduciary net positon end of fiscal year		213,282
Plan's fiduciary net position as percentage of total pension liability	$	(24,328)
Covered payroll	$	266,844
Net pension liability as a percentage of covered payroll		-9.12%
Contributions		7,200

The following table summarizes the contribution status of the Hospital's cash-balance pension plan (in thousands) over the last 10 years:

	FY2015	FY2014	FY2013	FY2012	FY2011
Actuarially determined contribution	8,808	8,463	7,613	1,400	12,023
Contributions related to actuarially determined contribution	6,000	14,400	12,000	11,005	19,811
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	266,844	242,343	223,754	208,910	205,693
Contribution as % of covered payroll	2.25%	5.94%	5.36%	5.27%	9.63%
Contributions made during the fiscal year	14,400	12,600	23,610	11,249	5,400
	FY2010	**FY2009**	**FY2008**	**FY2007**	**FY2006**
Actuarially determined contribution	7,156	4,656	279	3,078	2,731
Contributions related to actuarially determined contribution	7,644	9,200	10,000	11,731	4,500
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	178,937	149,694	133,582	121,525	111,238
Contribution as % of covered payroll	4.27%	6.15%	7.49%	9.65%	4.05%
Contributions made during the fiscal year	18,100	6,300	9,500	7,431	1,000

Actuarially determined contributions are calculated as of January 1 and are based on the IRS minimum funding requirement. The contributions related to the actuarially determined contributions are amounts made for the plan year January 1 to December 31. Contributions made during the fiscal year are contribution amounts made during July 1 and June 30.

Supplemental postretirement benefit information – The following table summarizes the funding status of the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability UAAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess/ (Shortfall) of UAAL as a Percentage of Covered Payroll ((a-b)/c)
2013	$ -	$ 21,118	$ (21,118)	0.0%	$ 32,016	-66.0%
2014	$ -	$ 22,518	$ (22,518)	0.0%	$ 44,426	-50.7%
2015	$ -	$ 25,795	$ (25,795)	0.0%	$ 40,733	-63.3%

The following table summarizes the calculation of the net benefit obligation for the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Beginning of Year Net Benefit Obligation (a)	Annual Required Contribution (b)	Actual Contribution (c)	Annual Postretirement Benefit Cost (d)	Increase in Net Benefit Obligation (d-c)	End of Year Net Benefit Obligation ((a)+(d-c))
2013	$ 14,832	$ 896	$ 468	$ 1,177	$ 709	$ 15,541
2014	$ 15,541	$ 1,683	$ 526	$ 1,274	$ 748	$ 16,289
2015	$ 16,289	$ 1,433	$ 525	$ 1,433	$ 908	$ 17,197

The District and the Hospital maintain records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2015 and 2014, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows (in thousands):

	2015	2014
Unpaid costs of Medi-Cal programs	$ 22,038	$ 18,653
Indigent charity care	1,708	1,764
	23,746	20,417
Other community-based programs		
Dialysis	2,167	6,201
Psychiatric	4,797	5,884
Clinical trial	255	1,771
Ambulatory care	6,919	6,818
Community health center	1,700	2,531
Psychiatric outpatient	2,703	1,953
Total other community-based programs	18,541	25,158
Total community benefits	$ 42,287	$ 45,575

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were $85,710,000 and $82,833,000 for the years ended June 30, 2015 and 2014, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the "Auxiliary"). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone. In 2015 and 2014, these volunteers contributed approximately 106,409 and 114,872 hours, respectively in providing these services, the value of which is not recorded in the accompanying consolidated financial statements.