



STANISLAUS COUNTY CIVIL GRAND JURY

Post Office Box 3387 • Modesto, California 95353 • (209) 558-7766 • Fax (209) 558-8170

June 8, 2016

CONFIDENTIAL – HAND DELIVERY

Supervisor Dick Monteith
 Chairman of the Board of Supervisors
 Stanislaus County
 1010 10th Street, Suite 6500
 Modesto, CA 95354

Dear Chairman Monteith:

The Stanislaus County Civil Grand Jury has completed the attached report titled "Stanislaus County Detention Facilities Inspections" that requires a response.

I am also attaching the following additional reports; although these do not require a response, the Grand Jury invites a response.

1. "Participation in the Annual Financial Audit"
2. "Del Puerto Healthcare District"

The Grand Jury is providing you copies of these reports two days in advance of their public release, as required by California Penal Code §933.05(f). The Penal Code prohibits you from disclosing any contents of the report prior to public release by the Grand Jury.

Please submit a hard copy and an electronic copy of your response to the Presiding Judge of the Superior Court, the Honorable Marie Sovey Silveira, at PO Box 3488, Modesto, CA 95353. Enclosed are guidelines that may be helpful as you prepare your response.

Sincerely,

Edward Halsey
 Foreperson
 2015-2016 Civil Grand Jury

Attachments: 3 reports

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 BOARD OF SUPERVISORS

HOW TO RESPOND TO FINDINGS & RECOMMENDATIONS

Responses

The California Penal Code §933(c) specifies both the deadline by which responses shall be made to the Civil Grand Jury Final Report recommendations, and the required content of those responses.

Deadline for Responses

All agencies are directed to respond to the Presiding Judge of the Stanislaus County Superior Court,

- Not later than 90 days after the Civil Grand Jury submits a final report on the operations of a public agency, the governing body of that agency shall respond to the findings and recommendations pertaining to the operations of that agency.
- Not later than 60 days after the Civil Grand Jury submits a final report on the operation of a County agency, the elected head governing that agency shall respond to the findings and recommendations pertaining to the operations of their agency.
- Information copies of responses pertaining to matters under the control of a county officer or agency are to be sent to the Board of Supervisors.
- A copy of all responses to the Civil Grand Jury reports shall be placed on file with the clerk of the public agency and the Office of the County Clerk, or the city clerk when applicable.
- One copy shall be placed on file with the applicable Civil Grand Jury by, and in the control of, the currently impaneled Grand Jury, where it shall be maintained for a minimum of five years.

Content of Responses

For each Civil Grand Jury findings and recommendations, the responding person or entity shall report one of the following actions:

- The respondent agrees with the finding
- The respondent disagrees wholly or partially with finding and shall include an explanation.
- The recommendation has been implemented, with a summary regarding the implemented action.
- The recommendation has not been implemented, but will be implemented in the future, with a time frame for implementation.
- The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame if it is to be implemented later.

**Stanislaus County Civil Grand Jury (SCCGJ)
Participation in the Annual Financial Audit Report
For the Fiscal Year Ended June 30, 2015**

SUMMARY

In accordance with California Penal Code Section 925, civil grand juries are required to investigate and report on the operations, accounts, and records of the departments or functions of the county. Therefore, the 2015-2016 Stanislaus County Civil Grand Jury (SCCGJ) reviewed the Stanislaus County Fiscal Year 2015 Single Audit Report dated June 30, 2015. The audit was conducted by Brown Armstrong Accountancy Corporation.

GLOSSARY

Comprehensive Annual Financial Report (CAFR): A set of US government financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board.

Modified Opinion: Modified opinion report is issued when the auditor encountered one of two types of situations that do not comply with Generally Accepted Accounting Principles (GAAP); however, the rest of the financial statements are fairly presented.

SCCGJ Stanislaus County Civil Grand Jury

Single Audit: The Single Audit, also known as the Office of Management and Budget (OMB) A-133 Audit, is a rigorous organization-wide audit or examination of an entity that expends \$950,000 or more of federal assistance received for its operations.

Unmodified Opinion: Auditor's opinion of a financial statement, given without reservation. Such an opinion basically states that the auditor feels the entity followed all accounting rules appropriately and that the financial reports are an accurate representation of the entity's financial condition.

BACKGROUND

The 2015 Stanislaus County Audit Report addresses the Comprehensive Annual Financial Report (CAFR), as well as the Single Audit Report. The 2015 CAFR is intended solely to describe the scope of financial internal control testing and to assure the county's financial statements are free of material misstatement. The audit includes a sampling of departments and programs within Stanislaus County. This report received an unmodified opinion, and there were no management comments submitted.

The Single Audit addresses compliance with OMB A-133, which applies to the county's major federal programs. All programs in this report received an unmodified opinion.

The audits included the following: Health Services Agency, Inmate Welfare, Regional 911, Insurance Fraud Program, North County Corridor Transportation Expressway Authority JPA (Joint Powers Authority), Stanislaus Animal Services Agency, City-County Capital Improvement and Financing Agency, Treasury Oversight Report, Tobacco Endowment Investment Fund, and the Transportation Development Act Fund.

METHODOLOGY

Members of the SCCGJ 2015-2016 attended the entrance audit conference on August 19, 2015, and the exit audit conference on February 24, 2016. The review of the 2015 Stanislaus County Audit was conducted by receiving a briefing from the Brown Armstrong Accountancy Corporation.

FINDINGS

- F1. The audits show that the accounting policies of Stanislaus County are being followed and the office of the Stanislaus County Auditor-Controller has excellent leadership and management.
- F2. The continuity of management at all levels has resulted in a depth of knowledge and a commitment to adhere to the accounting policies and procedures established.

COMMENDATION

The Stanislaus County Board of Supervisors should publicly recognize the outstanding efforts of the staff within the Stanislaus County Auditor-Controller's office and directors and staff of each Stanislaus County Department. Stanislaus County continues to be recognized as a model county organization within the state by Brown Armstrong Accountancy Corporation at exit briefings.

INVITED RESPONSES

Stanislaus County Auditor-Controller
Stanislaus County Board of Supervisors

2015 – 2016 Stanislaus County Civil Grand Jury
Stanislaus County Detention Facilities Inspections
Case # 16-13-GJ

SUMMARY

The 2015-16 Stanislaus County Civil Grand Jury (SCCGJ) conducted its annual detention facilities inspections, as required by California Penal Code 919(b) [CPC919(b)]. The SCCGJ commends the Stanislaus County Sheriff's Department for its professionalism and assistance during the SCCGJ inspection process at the Public Safety Center (PSC), Day Reporting Center (DRC), and the Downtown Jail (DJ). Additionally, the SCCGJ wants to thank the Stanislaus County Probation Department for its cooperation during the inspection process at the Juvenile Detention Facilities (JDF) and Day Reporting Center (DRC).

The SCCGJ is providing interested members of the public this detailed report as a means of sharing insights and information not readily available to the public.

GLOSSARY

AB109	California Assembly Bill AB 109 – Pertaining to state penitentiary inmate realignment/transfer to county jails.
AB900	California Assembly Bill supplement to AB109 – Requires the state to reimburse local agencies for certain costs they incur for adhering to state mandates.
CAP	Culinary Arts Program
CFMG	California Forensic Medical Group
CPC919(b)	California Penal Code 919(b) – The grand jury shall inquire into the condition and management of the public prisons within the county.
CPC4025.5	California Penal Code 4025.5 – Inmate Welfare Fund Existing law provides that the sheriff of each county may maintain an inmate welfare fund to be kept in the treasury of the county. Ten percent of all gross sales of inmate hobby craft, and any rebates or commissions received from a telephone company, as specified, are required to be deposited. Existing law authorizes the sheriff to expend money from the fund to assist indigent inmates, prior to release, with clothes and transportation expenses, as specified. Existing law authorizes inmate welfare funds to be used to augment county expenses determined by the sheriff to be in the best interests of the inmates. The sheriff is required to submit an itemized report of those expenditures annually to the board of supervisors.
DJ	Downtown Jail
DRC	Day Reporting Center
FIFO	First in, First out
JCC	Juvenile Commitment Center

JDF	Juvenile Detention Facilities
JH	Juvenile Hall
PSC	Public Safety Center (Adult detention facility)
RN	Registered Nurse
SCCGJ	Stanislaus County Civil Grand Jury
SCCILS	Sheriff's Custody and Community Institute of Life Skills
Title 15	California Department of Corrections and Rehabilitation regulation pertaining to jail standards; each inmate shall be provided a wholesome, nutritionally balanced diet. Nutrition levels shall meet the recommended dietary allowances and dietary reference intakes as established by the Nutritional Board of the Institute of Medicine, National Academy of Science.

BACKGROUND

CPC 919(b) mandates that all civil grand juries inquire into the condition and management of the public prisons within the county.

METHODOLOGY

Utilizing the Detention Facility Inspection Form, which was downloaded from the California Civil Grand Jurors' Association website (cgja.org), the SCCGJ panel inspected the following facilities:

Stanislaus County Public Safety Center (PSC)
200 Hackett Rd.
Modesto, CA 95358

Stanislaus County Downtown Main Jail (DJ) (men only)
1115 H St.
Modesto, CA 95353

Stanislaus County Day Reporting Center (DRC)
190 Hackett Rd.
Modesto, CA 95358

Stanislaus County Juvenile Commitment Center (JCC)
2215-A Blue Gum Ave.
Modesto, CA 95351

During the inspection the SCCGJ interviewed the sergeant, deputies and a classroom of inmates.

PUBLIC SAFETY CENTER (PSC)

The PSC is located adjacent to the Sheriff's Department headquarters. At the time of the SCCGJ inspection, there were 918 inmates in custody both male and female. The PSC is constructed using a pod-style architecture which allows for direct supervision (inmates within eyesight of deputies at all times).

Only females are booked at the PSC. Approximately 3,000 female arrestees are booked each year. As part of the booking process, a medical screening form is completed by the intake deputy. If there are any "yes" answers to the questions, a nurse will interview the arrestee in more depth. Arrestees are fingerprinted, photographed, and then placed in a holding cell. Female inmates are interviewed extensively to determine where they are best housed.

Kitchen

The kitchen facility prepares up to 4,500 meals per day for all county adult detention facilities. There is capacity to service outside counties as needed. A dietitian is employed on a retainer basis. Diets for medical or religious purposes are provided. The menu rotates every two weeks. Within the kitchen there is a state-of-the-art bakery where inmates are trained for an occupation after release.

Facility staffing is augmented with inmate labor. Between 20 and 30 inmates work each shift. Inmates are supervised by deputies at ratio of one deputy to eight inmates. Conflicts between inmates or staff and inmates result in the inmate being removed from kitchen duties.

Laundry

Approximately eight tons of laundry are done each day. The operation serves all county detention facilities. Up to 12 inmates work in the laundry facility Monday through Friday.

Inmates are provided a change of clothes twice per week and bed sheets are changed out once per week. During winter months, one additional blanket is provided.

Units 1 and 2

Units 1 and 2 are two separate buildings used to house inmates. Each unit consists of three housing facilities – A, B and C. The SCCGJ inspected only Unit 2.

The SCCGJ inquired about the use of video cameras at the facility. Only the doors which access the facility and each housing unit have cameras. None of the units or dorms have interior cameras, and a camera view into cells or showers is not permitted. The only cells that have cameras are the safety and sobering cells. Since the units and dorms are considered direct supervision, where a staff member is always present, there is no need for cameras, and this is not seen as a cost or safety issue.

None of the custodial deputy staff wear body cameras in the facilities or on the street; at this point, it is a policy issue that is not favored, although body cameras are an item that could be added in the future. Currently, if there is an incident or a planned cell extraction, custodial sergeants carry a small video recording device to capture the incident.

Staffing in each housing facility consists of one deputy for every 86 inmates. When inmates are out of their cells, 43 are allowed out at a time.

Inmates are classified by color of their clothing. White and orange identifies protective custody, gray is for general population, red and white striped is for maximum security inmates.

At the time of our inspection, there were 124 inmates charged with murder.

The PSC has seen an increase in serious and violent offenders due to AB109. These more serious offenders are being housed in the county jail facilities.

Gang members are segregated by gang affiliation.

Minimum security inmates are allowed contact visits. All other inmates use a visiting room that has a glass partition with a phone and speaker. Inmates meeting with their attorneys are in an area that has a glass partition, phone, speaker, and a small pass through for documents. No visitors are allowed on Wednesdays which are used for detailed cleaning.

Inmates have recreation three hours per week, scheduled one hour at a time every other day. A typical day's schedule consists of breakfast at 5:00 a.m., lunch at 10:30 a.m., and dinner at 4:00 p.m. Lights are out at 10:00 p.m.

There is a commissary kiosk at the PSC. Family members can deposit money in an inmate's accounts and they are assessed a \$2.00 transaction fee. Inmates obtain commissary items by filling out an order form. Orders are filled by custodial deputies and delivered on a specific day of the week. Inmates are allowed to spend no more than \$100.00 per week. Upon an inmate's release, any remaining balance in their account is given to them on a debit-type card. All profits from the commissary are kept in the Inmate Welfare Program Fund.

Custodial deputies attend a six-week state certified academy. They work rotating 12-hour shifts – three days on, four days off one week, then four days on and three days off the following week. Frequently, due to unanticipated absences, on-duty custodial deputies are mandated to work four hours' overtime, making their shift 16 hours long.

Emergency Evacuation Plan drills are reviewed by the Title 15 Compliance Deputy. This custodial deputy makes sure that the PSC facility is in compliance with the Board of State and Community Corrections regulations. Custodial deputies are trained for medical emergencies and there are automatic emergency defibrillators in the facility.

Education and Classrooms

In 2012, the Sheriff's Custody and Community Institute of Life Skills (SCCILS) curriculum was designed to offer a variety of services to inmates housed at the PSC. The classes are taught by volunteers and custodial deputies. The overall goal is to extend a variety of services to the inmate population in an effort to reduce the likelihood of recidivism. **(Attachment A)**

This is a sampling of the numerous course offerings: Anger Management, Cognitive Awareness, General Education Degree (GED), Preparation Courses, Substance Abuse, Theft/Shoplifting, Life Skills Course, Successfully Transitioning into the Community, and parenting classes. See Appendix (1) for a complete list of classes offered.

Participation in educational programs is voluntary; approximately 10% of inmates attend classes. Following an assessment, inmates are required to complete core courses before attending elective

courses. SCCILS Peer Mentors are inmates that have completed the core classes, show life-skill progress, and are in good behavioral standing with the sergeant. Once assessed by the sergeant they are then able to assist other inmates enrolled in SCCILS. Peer Mentors help overcome trust issues held by the inmates in the program. Also, Peer Mentors benefit from helping others learn what they have learned about recovery and rehabilitation. Since the start of the SCCILS education programs, the recidivism rate is 33% for those inmates completing education as compared to 67% for those who do not participate.

Classroom programs are well received by the inmates who attend. Inmates choose to attend the classes because they feel they are ready for a change in their lives. When inmates are taught by custodial deputies, a bond is created. Inmates learn how to deal with the issues of living in society. Inmates leave the programs thinking about the consequences of their actions and the outcome rather than thinking about themselves.

Inmates can attend four to five 1-1/2 hour classes a day. The sergeant and custodial deputies review inmates' behavior to assess if they are responding to classroom instruction. The sergeant and the custodial deputies attended thorough training to become classroom instructors, and the sergeant is trained as a "Train the Trainer" if needed to train future deputies to become instructors.

During the inspection of the PSC the SCCGJ attended a class while in session, and was able to hear first-hand from the inmates how the Education Program had an impact on their lives. The feedback the SCCGJ received was overwhelming; the inmates felt the class has helped them cope with behavioral changes and the SCCGJ was witness to heartfelt testimonies.

FINDINGS

- F1. Closed-circuit video cameras are used only on doors which access the facility and each housing unit, and in the safety and sobering cells, since camera views into cells or showers are not permitted.
- F2. Currently, Stanislaus County custodial deputies do not wear body cameras either in the facilities or on the street. Video recording devices are used if there is an incident or if there is a planned cell extraction.
- F3. Twelve-hour shifts are difficult to fill when deputies are unexpectedly absent.

RECOMMENDATIONS

- R1. The Stanislaus County Sheriff's Department should consider purchase and installation of additional CCTV cameras in the general population units where permitted at the Public Safety Center.
- R2. The Stanislaus County Sheriff's Department should consider equipping custodial deputies in all detention facilities with personal body cameras that are activated when inmates are in the pods outside of their cells.
- R3. The Stanislaus County Sheriff's Department should reconsider the current staffing model of 12-hour shifts versus 8-hour shifts. In the alternative, consider creating part-time

positions (reserve custodial deputies) to augment scheduling in the event of unanticipated absences and to serve as a resource for full-time candidates for hiring.

COMMENDATION

The SCCGJ would like to commend the Stanislaus County Sheriff's Department on the SCCILS program offered at the PSC. The program has been well received by both staff and inmates and has contributed to a 33% reduction in the recidivism rate for those inmates that have completed the courses. This is an excellent program that has generated positive results.

STANISLAUS COUNTY DOWNTOWN JAIL (DJ)

The DJ (men only) is located in downtown Modesto. It is a three story linear style jail that opened in 1955. The third story was added in 1972 and included the most modern and most secure electric door and security panels for its day. The average inmate population is 350 with a maximum capacity of 396. There are two custodial deputies assigned to each floor. There is only one elevator to service all three floors.

The DJ contains facilities for booking and temporary detention. In addition, it provides housing for sentenced, un-sentenced, and high-risk inmates. Approximately 22,000 male inmates are booked each year.

There is a 12-bed dorm-style cell for inmates with the same gang classification. This creates segregation from rival gangs. Keeping members of the same gang together in these cells helps minimize their manipulative influence on other inmates.

There is an optional cell that is used for inmates who have been classified a behavioral and/or security risk. There are separate cells for inmates with mental health issues.

DJ inmate clothing is specifically color coded for General Population, Protective Custody, Mental Health, Maximum Security, and Gang Classifications.

The first floor includes the booking area, interview rooms, medical screening area, fingerprinting and booking photos. In addition, there are holding cells for intoxicated inmates and safety cells for those with mental health issues.

The second floor has interview rooms, medical exam rooms, a central laundry dispensing area, and jail cells.

The third floor has a dental office, medical rooms, attorney interview rooms, and cells, including single-inmate cells.

In 2012/2013, steel-mesh screening was added for safety measures to some cell bars to prevent contact in narrow walkways.

Meals which are provided by the PSC are served to all inmates in their cells.

The basement serves as the receiving point for all arrestees brought in by law enforcement. In addition, inmates who have court appearances are also brought in via the basement. There is a tunnel that connects the jail to the courthouse for inmates being brought into court. Within the tunnel structure, several holding cells serve as secure staging areas for the inmates. On busy court days, up to 200 inmates from all detention facilities are processed through the court system.

The exercise area is located on the roof and is enclosed with wire mesh-screening. Inmates are required to be provided three hours of exercise per week. There is no gym equipment provided. The exercise area is divided into six separate sections with chain-link fencing. This allows for several different inmate classifications to be segregated during exercise. The idea of building separate sections was proposed by staff; it creates better inmate management during exercise times. There are nonlethal-force weapons available to the deputies, if needed.

Visitation is daily except Wednesdays, which are reserved for clothing and bedding changes. Inmates are allowed two 30-minute visits per week to maintain family relationships. Visitation hours are 8:00 a.m. to 10:30 a.m., 1:00 p.m. to 3:00 p.m. and 6:00 p.m. to 10:00 p.m. Inmates must complete a Request for Visitation form for approval prior to any visits. Visitation can be denied for disciplinary reasons, and denials may be appealed.

Contraband is considered an ongoing problem. Types include razors fashioned as weapons, stabbing weapons (shanks), drugs, mirrors, and prison-made alcohol (pruno). Cells are randomly searched approximately once per week – more often if specific information is obtained. Suicides are not very common. There was one suicide in the past two years. There were 11 in-custody deaths in the past two years, all associated with medical issues.

During the tour, the SCCGJ learned that gang members keep logs of custodial deputies' names and daily routines. The SCCGJ believes this activity could result in gang members sharing the information with their peers on the street, thereby creating the potential for intimidation of deputies and the deputies' families.

FINDINGS

- F4. Gang members' logs of custodial deputies' names and daily routines could cause intimidation of custodial deputies and their families.

RECOMMENDATIONS

- R4. The Stanislaus County Sheriff's Department should consider removing the names of custodial deputies from their uniforms.

DAY REPORTING CENTER (DRC)

The DRC construction began in August 2014 and opened August 13, 2015. It is a 13,000 square foot secure building. It includes eight interview rooms, six classrooms, multi-purpose room, and computer lab.

The DRC is under the jurisdiction of the Probation Department, in partnership with the Stanislaus County Sheriff's Department and Behavioral Health and Recovery Services. The DRC

is designed to offer a variety of services to offenders who are under the jurisdiction of the Probation Department. The main goal is to reduce the likelihood of recidivism.

Program participants first meet with a counselor to determine risk level. In addition, an RN coordinates any mental health needs with primary care physicians. Participants are assigned to the appropriate courses, and upon completion, probation officers follow up with probationers in the community.

The overall goal of the DRC is to become a "One-Stop Shop" for initial assessments and evidence-based programming to evaluate and address the offenders needs.

The following is a sample of the services and classes that are being offered: Cognitive Behavioral Therapy (CBT), Anger Management Counseling, Thinking for a Change (T4C), Drug and Alcohol Counseling, GED Preparation Courses, and a 52-week Domestic Violence/Batterer's Treatment program.

Bus passes are offered to those in need of transportation.

FINDINGS

None

RECOMMENDATIONS

None

COMMENDATIONS

The SCCGJ commends the Stanislaus County Probation Department for their professionalism and assistance during the SCCGJ inspection process at the DRC.

STANISLAUS COUNTY JUVENILE DETENTION FACILITIES (JDF)

Juvenile detention facilities consist of the Juvenile Commitment Center (JCC) and the Juvenile Hall (JH).

Juvenile Commitment Center

The JCC was completed in 2013 at a cost of \$22.4 million. This facility houses up to 60 youth offenders who require a defined period of incarceration. The focus is on rehabilitation through vocational programs and mental health counseling. This 47,000 square-foot facility includes classrooms, occupational training rooms, program space, administrative offices, kitchen culinary training, gymnasium, and outdoor recreation areas.

The JCC was built to focus on natural light, energy efficiency, lighting systems, and heating and air conditioning ventilation systems; the temperature throughout the facility is maintained at 72 degrees Fahrenheit.

Cameras are utilized throughout the facility.

Staffing ratio is 15 youth to one staff member. Each living unit holds up to 15 youth in single or double cells consisting of one or two beds with lightweight mattresses on cinderblock, stainless steel toilet, sink, and mirror. Accommodations are made for all special needs youth.

All youth are required to attend school while in JCC. There are high school diploma and general education development (GED) programs available. Each classroom is staffed with one teacher and one teacher's aide. Staff is provided through the Stanislaus County Office of Education. A computer lab classroom is available but not currently being staffed.

A Culinary Arts Program (CAP) is offered. The youth are required to be interviewed in order to participate in the CAP. Each class has 12 to 13 students. The youth are given the Food Protection Management Certificate exam (Serve Safe Test) after working a minimum of 30 hours. If they pass the test, they are issued a Food Handler Certificate which can be used to help them obtain employment in a food service career.

The kitchen is a state-of-the-art facility. Five full-time staff work in the kitchen and are assisted by youth workers. All prep work is done by staff. Knives are kept in a locked box. Kitchen utensils used by youth are counted before and after each shift. Youth are trained and certified to use all kitchen equipment.

Menus are submitted to the dietitian for approval; they follow Title 15 dietary regulations. Inventory of all food is maintained on a First in First Out (FIFO) basis.

Visitation takes place on Wednesday and Thursdays 6:00 p.m. to 8:00 p.m. and Sunday 1:00 p.m. to 3:00 p.m.

Mandatory exercise is scheduled one hour per day, Monday through Friday and two hours on Saturday and Sunday.

Phone calls by youth are on a collect call basis.

Youth are classified by their clothing: Green is for males, purple is for females and orange is for maximum security.

There is a garden area that was built and is maintained by youth. There are two plantings per year and seeds are donated by Stanford University. Produce grown is used in the kitchen.

FINDINGS

F5. The computer lab classroom is currently not being utilized due to lack of staffing.

RECOMMENDATION

R5. The Stanislaus County Probation Department should consider recruiting community volunteers to assist in the staffing of the computer lab classroom.

Juvenile Hall

Juvenile Hall (JH) was built in 1977/78. It is a 45,000-square-foot facility that has a maximum capacity of 158 youth. JH is a maximum security detention facility for juveniles who have committed offenses prior to their 18th birthday. Those youths who are detained by the Juvenile Court are kept in custody pending completion of their court proceedings. The Juvenile Hall staff reported that the youth recidivism rate is approximately 80%.

During the booking process, an intake form is used to inquire about medical conditions, including mental health issues. All youth are tested for lice and tuberculosis. Prior to being placed into a cell, the youth take a shower and are issued clean clothes. Suicide and detoxification rooms are available, if needed.

The medical clinic is staffed 24 hours a day, seven days per week. There is an RN on staff as well as an on-call doctor. All medical staff are contracted through the California Forensic Medical Group (CFMG). Medications are dispensed twice per day and are kept in a locked cart. Inventory of medications are performed before and after each shift.

All of the youths' basic needs are provided. Parents are charged \$24.41 per day; however, few can afford to pay.

Youth perform all housekeeping duties daily. They are up at 6:00 a.m. to clean rooms and attend to personal hygiene needs. Clean clothes are issued daily and clean towels and sheets are issued twice per week.

School is mandatory and teachers are contracted by Stanislaus County Office of Education. Classes start at 8:00 a.m. and end at 2:30 p.m. with a 45- to 60-minute lunch break. TV is provided at scheduled times only. As an incentive for good behavior, a book club provides books for pleasure reading. Lights go out between 10:00 p.m. and 10:30 p.m.

Some tile grout in the common shower area is in need of repair.

Staff receives 160-200 hours of offsite training in Sacramento and 22 hours onsite. They must pass this core training prior to working alone with the youth. Staff work eight hour shifts. The staffing ratio is two staff to 15 youth. Youth are let out of the cells one at a time. Cell checks are randomly made every 15 minutes. Fire drills are conducted monthly, and the Fire Marshall inspects the facility once per year. Inspections follow a protocol and are documented.

In the coed housing unit which is divided by a barrier wall between the male and female youth, there were some cells, occupied by the males, where paint is being scraped off of the walls. On the female side, individual rooms are being painted with themes, such as the Eiffel Tower and peacock/pink colors. Over time, all the female rooms will be painted thematically. This effort is intended to help female youth cope with trauma-related issues.

FINDINGS

- F6. The Juvenile Hall has some shower stall tiles that are in need of new grout and repair.
- F7. The Juvenile Hall has some cells that has paint being scraped off of the walls.

RECOMMENDATIONS

- R6. The Stanislaus County Probation Department should re-grout tiles in the common shower areas.
- R7. The Stanislaus County Probation Department should re-paint cells that have paint issues.

REQUEST FOR RESPONSES

Pursuant to Penal Code section 933.05, the Stanislaus County Civil Grand Jury requests responses as follows:

Stanislaus County Board of Supervisors
Stanislaus County Sheriff - Coroner
Stanislaus County Probation Department

Attachment A**SCCILS CURRICULUM****August 2015**

SCCILS is designed to offer a myriad of services to inmate clients who are under the jurisdiction of the Stanislaus Sheriff's Detention Center and Alternative Jails. Our overall goal is to extend a variety of services to this population in an effort to reduce the likelihood of recidivating.

SCCILS serves as a one-stop shop for inmate clients to meet with service providers from the Community. The following is a full catalog of the services that are being offered.

- An assessment identifies the need for a Core class it becomes mandatory.
- Other courses are (Elective)s and may be chosen by inmate clients in addition to their required Core courses.

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 Moral Recognition Therapy (MRT) (Core EB) 10

ACE Overcomers, Gospel Mission Led (Elective EB verification)

Overcoming the effects of Adverse Childhood Experiences - The ACE Overcomers program is designed to: help the individual overcome the anxiety, stress and wounded spirit associated with an abusive childhood; strengthen you to overcome damaging patterns of thoughts, behaviors, and habits; and equip you to become nurturing and connected.

Anger Management, Deputy Led (ACCI) (Core EB)

The *Anger Management Lifeskills Course* is not your ordinary anger management course. It focuses on faulty thinking, self-deception, justification and resistant behavior. It teaches anger avoidance and uses cognitive restructuring to intervene at the deepest level where permanent change can take place.

- Domestic violence • Hostility • Anxiety / stress • Divorce
- Self-deception • Rage • Assault • Resistant behavior
- Justification • Impulse control • Anger avoidance • Denial

Anger Management, Friends Outside Led (Core, EB)

Anger Management: The curriculum is designed to give participants an opportunity to practice skills that will allow them to positively control their behavior and the events in their lives.

Anger Management, El Concilio Led (ACCI) (Core, EB)

The goal of this class is to identify anger, because anger is a normal emotion experienced by everyone. Anger plays an important function in our individual and collective lives, as it motivates changes and propels us to action. Anger can function as a defense mechanism, protecting us from emotions that we are not ready to deal with. Like many things, anger can do much good, but it can also be most destructive when it is not understood and channeled in a healthy way, hence the term anger management. To manage, according to Webster's Dictionary, is "to exercise control over," "to handle, manipulate," "to succeed in accomplishing or handling, but difficulty," "to be able to cope with a situation."

Breaking Barriers, Friends Outside Led (Core, EB)

Breaking Barriers: The program is based on the belief that there is a body of knowledge to be found in cognitive psychology which, when effectively taught, allows people to break an

inhibiting cycle of conditioned habits and become more responsible, proactive and fulfilled human beings. The main objective are to realize the following: 1. Change is possible 2. Current reality is the result of beliefs, habits and attitudes adopted in the past. 3. It is possible to choose our beliefs, habits and attitudes in order to reach our visions of a better life. The job development component will focus on filling out applications appropriately, interviewing, searching for jobs and job retention.

Celebrate Recovery, Big Valley Church (Elective EB)

Celebrate Recovery Inside is the official Recovery program in 44 federal and state prison systems. While working through the principles of Celebrate Recovery, participants grow spiritually, and are freed from their hurts, hang-ups, and addictive habits. This freedom creates peace, serenity, joy, and most importantly, a stronger personal relationship with others and the personal, loving and forgiving Higher Power, Jesus Christ. Celebrate Recovery Inside provides a natural transition back to the community from the institution since there are churches that have Celebrate Recovery in many communities. Additionally, there is an opportunity for the family of the incarcerated person to receive help as they become involved in Celebrate Recovery at the local level during their loved one's incarceration.

Celebrate Recovery/Life's Healing Choices (Elective EB)

This 8 week course* offers freedom from hurts, hang-ups, and habits through eight healing choices that promise true happiness and life transformation. Using the Beatitudes of Jesus Christ as a foundation, Pastors Rick Warren and John Baker of Saddleback Church, developed the eight principles shared in this course. In addition to practical, encouraging biblical teaching, this course teaches how to apply the 8 principals, to everyday

life. We've all been hurt by other people, we've hurt others, and we've hurt ourselves. As a result, every one, ends up with some sort of *hurt*, *hang-up*, or *habit*. Through making each of these choices and doing the work, you will find God's pathway to wholeness, growth, spiritual maturity, happiness, and healing. You'll find real answers, real hope, and a real *future* — one healing choice at a time. This class also relates to the Christ Centered 12 steps of the Celebrate Recovery Program. This is a non-issue specific class so all are welcome.

Christ Behind the Walls, Living Word Church (Elective Non EB)

The Christ Behind the Walls program addresses the spiritual nature of the student. We utilize the Inductive Bible Study Method to discuss life changing topics from the Biblical point of view. The various classes aids the student in how to make better choices, how to avoid temptation, how to have a real relationship with God, how to break the shackles of fear, how to forgive, how to live victoriously in difficult times, just to mention a few.

Cognitive Awareness, Probation Led (ACCI Level II/III)(Core EB)

The New Directions Cognitive Awareness Life Skills Course is designed to help people overcome faulty thinking and self-defeating behaviors. It is especially relevant for people with self-esteem, anxiety and stress problems. Its curriculum is based on best practices, supported by evidence based results. It has two main goals, one is to teach cognitive or emotional skills and the other is to confront distorted thinking. The class is currently facilitated by two Deputy Probation Officers. As instructors, the Probation Officers, guide the inmates through the work with most of the work done by the inmates themselves.

Crossroads, Friends Outside Led (Core EB)

The main objectives are to: Understand the process of behavior change. 2. Understand how to manage attitudes and emotions. 3. Decide to take positive steps to modify existing behavior.

The Stanislaus County Dept. of Child Support (Elective)

The presentation is designed to provide an overview of services available to you through our office. We provide information on various services to include paternity establishment; genetic testing; establishing and enforcing a child and/or medical support order; Compromise of Arrears Program; modification, etc. We can provide general information in the workshop or look up specific information on your case when we return to the office and relay answers in writing. You can also use an inmate request form and write to your child support case worker at any time. Our goal is to inform you of your rights, assist you with understanding the documents you received from our office, and make ourselves available to you when you need our assistance.

Every Man's Battle, Staff Led (ACCI Pornography) (Core EB)

This is a one-of-a-kind course written in a story format that follows the life of a husband and wife, showing the addiction and recovery process for the husband. It demonstrates the difficulties placed on the marriage and the emotional impact on the spouse. It is written by experts knowledgeable in the addictive effects of pornography. It is 56 pages in nine units. It can be used for groups as well as home study.

- Statistics • Effects • Internet • Modeling • Programming
- Addiction • Recovery • Accountability • Strategies • Triggers

GED Preparation Courses, Learning Quest Led (Core)

This course is facilitated by Learning Quest and geared for inmate clients who want to prepare for the GED exam or who need basic math and reading skills. Instructors will provide on-

discipline; *Having Eternal Life Planned* brings peace to your life because it is the inside that affects the outside.

Landscaping, SCCILS (Elective) New

The class will encompass the knowledge and skills related to lawn care, watering systems, and landscape design. The inmate will learn the basics of working with others completing small and large projects. They will be encouraged to take pride in hard work and the positive results of working as a team. The accomplishment of maintaining a positive outdoor environment will encourage their desire to pursue employment that requires hard work. A letter of their accomplishments will be given them for their resume. This opportunity will be primarily offered to SCCILS students in their second semester of classes and those who are waiting to enroll in the Core Courses.

Literacy Learning Quest (Core)

This class is facilitated by Learning Quest and offers one-on-one tutoring for offenders who test at a 6th grade reading and/or math level or below. The purpose of this class is to help the offenders improve their basic reading and math skills to the next level of being able to prepare for and take the GED.

Marriage Counseling, *The Potter's House* (Elective Non EB)

This class was developed by The Potter's House Church and is facilitated by a Volunteer Chaplin. The course is geared to those inmate clients that have families outside and those considering marriage when they return to their communities. The class will teach a 16-week Biblically based Marriage Counseling course. The course will teach subjects on marriage and the family unit such as: Love-what is love? Trust-what is trust? Discussions are focused on faithfulness; conflict; family relationships; and many more subjects. The classes are practical yet very effective when you apply them.

going assistance and tutoring. GED testing will be paid for once the offender has reached necessary bench marks to take the test.

Good Life Values for Women, *Facilitator Led* (Elective Non EB)

The intent of this class is to see women boldly living their lives according to God's Word. Some of the curriculum is from Titus Touch Ministries by Lisa Santagate. A few of the topics covered are: The Meaning of Virtue; Attitude; Service to Others; The Whole Person - Body, Soul, and Spirit; Inner Beauty; Image Culture; Power of the Cross; Power of the Word; Legacy; Encourager

Good Life Values, *Facilitator Led* (Elective Non EB)

Good Life Values system presents principles of character in a clear manner to help reprogram a conscience so that a person can clearly see what is right and wrong. The class will read about and discuss the values of honesty, hard work, generosity, humility and thirty-six others focusing on one's personal change. Simple universal principles from the book of Proverbs studied on a weekly basis are able to transform people, homes, and all social interactions.

H.E.L.P. (Having Eternal Life Planned), (Elective Non EB)

I have been incarcerated in prison as well as local jails. I know how it is to wear a mask all day, yet at the end of the day take off this mask. Without the mask I had only to have more questions about where I was going, where I was and why? In the Group setting we will have discussions about our: past hurts, what hinders our advance in the future; distractions on faces getting out; what emotion are we trying to control, but end up controlling us. We provide an open discussion with each other in a group setting. To provide a reaction which we can all help with; forgiveness and the power thereof; distractions;

Men in Recovery, Behavioral Health Recovery Services (BHRS) Led (Core EB)

This program is facilitated by Behavioral Health and Recovery Services (BHRS) and run by Certified Substance Use Counselors. The course is held three times a week, for three hours a day, Counselors follow an Intensive Outpatient Treatment model that covers many topics, including: the disease concept, denial defensive mechanisms, spirituality, problem solving, taking responsibility, stress management and relapse prevention, among others. Offenders must be screened and assessed first for the appropriateness for the program.

Mentoring by Peers, SCCILS (Elective 2nd Semester) New

Peer Mentors will be trained to assist students enrolled in SCCILS. They will be taught how to lead discussions surrounding correspondence courses, homework assignments, and peer discussion groups. Peer Mentors will continue their personal growth as they are trained to be Mentors. They will benefit from helping others learn what they have learned about recovery and rehabilitation. They will learn that mentoring is a way of life and can positively affect their home and community.

Moral Recognition Therapy (MRT) (Core EB)

MRT is designed to alter how participants think and make judgments about what is right and wrong. The course will be facilitated by trained facilitators by Behavioral Health and Recovery Services (BHRS). MRT seeks to move participants from hedonistic (pleasure vs. pain) reasoning levels to levels where concern for social rules and others becomes important.

Most Excellent Ways Gospel Mission (Elective EB)

The Most Excellent Way is a Recovery Group based upon Jesus' Sermon on the Mount, in the book Matthew chapter 5, of the Bible. It has 10 Attitudes of Victorious Living. Its goal is to

restore confidence to the addicted with the word of God. It provides real solutions for that struggle, whether it be drugs, alcohol, sexual addiction or other addictive issues.

Parenting Class, Friends Outside Led (Core EB)

Parenting: The main objective is to increase knowledge of positive parenting techniques and reunification efforts between inmate parents and their children.

Peer to Peer, National Alliance on Mental Illness Led (Core EB)

Curriculum consists of three main parts. First part is an "In Our Own Voice" presentation designed to inspire hope and demonstrate recovery is possible. Second part is a ten-session "peer to peer" course aimed at developing life skills and managing mental health and addiction symptoms. Third part is the "Healthy Friendships" workshop. Each part of the curriculum reinforces the technique of practicing mindfulness, being aware of triggers, and following a relapse prevention plan. The Peer to Peer curriculum gives great attention to developing an individual relapse prevention plan and the Friends in Recovery curriculum revisits that plan and applies it to healthy friendships and seeking out a mentee/mentor relationship.

Principles and Values, Facilitator Led (Core Non EB)

Principles of character are taught in a clear manner to help reprogram a conscience so that a person can clearly see what is right and wrong. The class will read discuss the values of honesty, hard work, generosity, humility and thirty-six others focusing on one's personal change. Simple universal principles studied on a weekly basis are able to transform people, homes, and all social interactions.

Teen Challenge (Elective Non EB)

The Teen Challenge class will cover the explanation of the Teen Challenge rehabilitation process and instructional materials on life skills taught in the program; an example would be a booklet on "Avoiding Temptation". We would also use some of the class time for interviewing applicants to the Teen Challenge rehab program which should reduce the time now currently required of the deputies shuttling inmates to our inmate interviews.

Theft/Shoplifting Life Skills Course, Dist. Act. (ACCI) (Core EB)

The women in SCCILS are learning how to change the way they think, identifying criminal thinking and learning how to make the transition to thinking of others as a way of life. We are going through each chapter of the Theft/Shoplifting Life Skills Course where they are coming face to face with the results of their actions. We are discussing each question and answer in the book as a group. Victim Impact stories are shared in an effort to help the women understand how their actions have changed the lives of the victim and the offender's own family in a negative manner. The beginning of the course explores the reasons people choose certain actions. We then discuss how it affects everyone involved. The class wraps up with a discussion about restitution and how that is another step they can take to make things right. Through this class we are trying to get to the core of the problem and with discussion we look at outcomes and how changing certain behaviors can impact future outcomes. Overall, the goal is to help each woman accept responsibility for their actions and make a commitment to pay restitution by leading them away from criminal thinking and toward a more positive future as they learn the life skills, thought processes, and positive behaviors necessary to be successful in life.

Seeking Safety BHRS (Core EB)

Seeking Safety is a present-focused therapy to help inmates attain safety from trauma/PTSD and substance abuse. The treatment provides clinicians with a book that serves as a guide and provides client handouts and a clinician guide. The treatment was designed for flexible use. It has been conducted in group and individual format; for females, males, and mixed-gender; with adults and adolescents; using all topics or fewer topics; in a variety of settings (outpatient, inpatient, residential); and for both substance abuse and dependence. It has also been used with people who have a trauma history, but do not meet criteria for PTSD; or for those with substance use disorder, but no trauma/PTSD.

Substance Abuse, Facilitator Led (ACCI) (Core EB)

The *Substance Abuse Lifeskills Course* is for individuals with substance abuse problems. Cognitive restructuring by its very nature can work at any level of addiction, either as prevention or rehab. This is a unique cognitive restructuring course written in a story format.

- Marijuana / drugs • DUI • Chemical addiction • Distribution
- Possession • Drugs • Denial • Self-deception

Successfully Transitioning Into the Community, Nirvana (EB) (S.T.I.C) New

The S.T.I.C curriculum comes from many years of experiences working with offenders with multiple violations in custody and out of custody. It is based on the offender's experiences and intentions to do well after leaving jails and prisons, but still fall short. This course is designed to help the inmate take a look at some of the thinking and beliefs that cause people to stumble, and to challenge the thinking with new insight and techniques.

Thinking for a Change, Probation Led (Core EB)

Two specially trained Deputy Probation Officers (DPOs) will be facilitating these groups. This is a closed-ended class and runs for 16 weeks. T4C is an integrated, cognitive behavioral change program for inmate clients that include cognitive restructuring, social skill development and development of problem solving skills. T4C is evidence-based and listed on the Crimresolutions.gov website as a program that has evidence indicating it has achieved its intended outcomes. Sex inmate clients and gang members are not appropriate for this class.

Women of Destiny, Living Word Church (Elective Non EB)

This course is designed to help women receive emotional and spiritual healing. They are encouraged to seek God while they are in Custody and take Him with them when they are released. The curriculum for this study is the Bible and its timeless principles.

Work Maturity, Friends Outside (Non EB)

The program provides work maturity classes to help participants develop a sense of self-responsibility and self-motivation concerning their job search. Main objectives: 1. Ability to correctly fill out a master application. 2. Ability to interview properly. 3. Understand how to look for employment. 4. The basics of job retention.

Women of Wisdom BHRS (Core, EB)

This program is facilitated by Behavioral Health and Recovery Services (BHRS) Drug and Alcohol Counselors. The course is held three times a week, for three hours a day. Counselors utilize evidence-based curricula to facilitate topics, which include: the disease concept, denial defensive mechanisms, spirituality, problem solving, taking responsibility and stress

management, among others. Offenders must be screened and assessed first for the appropriateness for the program.

.....Classes below had been offered in the past.....

Restitution Education, District Attorney (Elective Non EB)

How do you make things right after victimizing someone? What happens if you fail to pay restitution? Restitution starts with you. The hour long presentation will provide you with information regarding Restitution and your obligations to the victim. Take the first step towards your own redemption. Do the right thing. See you in Restitution class.

Second Chances California (EB)

We'd like to introduce Second Chances California, a vocational and personal growth program. This class is designed to teach vocational, employment ready skills to assist your journey after you are released. The class is also designed as an Introduction to the Second Chances vocational program at the Sheriff's Department, which is a four month program teaching skills to work with livestock for former inmates. Life skills are also taught using the horses for therapy, which is done on the grounds (no riding required). This is a fun class, with a lot of group, time, discussion and debate. Your input is important during class. You will work on personal goals and learn a little about life skills/planning. You are welcome to join us.

17

desktop/curriculum 5.12/curriculum

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PROGRAM OFFICE

Program Clerk Cheryl Hernandez: 491 8780

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**2015-2016 Stanislaus County Civil Grand Jury
Del Puerto Healthcare District
Case #16-06C and 16-11C**

SUMMARY

The Stanislaus County Civil Grand Jury received two citizens' complaints, Grand Jury Case Numbers 16-06C and 16-11C, alleging mismanagement by the Board of Directors of the Del Puerto Healthcare District (DPHD). In addition, other allegations included personal use of district credit cards by an Ambulance Company employee, private use of an Ambulance Company vehicle by a district employee, two traffic accidents by a district ambulance with the same crew on the same day, inappropriate influence by a board member to establish a clinic in a relative's business, a conflict of interest by a board member that served on a malpractice insurance board of directors, micromanagement by board members in the day-to-day operations of the district.

GLOSSARY

Administrative Director – New title for the CEO position

CEO – Chief Executive Officer

CFO – Chief Financial Officer

DPHD – Del Puerto Healthcare District

HFS – HFS Consultants. A private company that provides solutions for healthcare management. HFS was engaged by DPHD to conduct an extensive search for the new administrative director.

JWT & Associates, LLC – DPHD's contracted internal accounting firm

SCCGJ – Stanislaus County Civil Grand Jury

BACKGROUND

The Del Puerto Healthcare District was established in 1949, and its mission is: "To provide the highest quality healthcare services through Patterson Ambulance and Del Puerto Health Center, while expanding the healthcare availability to the citizens of the Del Puerto Healthcare District."

A five-member Board of Directors governs DPHD. Members are elected to four-year terms that are staggered so not all seats are up for election at the same time. The current model of governance provides that the board members exercise full control over the District's administrative and operational activities.

DPHD operates an ambulance division and a medical clinic, both located in Patterson.

METHODOLOGY

The committee interviewed:

- Three current board members
- Two former Chief Executive Officers
- Former and current Director, Ambulance Operations
- The District Office Manager
- The Health Center Director
- Executive Director of Mountain Valley Medical Services Agency
- A representative from HFS that is conducting the search for the Administrative Director

SCCGJ members visited the administrative offices, the Del Puerto Health Center, and the Patterson Ambulance facility. In addition, committee members attended a regularly scheduled board meeting.

The committee also reviewed various documents provided by the DPHD. These included DPHD meeting agendas and minutes, bylaws, financial records, organizational chart, position descriptions, board member orientation information, and traffic accident reports.

DISCUSSION

The DPHD was formed in 1949. For many years, DPHD operated a hospital and an ambulance division. In 1997, the hospital was closed, and in 1998 DPHD started a medical clinic that was located in the central part of the City of Patterson. In 2010, the District purchased property in an industrial area in the western portion of Patterson. The Del Puerto Health Center was built in 2011 and began operations in 2012; at that time, the downtown location was closed.

The Del Puerto Health Center offers pediatric and family medical services for the greater community and is fully staffed with qualified medical personnel. A new Medical Director was hired in 2014; since that time, family appointments have increased by 25% and pediatric appointments by 3%. By all indications, the clinic is living up to the mission of providing high-quality healthcare.

Patterson Ambulance is located in central Patterson, has four ambulances, and is fully staffed by licensed personnel. A new Director of Ambulance Operations was hired in 2014, and Patterson Ambulance is being managed effectively.

Sources of revenue for the DPHD include patient fees, private-insurance reimbursements, Medicare and MediCal payments, and funding from Stanislaus County taxes and City of Patterson special tax assessments. DPHD has never requested an audit from Stanislaus County or the City of Patterson for taxes or special tax assessments.

The DPHD has a website that contains relevant information but does not include the meeting minutes of the Board of Directors.

At the February 29, 2016, DPHD Board meeting, JWT and Associates, in its annual internal audit report, noted that DPHD's financials are in fair condition but need work. The operating results in 2015 were negative \$673,937. Though the reserves are satisfactory according to JWT, they should be increased before attempting to expand the clinic. The auditor advised the Board members that the clinic needs to be run like a business and should not rely on taxes to remain solvent. JWT also recommended that DPHD hire a CEO with clinical management experience and a part-time CFO or at a minimum, retain a CFO service. **(Attachment A)**

The Del Puerto Health Center is striving to increase the number of patients by working with new large businesses to provide various medical services. Also, the DPHD continues to provide outreach to the community to generate additional business. Since the current clinic is not easily accessible by many patients in the community, the District provides free bus passes to those patients needing them.

The DPHD has employed four permanent CEOs and one interim CEO during the last five years; currently, the position is vacant. Some of the turnover is a result of managers that may not have been a good fit for the organization, as well as individual board members' micromanagement of day-to-day operations. The board is divided into two factions that appear to have personal and conflicting agendas and these differences appear to cause disruption. The board has hired a search firm, HFS Consultants, to recruit a new CEO, which will now be known as Administrative Director. HFS and the DPHD Board developed a job description that will be used by HFS to recruit for the Administrative Director. The recruiting process was beginning at the time this report was written.

There is a wide range of years of service on the board, with some members having become involved when the district operated the hospital and some who were recently elected. There is no formal comprehensive orientation and training process that outlines the roles and responsibilities of board members.

There is minimal formal community outreach to encourage people to run for board seats. For example, during the last election in December 2014, only one candidate ran for election.

The investigation concluded that most of the allegations in the complaints have been resolved with new management or had no merit. The investigation did reveal a board that is divided, unsure, and unclear in their roles and responsibilities as well as those of the CEO.

FINDINGS

- F1. The medical clinic delivers good quality healthcare and is effectively managed.
- F2. Patterson Ambulance delivers good quality ambulance service and is effectively managed.
- F3. The investigation concluded that most of the allegations in the complaints have been resolved with new management or had no merit.

- F4. DPHD's finances are too dependent on Stanislaus County taxes and City of Patterson special tax assessments.
- F5. DPHD is actively planning to expand its healthcare center.
- F6. A lack of county and City of Patterson audits may result in DPHD not receiving revenue to which it is entitled.
- F7. Unpublished minutes result in a lack of board transparency in its delivery of information to the community.
- F8. The investigation revealed that performance appraisals were not given to recent CEOs. In addition, after interviewing board members and other District employees, it is obvious that the board is divided, unsure, and unclear about the responsibilities of the Administrative Director. It is not clear whether the board is aligned on the expectations of the position.
- F9. The job specifications used by HFS to recruit for the new position of Administrative Director were modified to more closely match candidates to the position.
- F10. There is minimal public outreach to the community to explain the mission of DPHD and to attract qualified board members.
- F11. Without formal orientation and training processes for board members, dysfunction of the board will continue to exist.

RECOMMENDATIONS

- R1. None
- R2. None
- R3. None
- R4. DPHD should consider hiring a part-time CFO, or hire an outside resource to provide CFO functions.
- R5. DPHD should delay the plan for capital expansion of the Del Puerto Health Center until the operational budget justifies the expansion.
- R6. DPHD should request both a Stanislaus County and City of Patterson audit to ensure all revenues and tax assessments due to the DPHD are correct.
- R7. DPHD should publish board meeting minutes on the DPHD website.
- R8. When the new Administrative Director is hired, the DPHD Board should:

- a. Set firm expectations and monitor job performance of the Administrative Director with annual performance reviews.
 - b. Establish a policy to allow the Administrative Director to manage the District and refrain from unnecessary board micromanagement. An excellent reference is the Oakland City Charter 218 Non Interference Policy. **(Attachment B)**
- R9. Once the Administrative Director is hired, the DPHD Board should ensure that the job description for the Administrative Director position matches the job specifications used to recruit for it.
- R10. DPHD should develop an action plan to inform and educate the voters within DPHD on the following:
- a. The responsibilities of the board.
 - b. The role of a board member.
 - c. The qualifications necessary to serve on the board.
- R11. DPHD should hire a consultant after each election to provide training for all current and incoming board members on how to work together as an effective team.

COMMENDATION

As a rural healthcare provider, the Del Puerto Healthcare District operates in a very competitive complex environment. In spite of many obstacles, the Del Puerto Health Center and Patterson Ambulance are effectively managed and provide a beneficial service to the local community.

REQUEST FOR RESPONSES

Pursuant to Penal Code section 933.05, the Stanislaus County Civil Grand Jury requests responses as follows:

Board of Directors, Del Puerto Healthcare District, Recommendations R4 to R11

INVITED RESPONSES

Stanislaus County Board of Supervisors

Attachment A

Report of Independent Auditors
And Financial Statements

Del Puerto Health Care District

June 30, 2015 & 2014

JWT & Associates, LLP
Certified Public Accountants

Del Puerto Health Care District

Audited Financial Statements

June 30, 2015

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JWT & Associates, LLP

Certified Public Accountants

1111 East Herndon, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685

Report of Independent Auditors

Board of Directors
Del Puerto Health Care District
Patterson, CA

Report on the Financial Statements

We have audited the statement of net positions of Del Puerto Health Care District (the "District") as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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

Other Matters

The financial statements of the District as of June 30, 2014, were audited by TCA Partners, LLP, who merged into JWT & Associates, LLP as of February 1, 2015. TCA Partners, LLP's report dated October 22, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

JWT & Associates, LLP

Fresno, California
December 11, 2015

Del Puerto Health Care District
Management's Discussion and Analysis

June 30, 2015

In accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements: Management's Discussion and Analysis for State and Local Government*, the management of the Del Puerto Health Care District (District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2015. The intent of this document is to provide additional information on the District's historical financial performance as a whole. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2015 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

The District, in addition to administration, continues to operate two primary cost centers: Patterson District Ambulance (PDA) and Del Puerto Health Center (DPHC). The District's total assets are \$5,336,053 and total liabilities are \$2,186,378 at June 30, 2015, with a total net position of \$3,149,675.

PDA and DPHC generate revenues and are expected to be self-sufficient, but they required financial assistance from the District again this year. Total operating revenues increased by \$479,029 from 2014 to \$3,632,957 in 2015. Total operating expenses increased by \$107,897 from 2014 to \$4,306,894 in 2015, resulting in an operating loss of \$673,937 for 2015. However, tax revenues total \$1,200,295 and impact mitigation fees were \$128,824 resulting in an overall increase in net position of \$579,171 for 2015. DPHCD used those additional funds to pay off an equipment loan for the 2014 ambulance significantly sooner than scheduled.

Patterson District Ambulance continues to see increased call volumes over prior year. PDA experienced a 20% increase in gross patient revenue during 2015 and produced a net profit of \$14,321. Accounts receivable collections continued to be strong, averaging 34 days. This upcoming year PDA plans to implement a new ePCR (electronic patient care report) software system, which is needed in order to comply with recent state and federal data reporting requirements. Also this year, due to staffing modifications, PDA will outsource its patient billing services. This new vendor has many years of experience billing for rural ambulance providers with similar patient demographics. We do not expect to see any negative effect on collections.

Del Puerto Health Center experienced a 20% increase in patient visits during 2015. While there was \$150,000 net loss for 2015, this is a 57% improvement from 2014. Gross patient revenues improved by 17% as billings and collections continue to be solid. DPHC hired a new Medical Director, Jose Rodriguez, MD. Dr. Rodriguez began his full time family practice in January 2015, which allows DPHC to contract with commercial insurance companies and serve a larger portion of the community. Marketing efforts will be a main focus this coming year.

Administration is again challenged with filling the CEO position and plans to hire a firm to assist with this search. This qualified candidate will provide the necessary leadership to take the District into the future, to define and deliver additional healthcare services needed by our community.

Del Puerto Health Care District

Statements of Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,309,780	\$ 853,950
Patient accounts receivable, net of allowances	584,418	415,867
Due from third-party payors	137,761	126,054
Supplies	34,546	39,285
Prepaid expenses and deposits	18,996	315
Total current assets	<u>2,085,501</u>	<u>1,435,471</u>
Assets whose use is limited	153,557	141,399
Capital assets, net of accumulated depreciation	3,096,995	3,295,105
Total assets	<u>\$ 5,336,053</u>	<u>\$ 4,871,975</u>
 Liabilities and Net Position		
Current liabilities		
Current maturities of long-term debt	\$ 50,368	\$ 68,885
Accounts payable and accrued expenses	154,215	106,143
Accrued payroll and related liabilities	133,160	141,107
Total current liabilities	<u>337,743</u>	<u>316,135</u>
Long-term debt, less current maturities	1,848,635	1,985,336
Total liabilities	<u>2,186,378</u>	<u>2,301,471</u>
Net position		
Invested in capital assets, net of debt	1,197,992	1,171,999
Unrestricted	1,951,683	1,398,505
Total net position	<u>3,149,675</u>	<u>2,570,504</u>
Total liabilities and net position	<u>\$ 5,336,053</u>	<u>\$ 4,871,975</u>

See accompanying notes to the financial statements

Del Puerto Health Care District

Statements of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Net patient service revenue	\$ 3,509,482	\$ 2,901,297
Other operating revenue	123,475	252,631
Total operating revenues	<u>3,632,957</u>	<u>3,153,928</u>
Operating expenses		
Salaries and wages	1,346,720	1,357,408
Employee benefits	387,717	355,648
Professional fees	1,271,245	1,173,659
Purchased services	362,915	415,812
Supplies	156,052	160,489
Repairs and maintenance	121,421	92,908
Utilities	96,060	101,778
Rental and lease	11,468	12,079
Depreciation and amortization	205,593	187,319
Insurance	235,652	226,425
Other operating expenses	112,051	115,472
Total operating expenses	<u>4,306,894</u>	<u>4,198,997</u>
Operating income (loss)	(673,937)	(1,045,069)
Non-operating revenues (expenses)		
District tax revenues	1,200,295	1,010,333
Impact mitigation fees	128,824	6,882
Investment income	1,134	857
Interest expense	(77,145)	(75,099)
Total non-operating revenues (expenses)	<u>1,253,108</u>	<u>942,973</u>
Excess of revenues over expenses (expenses over revenues)	579,171	(102,096)
Net position at beginning of the year	2,570,504	2,672,600
Net position at end of the year	<u>\$ 3,149,675</u>	<u>\$ 2,570,504</u>

See accompanying notes to the financial statements.

Del Puerto Health Care District

Statements of Cash Flows

Year Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from patients and third-parties on behalf of patients	\$ 3,340,931	\$ 2,895,175
Cash received from operations, other than patient services	111,768	348,667
Cash payments to suppliers and contractors	(2,332,734)	(2,358,358)
Cash payments to employees and benefit programs	(1,742,384)	(1,720,252)
Net cash used in operating activities	<u>(622,419)</u>	<u>(834,768)</u>
Cash flows from non-capital financing activities		
District tax revenues	1,200,295	1,010,333
Impact mitigation fees	128,824	6,882
Net cash provided by non-capital financing activities	<u>1,329,119</u>	<u>1,017,215</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(7,483)	(202,682)
Proceeds from debt borrowings	-	112,032
Principal payments on debt borrowings	(155,218)	(58,781)
Interest payments	(77,145)	(75,099)
Net cash used in capital and related financing activities	<u>(239,846)</u>	<u>(224,530)</u>
Cash flows from investing activities		
Net change in assets whose use is limited	(12,158)	(12,129)
Investment income	1,134	857
Net cash provided by investing activities	<u>(11,024)</u>	<u>(11,272)</u>
Net increase (decrease) in cash and cash equivalents	455,830	(53,355)
Cash and cash equivalents at beginning of year	853,950	907,305
Cash and cash equivalents at end of year	<u>\$ 1,309,780</u>	<u>\$ 853,950</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 77,145</u>	<u>\$ 75,099</u>

See accompanying notes to the financial statements

Del Puerto Health Care District

Statements of Cash Flows (continued)

Year Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of income from operations to net cash provided by operating activities		
Operating loss	\$ (673,937)	\$ (1,045,069)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization of other assets	205,593	187,319
Changes in operating assets and liabilities:		
Patient accounts receivables	(168,551)	(5,912)
Due from third-party payors	(11,707)	96,036
Supplies	4,739	11,504
Prepaid expenses and deposits	(18,681)	13,538
Accounts payable and accrued expenses	48,072	(84,988)
Accrued payroll and related liabilities	(7,947)	(7,196)
Net cash used in operating activities	<u>\$ (622,419)</u>	<u>\$ (834,768)</u>

See accompanying notes to the financial statements

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: Del Puerto Health Care District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District operates a Paramedic Ambulance Service for the community of Patterson and the surrounding area. The District also operates a rural health clinic providing physician and related healthcare services serving Patterson and the surrounding area. The accompanying financial statements include all activities for all of the aforementioned entities of the District. As a political subdivision of the State of California, the District is generally not subject to federal or state income taxes.

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

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Financial Statement Presentation: The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method.

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

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

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

GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27* ("GASB No. 68"), which was effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces 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 also are addressed. The District has evaluated the impact of the adoption of GASB No. 68 for the fiscal year ending June 30, 2015 and there is no effect to the District's financial statements.

GASB also issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"), which was effective for financial statements for periods beginning after December 15, 2013. GASB No. 69 requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. It also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. It defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations, and provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The District has evaluated the impact of the adoption of GASB No. 69 for the fiscal year ending June 30, 2015 and there is no effect to the District's financial statements.

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested.

Patient Accounts Receivable: Patient accounts receivable represent the estimated net realizable value of amounts due from patients and third party payors. Management performs ongoing evaluations of the collectability of patient accounts receivable. A provision for contractual adjustments and uncollectible accounts is made in the period the related services are rendered. Management believes the allowance is adequate.

Supplies: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The District does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2015 and 2014, the District has determined that no capital assets are impaired.

Compensated Absences: The District's employees earn vacation benefits at varying rates depending on their years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2015 and 2014 are \$55,483 and \$76,001, respectively.

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Risk Management: The District 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 medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

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

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

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

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

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

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

District Tax Revenues: The District receives tax revenues from Stanislaus County. Tax revenue and is recorded in the year it is assessed and received or receivable. The District also receives mitigation fees from specified new construction projects in the District. These mitigation fees are recorded in the year in which they are assessed and received or receivable.

Subsequent Events: Subsequent events have been evaluated through the date the financial statements were available to be issued.

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2015 and 2014, the District had deposits invested in various financial institutions in the form of cash and cash equivalents amounting to \$1,436,337 and \$995,349. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

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

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 3 - INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2015 and 2014:

		2015			
		Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5	
Money market accounts	\$ 253,570	\$ 253,570	\$ -0-	\$ -0-	
Government investment funds	180	180	-0-	-0-	
Total investments	<u>\$ 253,750</u>	<u>\$ 253,750</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

		2014			
		Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5	
Money market accounts	\$ 241,262	\$ 241,262	\$ -0-	\$ -0-	
Government investment funds	180	180	-0-	-0-	
Total investments	<u>\$ 241,442</u>	<u>\$ 241,442</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

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

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

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District's investments in such obligations are in State government funds. The District believes that there is minimal credit risk with these obligations at this time.

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 3 – INVESTMENTS (continued)

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investments are held as follows: governmental agencies 0.07% and banks 99.93%. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

NOTE 4 - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2015 and 2014 were comprised of cash and cash equivalents held as a debt reserve pursuant to certain debt agreements and designated by the board for specific purposes. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were \$1,134 and \$857 for the years ended June 30, 2015 and 2014, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use. Debt securities, when present, are recorded at market price or the fair market value as of the date of each balance sheet.

NOTE 5 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations (HMOs) and preferred provider organizations (PPOs). Patient service revenues from these programs approximate 84% of gross patient service revenues.

The Medicare Program reimburses the District on a fee for service basis for ambulance services.

The District contracts to provide ambulance services to Medi-Cal, HMO and PPO patients at negotiated rates. Certain patient reimbursement is subject to a schedule of maximum allowable charges for Medi-Cal and to a percentage discount for HMOs and PPOs.

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 5 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS (continued)

Both the Medicare and Medi-Cal program's administrative procedures preclude final determination of amounts due to the District for services to program patients until after patients' medical records are reviewed and cost reports are audited or otherwise reviewed by and settled with the respective administrative agencies. The Medicare and Medi-Cal cost reports are subject to audit and possible adjustment. Management is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.

Medicare and Medi-Cal revenue accounts for approximately half of the District's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Medicare	\$ 61,317	\$ 25,344
Medi-Cal	362,496	269,211
Other third party payors	324,861	226,889
Self pay and other	<u>133,228</u>	<u>147,450</u>
Gross patient accounts receivable	881,902	668,894
Less allowances for contractual adjustments and bad debts	<u>(297,484)</u>	<u>(253,027)</u>
Net patient accounts receivable	<u>\$ 584,418</u>	<u>\$ 415,867</u>

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 7 - CAPITAL ASSETS

Capital assets as of June 30, 2015 and 2014 were comprised of the following:

	Balance at <u>June 30, 2014</u>	Transfers & <u>Additions</u>	Transfers & <u>Retirements</u>	Balance at <u>June 30, 2015</u>
Land and land improvements	\$ 162,914	\$ -0-	\$ -0-	\$ 162,914
Buildings and improvements	3,124,739	-0-	-0-	3,124,739
Equipment	<u>1,324,997</u>	<u>7,483</u>	<u>(118,309)</u>	<u>1,214,171</u>
Totals at historical cost	4,612,650	<u>\$ 7,483</u>	<u>\$ (118,309)</u>	4,501,824
Less accumulated depreciation	<u>(1,317,545)</u>	<u>\$ (205,593)</u>	<u>\$ 118,309</u>	<u>(1,404,829)</u>
Capital assets, net	<u>\$ 3,295,105</u>			<u>\$ 3,096,995</u>

	Balance at <u>June 30, 2013</u>	Transfers & <u>Additions</u>	Transfers & <u>Retirements</u>	Balance at <u>June 30, 2014</u>
Land and land improvements	\$ 162,914	\$ -0-	\$ -0-	\$ 162,914
Buildings and improvements	3,099,215	25,524	-0-	3,124,739
Equipment	<u>1,147,839</u>	<u>177,158</u>	<u>-0-</u>	<u>1,324,997</u>
Totals at historical cost	4,409,968	<u>\$ 202,682</u>	<u>\$ -0-</u>	4,612,650
Less accumulated depreciation	<u>(1,130,226)</u>	<u>\$ (187,319)</u>	<u>\$ -0-</u>	<u>(1,317,545)</u>
Capital assets, net	<u>\$ 3,279,742</u>			<u>\$ 3,295,105</u>

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 8 – LONG-TERM DEBT

Long-term debt as of June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable to USDA, interest at 3.75%, monthly principal and interest payments of \$10,060, final payment due in 2040, secured by property.	\$ 1,899,003	\$ 1,947,520
Note payable to a bank, interest at 5.45%, monthly principal and interest payments of \$2,142, final payment due in 2019, secured by equipment.	<u>-0-</u>	<u>106,701</u>
	1,899,003	2,054,221
Less current portion	<u>(50,368)</u>	<u>(68,885)</u>
	<u>\$ 1,848,635</u>	<u>\$ 1,985,336</u>

The future principal payments required under existing debt, by years, is as follows: for the year ended June 30, 2016, \$50,368; for 2017, \$52,289; for 2018, \$54,284; for 2019, \$56,355; for 2020, \$58,505; and thereafter, \$1,627,202.

NOTE 9 - RETIREMENT PLANS

The District has a defined contribution retirement plan covering substantially all of the District's employees. In a defined contribution retirement plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes to the plan at a rate of three percent of eligible compensation, based on the length of the employee's service as defined by the plan. The District's contributions become fully vested after five years of continuous service. The District's pension expense for the plan was approximately \$68,000 and \$46,000 during the year ended June 30, 2015 and 2014.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2015 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Del Puerto Health Care District

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases: The District leases various pieces of equipment under operating leases expiring at various dates. Total equipment lease and rent expense for the years ended June 30, 2015 and 2014 were \$11,468 and \$12,079, respectively. Future minimum lease payments for the succeeding years under operating leases with a remaining term in excess of one year as of June 30, 2015 are no considered material.

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

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as the Affordable Care Act, licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

Attachment B

Excerpt from Oakland City Charter:

Section 218. Non-Interference In Administrative Affairs. Except for the purpose of inquiry, the Council and its members shall deal with the administrative service for which the City Administrator, Mayor and other appointed or elected officers are responsible, solely through the City Administrator, Mayor or such other officers. Neither the Council nor any Council member shall give orders to any subordinate of the City under the jurisdiction of the City Administrator or such other officers, either publicly or privately; nor shall they attempt to coerce or influence the City Administrator or such other officers, in respect to any contract, purchase of any supplies or any other administrative action; nor in any manner direct or request the appointment of any person to or his removal from office by the City Administrator or any of his subordinates or such other officers; nor in any manner take part in the appointment or removal of officers or employees in the administrative service of the City. Violation of the provisions of this section by a member of the Council shall be a misdemeanor, conviction of which shall immediately forfeit the office of the convicted member.

(Amended by: Stats. November 1988, November 2000 and March 2004.)