

CAMBRIA COMMUNITY HEALTHCARE DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS

June 30, 2017

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

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June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cambria Community Healthcare District
Cambria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Cambria Community Healthcare District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cambria Community Healthcare District
Cambria, California

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 financial position of the District, as of June 30, 2017 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

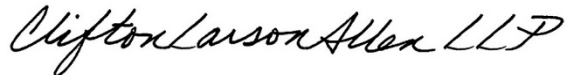
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information on pages 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cambria Community Healthcare District
Cambria, California

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
March 15, 2018

BOARD OF TRUSTEES AND ADMINISTRATION

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

BOARD OF TRUSTEES AND ADMINISTRATION

June 30, 2017

<u>Trustee</u>	<u>Position</u>	<u>Term Expires</u>
Robert Putney	President	December 2018
Mary Anne Meyer	Vice President	December 2018
Jerry Wood	Secretary	December 2018
Barbara Bronson Gray	Trustee	December 2020
Shirley Bianchi	Trustee	December 2020
Robert Sayers, Jr.	Administrator	

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This discussion and analysis of the Cambria Community Healthcare District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Introduction and Background

The Cambria Community Healthcare District (the District), was organized in 1947, under the authority of section 3200, et. seq., of the Health and Safety Code of the State of California. The District formation was approved by the local voting constituency and was authorized by the San Luis Obispo County Board of Supervisors with the objective to attract physicians and dentists to locate their practice to the community.

Medical offices were leased by the District from a private party and in turn were rented (at a nominal amount) to a physician. The District took over operation of the ambulance services from the Cambria Chamber of Commerce, using volunteers via a telephone call list for emergency response. The ambulance was located in a shed behind the old Bank of America building.

The District built its own "clinic" to provide medical offices that could be leased to a physician at a nominal rate. This building was completed on land donated by the Soto Family at its present location on Main Street. The District also began to purchase medical equipment for the physicians use.

The District is a public, tax and fee supported special district in San Luis Obispo County, California. The District provides advance support ambulance service for the area, which includes the communities of Cambria, Harmony, San Simeon, and outlying areas north to the Monterey County line. Under an agreement with the County of Monterey, the District also provides ambulance service in the Monterey County Coast zone.

In addition to ambulance service, the District owns a professional medical building, which is leased to healthcare organizations. The District's mission is to improve the health of district residents by providing Emergency Services, Enhancing Access to Care and promoting wellness. The District is governed by a five-member Board of Trustees. The Administrator manages the day-to-day operations of the District in accordance with the policies and procedures established by the Board of Trustees. The Board of Trustees meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

Financial Highlights

- Total assets increased as of June 30, 2017 by \$115,033 compared to 2016 and consisted of cash, accounts receivable and capital assets.
- Total liabilities increased as, of June 30, 2017 by \$692,907 compared to 2016 and consisted of accounts payable, accrued expenses and long-term obligations for pension and OPEB. In addition, the District financed the purchase of an ambulance during 2017.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

- The District ended the year with a net deficit of \$1,943,916 compared to the net deficit at June 30, 2016 of \$1,766,199.
- Operating revenues were \$807,145 for the year ended June 30, 2017 compared to \$750,090 for 2016.
- Current year assessments, property taxes and other non-operating revenues were \$1,039,753 compared to \$988,808 for the year ended June 30, 2016.
- Operating expenses were \$2,024,714 for the current year compared to operating expenses of \$2,102,377 for the year ended June 30, 2016.
- For the year ended June 30, 2017, the District recorded a loss from operations of \$1,217,569 compared to a loss from operations of \$1,352,287 in 2016. Total change in net position was a decrease of \$177,816 compared to a decrease in net position of \$363,479 for the year ended June 30, 2016.

Financial Management and Control

The District is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with US generally accepted accounting principles (US GAAP).

CliftonLarsonAllen LLP, Certified Public Accountants, performs an independent audit examination of the financial statements in accordance with generally accepted auditing standards (GAAS).

Basic Financial Statements

Financial statements are prepared in conformity with US GAAP and include amounts based upon reliable estimates and judgments. The financial statements include the Statement of Net Position; Statement of Revenues, Expenses and Change in Net Position; and the Statement of Cash Flows. The statements are accompanied by footnotes to clarify unique accounting policies and other financial information and required supplementary information. The assets, liabilities, revenues, and expenses are reported on a full-accrual basis.

The **Statement of Net Position** presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference representing net position. Assets and Liabilities are classified as current or non-current. Changes within the year in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses and Change in Net Position.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The **Statement of Revenues, Expenses and Change in Net Position** presents information showing total revenues versus total expenses and how net position changed during the fiscal year. All revenues earned and expenses incurred during the year are required to be classified as either “operating” or “non-operating.” For the current year, all expenses incurred are considered to be operating. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., the expense associated with changes in claim liability involving cash transactions beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in the cash and cash equivalents during the fiscal year. This statement is prepared using the direct method of cash flow. The statement breaks the sources and uses of cash and cash equivalents into three categories:

- Operating activities
- Financing activities
- Investing activities

The routine activities appear in the operating activities, while investment and non-operating activities comprise the investing activities. Financing activities represent property taxes and special assessments as well as loan activity and purchases of capital assets.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of operations and significant accounting policies as well as clarify unique financial information.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Condensed Financial Statements

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Current and other assets	\$ 572,637	\$ 592,462	\$ (19,825)
Capital assets - non current	188,523	53,665	134,858
Total Assets	<u>761,160</u>	<u>646,127</u>	<u>115,033</u>
Deferred Outflows of Resources:			
Deferred amount pension obligation	559,917	204,665	355,252
Total Deferred Outflows	<u>559,917</u>	<u>204,665</u>	<u>355,252</u>
Liabilities:			
Current liabilities	60,817	52,017	8,800
Non-current liabilities	2,997,086	2,312,979	684,107
Total Liabilities	<u>3,057,903</u>	<u>2,364,996</u>	<u>692,907</u>
Deferred Inflows of Resources:			
Deferred amount pension obligation	207,090	251,995	(44,905)
Total Deferred Inflows	<u>207,090</u>	<u>251,995</u>	<u>(44,905)</u>
Net Position:			
Net investment in capital assets	35,794	53,665	(17,871)
Unrestricted	(1,979,710)	(1,819,864)	(159,846)
Total Net Position	<u>\$ (1,943,916)</u>	<u>\$ (1,766,199)</u>	<u>\$ (177,717)</u>

Total assets increased by \$115,033 primarily due to the addition of an ambulance in the current year, offset by the decrease in cash and increase in receivables. Total liabilities increased \$692,907, primarily due to an increase in accrued liabilities for pension and OPEB obligations. In addition, the District obtained financing to purchase a new ambulance during 2017.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District were exceeded by liabilities and deferred inflows in the amount of \$1,943,916. See note 9 to the accompanying financial statements for a discussion of management's plan to address the District's net deficit.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Condensed Statements of Revenues Expenses and Change in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating revenues	\$ 807,145	\$ 750,090	\$ 57,055
Non-operating revenues, net	<u>1,039,753</u>	<u>988,808</u>	<u>50,945</u>
Total Revenues	1,846,898	1,738,898	108,000
Total Operating Expenses	<u>2,024,714</u>	<u>2,102,377</u>	<u>(77,663)</u>
Change in Net Position	(177,816)	(363,479)	185,663
Net Position - Beginning of Year	<u>(1,766,100)</u>	<u>(1,402,720)</u>	<u>(363,380)</u>
Net Position - End of Year	<u>\$ (1,943,916)</u>	<u>\$ (1,766,199)</u>	<u>\$ (177,717)</u>

As of June 30, 2017, the District's total operating expenses exceeded its total revenues, resulting in a decrease in net position of \$177,717. Revenues from operating and non-operating sources increased by \$108,000 and operating expenses decreased \$77,663 when compared to the prior year.

Operating Revenues:

Operating revenues for the District increased \$57,055, primarily due to increased revenue from ambulance charges.

Non-operating Revenues:

Non-operating revenues consist primarily of property taxes and special assessments from the County of San Luis Obispo. In addition, the District records rental income and other income from non-operating sources.

Operating Expenses:

Operating expenses consist of costs incurred in connection with the ambulance operations of the District, primarily consisting of payroll and benefit related expenses. The District also incurs general and administrative expenses related to the operations of the District Offices. The decrease in current year expenses is primarily attributable to a favorable adjustment to pension expense in the current year under the reporting requirements of GASB 68 and the effect of the deferred inflows and outflows on the current year proportionate share of pension expense. In addition, the District recognized a decrease in bad debt expense and cost savings in certain operating expenses including professional services and repairs and maintenance. These savings were offset by increases in workers' compensation and medical supplies and equipment.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Description of Facts or Conditions that are expected to have a Significant Effect on Financial Position or Results of Operations

Management and the Board of Trustees is unaware of any facts or conditions which could have a significant impact on the District's current financial position or foreseeable operating results other than as described below.

The District is currently recording operating expenses in excess of operating revenue and property tax and special assessment revenues and is utilizing reserve funds to meet its obligations. The District is operating with a net deficit and continues to see the net deficit increase. The significant expenses of the District are payroll and benefit related expenses. In the current year, Management and the Board of Trustees have undertaken the development of a strategic deployment plan in order to maximize the potential for emergency response based on the highest probability for 911 requests for service, and at the same time reduce unnecessary payroll expenses. Management and the Trustees believe that sufficient adjustments will be made to expenditures in the near term that will allow the District to operate profitably and, over time, correct the net deficit. Otherwise, if these revenue and expense adjustments are not made, the District could potentially be unable to continue as a going concern in the future.

Contacting the District Financial Management

The financial report contained herein is designed to provide a general overview of the finances, activities and operations of the District. To obtain additional information, please feel free to contact the Cambria Community Healthcare District at (805) 927-8304.

FINANCIAL SECTION

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

CURRENT ASSETS

Cash and cash equivalents	\$ 429,694
Accounts receivable, net allowance	142,943
Total current assets	<u>572,637</u>

NON-CURRENT ASSETS

Capital assets:	
Nondepreciable	5,063
Depreciable- net of accumulated depreciation	183,460
Total non-current assets	<u>188,523</u>
Total assets	<u>761,160</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows- pensions	<u>559,917</u>
Total deferred outflows of resources	<u>559,917</u>

CURRENT LIABILITIES

Accounts payable	20,857
Accrued payroll	12,688
Current portion- long-term debt	27,272
Total current liabilities	<u>60,817</u>

NON-CURRENT LIABILITIES

Long-term liabilities	
Compensated absences	7,361
Long-term debt	126,279
OPEB liability	1,419,355
Net pension liability	1,444,091
Total non-current liabilities	<u>2,997,086</u>
Total liabilities	<u>3,057,903</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows- pensions	<u>207,090</u>
Total deferred inflows of resources	<u>207,090</u>

NET POSITION (DEFICIT)

Net investment in capital assets, net of associated debt	34,972
Unrestricted	(1,978,888)
Total Net Position (Deficit)	<u><u>\$ (1,943,916)</u></u>

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Fiscal Year Ended June 30, 2017**

OPERATING REVENUES

Ambulance charges	\$	783,017
Other operating revenues		24,128
		807,145
Total operating revenues		807,145

OPERATING EXPENSES

Salaries and wages	951,188
Payroll benefits	604,243
Workers' compensation insurance	75,269
Professional services	50,846
Contract services	46,140
Depreciation	44,797
Medical supplies and equipment	40,858
Bad debt expense	39,569
Repairs and maintenance	33,472
Insurance	23,153
Fuel and oil	20,985
Payroll taxes	19,992
Utilities	15,285
Licenses and permits	12,392
Office and computer supplies	11,161
Uniform expense	9,035
Education and travel	8,532
Miscellaneous expense	7,664
Election expense	5,664
Trustee compensation	4,459
Training	10
	2,024,714
Total operating expenses	2,024,714
Operating Loss	(1,217,569)

NON OPERATING REVENUES (EXPENSES):

Property taxes	493,273
Special assessment	493,311
Rental income	34,593
Interest income	921
Interest expense	(4,066)
Other income (expense)	21,820
	1,039,852
Total non operating revenues (expenses)	1,039,852
Change in net position	(177,717)
Net Position (Deficit) Beginning of Year	(1,766,199)
Net Position (Deficit) End of Year	\$ (1,943,916)

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017**

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer and users	\$ 779,337
Payments to employees	(1,399,039)
Payments to vendors and suppliers	(441,679)
Net cash used by operating activities	(1,061,381)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Property taxes received	493,273
Special assessments received	493,311
Net cash provided by non-capital financing activities	986,584
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Proceeds from long-term note payable	173,434
Payments on long-term debt	(23,949)
Purchases of capital assets	(179,655)
Net cash used by capital and financing activities	(30,170)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	921
Rental income received	56,413
Net cash provided by investing activities	57,334
NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(47,633)
Cash and Cash Equivalents - Beginning of Year	477,327
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 429,694
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net operating loss	\$ (1,217,569)
Adjustments to reconcile operating loss:	
Depreciation	44,797
Adjustments to reconcile change in net assets to net cash	
Provided by operating activities:	
(Increase) Decrease in assets and deferred outflows:	
Accounts receivable	(27,808)
Deferred outflows	(355,252)
Increase(Decrease) in liabilities and deferred inflows:	
Accounts payable	(17,193)
Accrued payroll	(1,279)
Compensated absences	(24)
OPEB liability	308,517
Pension liability	249,335
Deferred inflows	(44,905)
Total adjustments	156,188
Net cash used by operating activities	\$ (1,061,381)

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Cambria Community Healthcare District (the District), was organized in 1947, under the authority of section 3200, et. seq., of the Health and Safety Code of the State of California. The District is a public, tax and fee supported special district in San Luis Obispo, California. The District provides advance support ambulance service for the area, which includes the communities of Cambria, Harmony, San Simeon, and outlying areas north to the Monterey County line. Under an agreement with the County of Monterey, the District also provides ambulance service in the Monterey County Coast zone.

In addition to ambulance service, the District owns a professional medical building, which is leased to healthcare organizations. The District's mission is to improve the health of district residents by providing Emergency Services, Enhancing Access to Care and promoting wellness. The District is governed by a five-member Board of Trustees. The Administrator manages the day-to-day operations of the District in accordance with the policies and procedures established by the Board of Trustees. The Board of Trustees meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

An annual budget is approved by the Board of Trustees.

Basis of Preparation

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments, and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligible requirements have been satisfied; and revenue from investments is recognized when earned.

Fund Accounting

The accounts of The District are organized on the basis of an enterprise fund, the operations of which are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenditures in addition to deferred outflows and inflows of resources. District resources are allocated to and accounted for based upon the purpose for which they are spent and the means by which spending activities are controlled. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the District, not restricted for any project or other purpose.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position. The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, 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 amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. Receivables include amounts due from recipients of ambulance services and certain tax levies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for doubtful accounts. The District also provides for Medicare and Medi-Cal contractual allowances.

Capital Assets

Acquisitions of property, plant and equipment are recorded at cost and are depreciated on a straight line basis over their estimated useful lives ranging from five to forty years. Donated capital assets are recorded at their estimated fair value on the date received. The District maintains a capitalization threshold of \$500. Amounts under the threshold are expensed to repairs and maintenance.

Property Taxes and Assessments

The Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Valuations

Property valuations are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Collections

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments

Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979. There has been no change to prevailing legislation as of June 30, 2017.

Property Tax Administration Fees

The State of California FY 90-91 Budget Act, authorized Counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Special Assessment

The District passed a special assessment on November 5, 1985, of \$4.00 flat rate per unimproved parcel and \$7.00 flat rate for improved parcel per year on all real property (except for federal, state or local government agencies) within the boundaries of the District for periodic and equipment replacement. On November 8, 1994, the voters approved an increase to the special assessment, raising the unimproved parcel fee to \$7.00 and improved parcel fee to \$20.00 to upgrade general operations. On November 7, 2006, the voters approved another increase to the special assessment, raising the unimproved parcel fee to \$25 and improved parcel fee to \$85 to improve paramedic staffing and upgrade general operations, annually adjusted by the change in the Consumer Price Index for the Greater Los Angeles Area.

Annual Appropriations Limit

The District is exempt from the annual appropriations limit required by Senate Bill 813 (Chapter 1025, Statutes of 1987), in accordance with California Constitution Article XIII B. This exemption is based on the voters of the District approving an additional assessment subsequent to the passage of Proposition 13.

Deferred Outflows and Inflow of Resources

Deferred Outflows- Pensions – The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows-pensions will be deferred and amortized as detailed in Note 6 to the financial statements.

Deferred Inflows- Pensions – Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of the changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 6 to the financial statements.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

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

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***. This statement establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. The statement is effective for the fiscal year 2017-18.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 ***Certain Asset Retirement Obligations***. This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources. The statement is effective for the fiscal year 2018-19.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 ***Omnibus 2017***. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 86 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement is effective for the fiscal year 2020-21.

NOTE 2: DEPOSITS AND INVESTMENTS

On June 30, 2017, the District had the following cash and investments on hand:

	<u>2017</u>
Cash in bank accounts	\$ 316,464
Local Agency Investment Fund	<u>113,230</u>
Total cash and investments	<u>\$ 429,694</u>

Cash and investments listed above, are presented on the accompanying basic financial statements as cash and cash equivalents of \$429,694.

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

The table shown herein identifies the investment types that are authorized by the District in accordance with the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate, credit risk and concentration of credit risk.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Authorized Maximum Investment type			
Local Agency Bonds	5 years	None	None
U.S Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
California Local Agency Investments Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB requires or permits in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the District had investments in the Local Agency Investment Fund; however, that external pool is not subject to fair value measurements under the fair value hierarchy as described above.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 as of June 30, 2017 is

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-leader) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The fund currently yields approximately 0.0978% interest quarterly. LAIF is currently unrated and has an average life of 194 days. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not subject to categorization to indicate the level of custodial credit risk assumed by the District at year end.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide cash flow requirements and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is not presented as LAIF is not subject to this type of categorization.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF is currently not rated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Additions	Deletions/ Transfers	Balance at June 30, 2017
Non-depreciable assets:				
Land	\$ 5,063	\$ -	\$ -	\$ 5,063
Total non depreciable assets	<u>5,063</u>	<u>-</u>	<u>-</u>	<u>5,063</u>
Depreciable assets				
Buildings and improvements	75,478	-	-	75,478
Ambulance and vehicles	345,709	156,397	(62,984)	439,122
Furniture and fixtures	13,335	7,043	-	20,378
Equipment	<u>348,973</u>	<u>16,215</u>	<u>(71,165)</u>	<u>294,023</u>
Total Depreciable capital assets	783,495	179,655	(134,149)	829,001
Accumulated depreciation	<u>(734,893)</u>	<u>(44,797)</u>	<u>134,149</u>	<u>(645,541)</u>
Total depreciable assets, net	48,602	134,858	-	183,460
Total capital assets, net	<u>\$ 53,665</u>	<u>\$ 134,858</u>	<u>\$ -</u>	<u>\$ 188,523</u>

NOTE 4: LONG-TERM DEBT

During fiscal year 2017, the District entered into a loan agreement to purchase an ambulance and certain operating equipment. The loan carries interest at 9.75% per annum. The term of the loan is six years with quarterly payments of \$7,983, commencing on October 31, 2016. The loan matures on July 31, 2022 when all remaining principal and interest on the loan is due.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: LONG-TERM DEBT

The following is a summary of all long-term debt activity as of June 30, 2017:

	July 1, 2016	Additions	Payments	June 30, 2017	Due Within One Year
Compensated absences	\$ 7,385	\$ -	\$ -	\$ 7,385	\$ -
Notes Payable	-	173,434	19,883	153,551	27,272
Net pension liability	1,194,756	444,827	195,492	1,444,091	-
OPEB liability	1,110,838	344,925	36,408	1,419,355	-
	<u>\$ 2,312,979</u>	<u>\$ 963,186</u>	<u>\$ 251,783</u>	<u>\$ 3,024,382</u>	<u>\$ 27,272</u>

NOTE 5: POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Benefits

The District provides other post-employment benefits (OPEB) under a multi-employer plan to qualified employees who retire from the District and meet the District’s vesting requirements. Qualified employees with five years of service who retire from the District, and have reached the minimum age of 50 are eligible. The District offers post-employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses. Benefit provisions are established through negotiations between the District and the bargaining union representing District employees.

The District participates in the CalPERS health program for medical, dental and vision coverage. CalPERS issues publicly available reports that include a full description of the benefit programs that can be found on the CalPERS website <https://www.calpers.ca.gov>.

Funding Policy

The District is required to contribute the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC is 42.0% of the annual covered payroll.

The District pays 100% of the health benefits for three retirees up to a predetermined -annual cap of \$17,178 per retiree on a pay-as-you-go basis. The District covers 100% of the retired employee's premium, and spouse or one dependent.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: POST-EMPLOYMENT HEALTHCARE BENEFITS

Membership in the OPEB Plan consisted of 13 active plan members and two retirees and beneficiaries receiving benefits as of June 30, 2017.

Annual Cost

For the year ended June 30, 2017, the District's OPEB cost was \$344,925 based on a 30-year amortization of the unfunded actuarial liability. The District's net OPEB obligation amounted to \$1,419,355 for the year ended June 30, 2017. During fiscal year 2017, expenditures of \$36,408 were recognized for post-retirement health insurance contributions. The District did not pre-fund retiree healthcare costs nor establish an irrevocable trust for retiree healthcare costs. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

The balance at June 30, 2017 consists of the following:

	Fiscal Year Ended June 30,
Annual Required Contributions	\$ 173,109
Interest on Net OPEB Obligation/(Asset)	44,434
Adjustment to annual required contribution	<u>127,382</u>
Annual OPEB Costs (Expense)	344,925
Contributions Made	<u>(36,408)</u>
Increase in Net OPEB Obligations/(Asset)	308,517
Net OPEB Obligation/(Asset)- Beginning of fiscal year	<u>1,110,838</u>
Net OPEB Obligation/(Asset)- End of fiscal year	<u><u>1,419,355</u></u>

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) are as follows:

Fiscal Year End	Annual OPEB Cost	Annual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2017	\$ 344,925	\$ 36,408	10.56%	\$ 1,419,355
June 30, 2016	332,973	34,209	10.27%	1,110,838
June 30, 2015	224,597	35,031	15.60%	812,074

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: POST-EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liability for benefits.

Actuarial assumptions and methods are included herein.

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Closed 30 year
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Inflation rate	2.75% per year
Investment return/discount rate	4.0% per year
Medical trend	5.0% per year
Individual salary growth	3.0% per year

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the District, acts as a common investment and administrative agent for participating public entities within the state of California and reports information to the District in accordance with reporting standards established by the GASB.

As of June 30, 2017, the District's proportionate share of the net pension liability, pension expense and deferred inflow of resources for the above plan and a deferred outflow of resources as shown herein.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CALPERS)

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalPERS	\$ 1,444,091	\$ 559,917	\$ 207,090	\$ 44,389

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan in comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The District sponsors one Miscellaneous Risk pool plan and one safety Risk pool plan, and the information presented herein represents the allocated pension amounts for the District’s plan (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired by the district, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after 4 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is a least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

The Plan provisions and benefits in effect at June 30, 2017, are summarized herein.

	Miscellaneous Risk Pool	
	Prior to 1/1/2013	On or after 1/1/2013
Hire date	1/1/2013	1/1/2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of services	5 years of services
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.0%-2.5%
Required employee contribution rate	7%	6.25%
Required employer contribution rate	8.377%	6.555%

	Safety		
	Prior to 7/1/2010	On or after 7/1/2010 and before 1/1/2013	On or after 1/1/2013
Hire date	7/1/2010	7/1/2010 and before 1/1/2013	On or after 1/1/2013
Benefit formula	3% at 55	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of services	5 years of services	5 years of services
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4%-3%	2%-2.7%
Required employee contribution rate	9%	9%	11.500%
Required employer contribution rate	19.536%	17.689%	12.082%

Contributions

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

a percentage of annual payroll. The contribution rates for the plan for the year ended June 30, 2017 are presented above and the total District contributions were \$195,492.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017 the District reported net pension liabilities for its proportionate share of the Safety and Miscellaneous Risk Pools net pension liability totaling \$1,444,091. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was 0.0157% and 0.001% for the Safety and Miscellaneous Risk Pools, respectively.

For the year ended June 30, 2017, the District recognized pension expense of \$44,389. The pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods and plan benefits. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 195,492	\$ -
Effect of changes in assumptions	-	(62,093)
Difference between actual and expected experience	342	(13,279)
Net difference between projected and actual earnings	-	-
on pension plan investments	306,281	-
Effect of change in proportion	10,929	(106,154)
Differences between contributions and proportionate share of contributions	-	-
	<u>46,872</u>	<u>(25,564)</u>
Total	<u>\$ 559,916</u>	<u>\$ (207,090)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows or resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the Miscellaneous Plan for the June 30, 2016 measurement date is 3.9 years.

The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as shown herein.

Year Ended June 30	Amortization
2018	\$ (36,127)
2019	(15,078)
2020	128,833
2021	79,705

Actuarial Methods and Assumptions

Total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the methods and assumptions herein, applied to all prior periods included in the measurement.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

	Miscellaneous	Safety
Valuation date	June 30, 2015	June 30, 2015
Measurement date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5% Net Pension Plan Investment and Administrat Expenses; includes inflation	7.5% Net Pension Plan Investment and Administrat Expenses; includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by the Society of Actuaries.

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: PENSION PLAN- CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	2.00%	2.00%
Liquidity	1.0%	-0.55%	-1.05%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate as shown herein.

	<u>1% Decrease 6.65%</u>	<u>Discount Rate 7.65%</u>	<u>1% Increase 8.65%</u>
District's proportionate share of the net pension liability:			
Miscellaneous	\$ 135,787	\$ 84,809	\$ 42,678
Safety	<u>2,013,560</u>	<u>1,359,282</u>	<u>822,186</u>
Total	<u>\$ 2,149,347</u>	<u>\$ 1,444,091</u>	<u>\$ 864,864</u>

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA is an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et Seq. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2017, the District participated in the liability and property programs of the SDRMA as follows: General and auto liability, public officials' and employees' errors and omissions and employment practices liability; total risk financing limits of \$2.5 million, combined single limit at \$2.5 million per occurrence, subject to the following deductibles: 1) \$500 per occurrence for third party general liability property damage, 2) \$1,000 per occurrence for third party auto liability property damage, 3) 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation is waived if certain criteria are met, as provided in the Memorandum of Coverage's. As respects any employment practices Claim or Suit arising in whole or in part out of any action involving discipline, demotion, reassignment or termination of any Employee, Leased Worker, Temporary Worker, Volunteer, or any worker who participates in an internship or training program which may lead to employment with the Member: (1) SDRMA shall be responsible for the first \$10,000 of loss, and (2) as to amounts expended for a loss in excess of \$10,000 up to \$110,000, such losses will be shared between SDRMA (50%) and the Member (50%) such that the Member will be responsible for up to but not in excess of \$50,000.

- Employee dishonesty coverage of \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value (ACV) basis, to a combined (pool limit) total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage is for the replacement cost up to \$100 million per (pool limit) occurrence, subject to \$1,000 deductible. Public officials personal liability is up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, deductible of \$500 per claim.
- Comprehensive and collision on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000 as elected; ACV limits.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: RISK MANAGEMENT

The District maintains workers compensation coverage and employer's liability coverage in accordance with statutory requirements of the State of California. Statutory limits per occurrence for workers' compensation and \$5.0 million for employers' liability coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

As a result of the heavy rainfall in fiscal 2017, the District experienced mudslides and flooding at its Ambulance Call Center. The District has temporarily relocated the center operations while the mudslide damage is repaired. The District has initiated insurance claims against the losses and expects to recover all expenses from SDRMA in excess of its deductible share of \$1,000.

NOTE 8: LEASE AGREEMENTS

The District currently is party to three leases wherein it leases existing office and parking space to local organizations. The leases are operated month-to-month and can be terminated by either party with a 30-day written notice. In connection with these leases, the District recognized \$34,593. As disclosed in Note 7, the District entered into a month-to-month lease for temporary housing of its Ambulance Call Center. The lease stipulates rent of \$3,000 per month which is being reimbursed by SDRMA.

NOTE 9: ACCUMULATED NET DEFICIT AND MANAGEMENT PLANS

In fiscal year 2017, the District experienced a total decrease in net assets of \$177,717. This decrease has reduced accumulated net position to a deficit of \$1,943,916 at June 30, 2017. As of that date, current assets exceeded current liabilities by \$511,820; however, in recent years, substantial negative net cash flow from operations has resulted in a sustained draw down of the District's available cash reserves.

The District is currently recording operating expenses in excess of operating revenue and property tax and special assessment revenues and is utilizing reserve funds to meet its obligations. The significant expenses of the District are payroll and benefit related expenses. In the current year, Management and the Board of Trustees have undertaken the development of a strategic deployment plan in order to maximize the potential for emergency response based on the highest probability for 911 requests for service, and at the same time reduce unnecessary payroll expenses. Management and the Trustees believe that sufficient adjustments will be made to revenues and expenditures in the near term that will allow the District to meet its obligations and, with other financial changes, over time, correct the net deficit. Otherwise, if these revenue and expense adjustments are not made, the District could potentially be unable to continue as a going concern in the future.

REQUIRED SUPPLEMENTARY INFORMATION

CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2015	\$ -	\$ 2,202,696	\$ 2,202,696	0%	\$ 564,148	390%
7/1/2012	-	1,449,539	1,449,539	0%	558,481	260%
7/1/2009	-	1,117,341	1,117,341	0%	430,540	260%

There are no plan assets because the District funds on a pay-as-you-go basis.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.01669%	0.01741%	0.01786%
District's proportionate share of the net pension liability	1,444,091	1,194,756	1,111,455
District's covered payroll reported as of the previous fiscal year to align with the measurement date of the net pension liability	955,565	894,213	752,508
District's proportionate share of the net pension liability as a percentage of its covered payroll	133.61%	133.61%	147.70%
Plan's fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 195,492	\$ 180,930	\$ 167,727
Contribution in relation to the contractually required contribution	<u>(195,492)</u>	<u>(180,930)</u>	<u>(167,727)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 951,188	\$ 955,565	\$ 894,213
Contributions as a percentage of covered-employee payroll	20.55%	18.93%	18.76%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Funding Status

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedule of District's Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

OTHER INDEPENDENT AUDITORS' REPORT



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

Board of Directors
Cambria Community Healthcare District
Cambria, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Cambria Community Healthcare District (the District), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, as described in the accompanying schedule of findings and responses that we consider to be a material weakness, see finding 2017-001.

Compliance and Other Matters

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

District' Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP
Glendora, California
March 15, 2018

FINDINGS AND RESPONSES

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

NOTE: The finding and recommendations listed below include details about the criteria or specific requirements, the condition, the effect and the cause. The District's response that follows the finding is the District's corrective action plan.

2017-001 RECONCILIATION AND CLOSING PROCESS

Finding: Our audit procedures revealed the lack of a systematic method to ensure complete monthly closing procedures take place and reconciliations are performed. A lack of specific closing procedures and multiple accounts that are not regularly reconciled may ultimately cause significant errors in the financial records and statements as well as allow possible irregularities, including fraud, to exist and continue without notice. We noted the following deficiencies:

- There are no formal procedures for monthly close activities or regular account reconciliations (other than cash). This resulted in multiple errors identified in the accounts and necessitated numerous audit adjustments as part of the annual audit procedures.
- The accounts receivable balance was not reconciled to the general ledger. The reserve for doubtful accounts was not being properly estimated and recorded. Accounts receivable were being adjusted under the direct write off method which did not constitute an appropriate accounting method under US GAAP. The adjustment to reconcile the accounts receivable and to correct the reserve for doubtful accounts resulted in an audit adjustment to correct a material overstatement of bad debt expense.
- The detailed fixed asset listing was not reconciled to the general ledger. In addition, the fixed asset listing had not been evaluated for fully depreciated assets which were no longer in use and should be removed from the fixed asset detail. Although this did not impact the fixed asset balance, net of accumulated depreciation, it resulted in material overstatement of the gross capital equipment as reported in the financial statements. In addition, the depreciation expense was not being evaluated on a regular basis, resulting in depreciation being recorded in excess of the original cost of the related assets.
- The purchase of a material capital asset and the associated note payable were not properly recorded on the District's general ledger resulting in understated capital assets and debt obligations of the District and overstatement of the District's operating expenses.
- The accounts payable balance was not reconciled to the general ledger resulting in prior year accounts payable balances not being properly reversed and current year accounts payable balances not being supported.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

2017-001 RECONCILIATION AND CLOSING PROCESS

- Journal entries did not show evidence of review by someone other than the preparer. The lack of review over journal entries allows potential errors or irregularities, including fraud, to occur without detection.
- Journal entries for prior year close and audit adjustments were not recorded which caused the financial records and general ledger balances to not reconcile to the 2015-16 audited financial statements.

Recommendation: Establish a system of consistent monthly reconciliations and closing procedures in order to provide more accurate financial statements. We strongly recommend the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year.

District Response: For the past 20 years the accounting firm of Moss, Levy & Hartzhem LLP performed the District's annual audit. As part of their annual audit all closing procedures were performed by the auditing firm. As we go forward the closing procedures and reconciliations will be performed on a monthly basis for a majority of the balance sheet accounts by District personnel and will be provided to the auditing firm review and audit during the time of the audit. In addition:

- There will be formal procedures put in place for the monthly close activities or regular account reconciliations for most of the accounts. This will greatly reduce the numerous audit adjustments that have been part of the annual audit process for the last 20 years.
- The accounts receivable balance will be reconciled monthly to the general ledger. The reserve for doubtful accounts will be adjusted each month by the percentage used at the yearend audit, and recorded each month. This percentage will be reviewed and adjusted at the annual audit.
- The fixed asset ledger has been evaluated for fully depreciated assets which are no longer in use and have been removed from the fixed asset detail. The depreciation expense will be evaluated on a regular basis and recorded properly so no depreciation is recorded in excess of the original cost of the related assets. The auditor will prepare the depreciation schedule for the coming year as the basis for the monthly depreciation expense. The auditor will be notified as to new asset purchases in order to provide the depreciation schedule for those assets. Management will review and approve the depreciation calculation and assume responsibility for the monthly depreciation calculation.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

2017-001 RECONCILIATION AND CLOSING PROCESS

- Capital assets and any associated note payable will be properly recorded on the District general ledger. This will result in the proper value of capital asset and debt obligations as well as operating expenses. There will be a capitalization policy decided on as to the cost of an item needing to be capitalized versus expensed.
- The accounts payable balances will be reconciled to the general ledger on an annual basis, which will result in prior year accounts payable balances being properly reversed and current year accounts payable balances being posted. Monthly posting and reversing accounts payable information is deemed to not be a material adjustment to the financial statements
- All journal entries will be reviewed by Lynne Singer, CPA, who is the principal of the accounting firm whose employee reconciles the accounts and prepares the monthly journal entries.
- All journal entries for prior year close and audit adjustments will be recorded and financial records and general ledger balances will reconcile to previous years audited financial statements.

By following the above procedures on a monthly and year-end basis and making sure consistent monthly reconciliations and closing procedures are followed the District financials will create a more accurate financial statement. Also, by establishing more effective review and reconciliation procedures as a regular accounting process it will improve the completeness of the financial statements. This will eliminate most of the yearend audit adjustments identified during the annual audit.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

STATUS OF PRIOR YEAR FINDINGS

June 30, 2017

There were no findings related to the basic financial statements for the year ended June 30, 2016