CAMBRIA COMMUNITY HEALTHCARE DISTRICT

BASIC FINANCIAL STATEMENTS
June 30, 2014

Required Supplementary Information Section

Basic Financial Statements

Board of Directors
Cambria Community Healthcare District
Cambria, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Cambria Community Healthcare District (District) as of and for the fiscal year ended June 30, 2014, 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 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 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 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

Accounting principles generally accepted in the United States of America require the schedule of funding progress for post employment benefits other than pension on page 15 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, on our consideration of Cambria Community Healthcare 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
January 8, 2015

Capital Assets:	
Nondepreciable	5,063
Depreciable - net of accumulated depreciation	95,700
Total assets	839,693
LIABILITIES	
Current Liabilities:	
Accounts payable	39,336
Accrued payroll	12,446
Long-term liabilities	
Compensated absences	1,294
OPEB payable	622,508
Total liabilities	675,584
NET POSITION	
Net investment in capital assets	99,469
Unrestricted	64,640
Net position	$ 164,109

Trustee compensation	-
Payroll taxes	21,578
Payroll benefits	559,767
Workers' compensation insurance	32,980
Education and travel	5,221
Fuel and oil	17,248
Insurance	24,621
Licenses and permits	10,509
Medical supplies and equipment	21,984
Miscellaneous expense	3,178
Office and computer supplies	15,701
Professional services	62,838
Repairs and maintenance	40,939
Training	194
Uniform expense	8,889
Utilities	15,520
Bad debt expense	88,578
Depreciation	35,975
Contract services	35,218
Total operating expenses	1,759,246
Net operating loss	(1,225,578)
Non-Operating Revenues (Expenses):	
Property taxes	423,973
Special assessment	475,087
Rental income	30,996
Interest income	980
Interest expense	(991)

Cash Flows From Noncapital Financing Activities:	
Property taxes received	423,973
Special assessments received	475,087
Net cash provided by noncapital financing activities	899,060
Cash Flows From Capital and Related Financing Activities:	
Interest paid on long-term debt	(991)
Principal paid on long-term debt	(20,856)
Net cash used by capital and related financing activities	(21,847)
Cash Flows From Investing Activities:	
Interest income received	980
Rental income received	30,996
Net cash provided by investing activities	31,976
Net decrease in cash and cash equivalents	(87,978)
Cash and cash equivalents, beginning of fiscal year	692,982
Cash and cash equivalents, end of fiscal year	$ 605,004
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	$ (1,225,578)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	35,975
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	14,197
Increase (decrease) in accounts payable	(3,443)
Increase (decrease) in accrued payroll	1,758
Increase (decrease) in compensated absences	(1,458)

B. Accounting Policies - 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).

C. Reporting Entity

The Reporting District is the Cambria Community Healthcare District.

There are no component units included in this report which meet the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and GASB Statement No. 61.

D. Basis of Accounting- 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 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.

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes Generally Accepted Accounting Principles for governmental units.

E. 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.

F. 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 cost if available 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 - 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.

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.

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.

K. 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.

assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Cash and investments – statement of net position $ 605,004

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	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
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

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.

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 basic financial statements at the 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Disclosures Relating to 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
LAIF	$ 310,951	$ 310,951	$ -	$ -	$ -
Total	$ 310,951	$ 310,951	$ -	$ -	$ -

Disclosures Relating to Credit Risk

Depreciable capital assets:				
Buildings and improvements	$ 75,478	$ -	$ -	$ 75,478
Ambulance and vehicles	345,709			345,709
Furniture and fixtures	13,335			13,335
Equipment	343,365			343,365
Total depreciable capital assets	777,887			777,887
Accumulated depreciation	646,212	35,975		682,187
Net depreciable capital assets	$ 131,675	$ (35,975)	$ -	$ 95,700
Net capital assets	$ 136,738	$ (35,975)	$ -	$ 100,763

NOTE 4 - DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

California Public Employees' Retirement System (CalPERS)

Plan Description

The Cambria Community Healthcare District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 9.0% of their salary for Safety employees and 7% for Miscellaneous employees (of monthly salary over $133.33 if the member participates in Social Security), and the Cambria Community Healthcare District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 34.764% for the Safety employees on the first tier, 20.999% for Safety employees on the second tier, and 11.736% for Miscellaneous employees

- Employee dishonesty coverage of $400,000 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 two years after the loss, otherwise paid on an actual cash value (ACV) basis, to a combined total of $1 billion per occurrence, subject to a $2,000 deductible per occurrence.
- Boiler and machinery coverage is for the replacement cost up to $100 million per 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.

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.

NOTE 6 - CONTINGENT LIABILITIES

According to the District's management, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 7 – LONG-TERM DEBT

The following is a summary of long-term debt activity as of June 30, 2014:

	July 1, 2013	Additions	Deletions	June 30, 2014	Due Within One Year
Compensated absences	$ 2,752	$ 36,178	$ 37,636	$ 1,294	$ -
Capital lease	20,856		20,856		

Plan Description

The District provides post-retirement health benefits to all retirees with five years of service who retire from the District, and must have reached the minimum age of 50. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses.

Funding Policy

The District pays 100% of the health benefits for three retirees up to a predetermined –annual cap of $17,178 per retiree. During fiscal year 2013-2014, expenditures of $35,960 were recognized for post-retirement health insurance contributions on a pay as you go basis. The District shall cover 100% of the retired employee's premium, and spouse or one dependent.

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The District used the alternate valuation method as allowed under GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

		Fiscal Year Ended June 30, 2014
Annual Required Contributions	$	199,697
Interest on Net OPEB Obligation/(Asset)		17,645
Annual OPEB Costs (Expense)		217,342
Contributions Made		35,960
Increase in Net OPEB Obligations/(Asset)		181,382
Net OPEB Obligation/(Asset) - Beginning of fiscal year		441,126
Net OPEB Obligation/(Asset) - End of fiscal year	$	622,508

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:

7/1/2012	$	-	$	1,449,539	$	1,449,539	0.0%	$	558,481	260%
7/1/2009	$	-	$	1,117,341	$	1,117,341	0.0%	$	430,540	260%

Methods and Assumptions

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

In the July 1, 2012, valuation, the level percentage of payroll method was used. The assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5 percent. The value of plan assets was not calculated in this, for the first valuation, as there are no assets to value. The Plan unfunded accrued liability is being amortized over a 30-year amortization period.

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.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is January 8, 2015.

Required Supplementary Information Section

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	a % of Covered Payroll
7/1/2012	$ -	$ 1,449,539	$ 1,449,539	0.0%	$ 558,481	260%
7/1/2009	$ -	$ 1,117,341	$ 1,117,341	0.0%	$ 430,540	260%