

CAMBRIA COMMUNITY HEALTHCARE DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
BOARD OF DIRECTORS AND ADMINISTRATION	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY – OTHER POSTEMPLOYMENT BENEFITS OBLIGATION	33
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS OBLIGATION	34
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	35
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	36
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	37
OTHER INDEPENDENT AUDITORS' REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	38
FINDINGS AND RESPONSES	
SCHEDULE OF FINDINGS AND RESPONSES	40
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES	41



INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2020, 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.

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, 2020 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 beginning on page 4, and the historical pension and post-employment benefits information on pages 33 to 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021 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
June 22, 2021

BOARD OF DIRECTORS AND ADMINISTRATION

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
JUNE 30, 2020**

<u>Director</u>	<u>Position</u>	<u>Term Expires</u>
Igor "Iggy" Fedoroff	President	December 2022
Bill Rice	Vice President	December 2022
Barbara Bronson Gray	Secretary	December 2020
Laurie Mileur	Director	December 2022
Cecilia Montalvo	Director	December 2020
Mike McDonough	Administrator	As of August 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. 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 healthcare providers 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, a portion of which is leased to a healthcare organization. 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 Directors. The Administrator manages the day-to-day operations of the District in accordance with the policies and procedures established by the Board of Directors. The Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

Financial Highlights

- Total assets increased as of June 30, 2020 by \$14,312 compared to 2019 and consisted of cash, accounts receivable and capital assets.
- Total liabilities decreased as, of June 30, 2020 by \$474,027 compared to 2019 and consisted of accounts payable, accrued expenses, loan payable, and long-term obligations for pension and OPEB.
- The District ended the year with a net deficit of \$4,626,969 compared to the restated net deficit at June 30, 2020 of \$4,241,916.
- Operating revenues were \$615,871 for the year ended June 30, 2020 compared to \$742,275 for 2019.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- Current year assessments, property taxes and other nonoperating revenues were \$1,116,468 compared to \$1,100,546 for the year ended June 30, 2019.
- Operating expenses were \$2,117,392 for the current year compared to operating expenses of \$1,967,748 for the year ended June 30, 2019.
- For the year ended June 30, 2020, the District recorded a loss from operations of \$1,501,521 compared to a loss from operations of \$1,225,473 in 2019. Total change in net position was a decrease of \$385,053 compared to a decrease in net position of \$124,927 for the year ended June 30, 2019.

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, deferred outflows/inflows of resources, 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 noncurrent. 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.

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 "nonoperating." 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:

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- Operating activities
- Financing activities
- Investing activities

The routine activities appear in the operating activities, while investment and nonoperating 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.

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets:			
Current and Other Assets	\$ 569,012	\$ 604,050	\$ (35,038)
Capital Assets - Noncurrent	226,996	177,646	49,350
Total Assets	<u>796,008</u>	<u>781,696</u>	<u>14,312</u>
Deferred Outflows of Resources:			
Deferred Amount Pension and OPEB	369,741	415,135	(45,394)
Total Deferred Outflows	<u>369,741</u>	<u>415,135</u>	<u>(45,394)</u>
Liabilities:			
Current Liabilities	70,980	58,544	12,436
Noncurrent Liabilities	4,484,727	4,971,190	(486,463)
Total Liabilities	<u>4,555,707</u>	<u>5,029,734</u>	<u>(474,027)</u>
Deferred Inflows of Resources:			
Deferred Amount Pension and OPEB	1,237,011	409,013	827,998
Total Deferred Inflows	<u>1,237,011</u>	<u>409,013</u>	<u>827,998</u>
Net Position:			
Net Investment in Capital Assets	77,411	79,518	(2,107)
Unrestricted	(4,704,380)	(4,321,434)	(382,946)
Total Net Position	<u>\$ (4,626,969)</u>	<u>\$ (4,241,916)</u>	<u>\$ (385,053)</u>

Total assets increased by \$14,312 primarily due to a decrease in cash and accounts receivable, offset by an increase in capital assets. Total liabilities decreased by \$474,027 primarily due to decreases in accounts payable and OPEB obligations, offset by an increase in net pension liability.

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 \$4,626,969. 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, 2020**

The composition of the District's capital assets is fully described and disclosed in Note 3 of the footnotes to the financial statements.

The composition of the District's long-term debt is fully described and disclosed in Note 4 of the footnotes to the financial statements.

Condensed Statements of Revenues, Expenses and Change in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating Revenues	\$ 615,871	\$ 742,275	\$ (126,404)
Nonoperating Revenues, Net	1,116,468	1,100,546	15,922
Total Revenues	<u>1,732,339</u>	<u>1,842,821</u>	<u>(110,482)</u>
 Total Operating Expenses	 <u>2,117,392</u>	 <u>1,967,748</u>	 <u>149,644</u>
 Change in Net Position	 (385,053)	 (124,927)	 (260,126)
 Net Position - Beginning of Year	 <u>(4,241,916)</u>	 <u>(4,116,989)</u>	 <u>(124,927)</u>
 Net Position - End of Year	 <u>\$ (4,626,969)</u>	 <u>\$ (4,241,916)</u>	 <u>\$ (385,053)</u>

As of June 30, 2020, the District's total operating expenses exceeded its total revenues, resulting in a decrease in net position of \$385,053. Revenues from operating and nonoperating sources decreased by \$110,482 and operating expenses increased \$149,644 when compared to the prior year.

Operating Revenues:

Operating revenues for the District decreased \$126,404, primarily due to decreases in service revenue. The decrease was offset by increases in revenue from supplemental government payment programs. Due to the impacts of the COVID-19 declared disaster, the associated reduction in ambulance transport volume resulted in decrease in revenue.

Nonoperating Revenues:

Nonoperating revenues increased \$15,922 when compared to prior year. Nonoperating 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 netted with interest expenses from nonoperating sources.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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. Operating expenses increased by \$149,644 in 2020 when compared to 2019. During the fiscal year 2019, the District implemented a new operating schedule of ambulance services. The new operating schedule was developed in an effort to reduce the cost of providing ambulance to the District and better align the District's revenues with the District's expenses. Prior to July 2018, the District operated two fully staffed ambulances on a 24/7 basis. The new operating schedule for fiscal year 2018/2019 included providing one fully staffed ambulance on a 24/7 basis and a second fully staffed ambulance on a 12/7 basis. As a result, the District's new operating schedule provides two fully staffed ambulance from 8:00 AM to 8:00 PM on a 24/7 basis and one full staffed ambulance from 8:00 PM to 8:00 AM on a 24/7 basis. The District implemented this new operating schedule after a review and analysis of the historical experience of ambulance calls during each hour of the day. The analysis supported the reduction of one fully staffed ambulance during the time period of 8:00 PM to 8:00 AM each day. The implementation of the new operating schedule resulted in savings in payroll and benefit related expenses. During the year, additional savings were achieved by the reductions in bad debt expense and the reduction in legal expenses and the use of less outside consultants, fuel costs and repair and maintenance expenses.

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

Management and the Board 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 is described below.

During fiscal year ended June 30, 2020, the District recorded operating expenses in excess of operating revenues, property tax, and special assessment revenues which resulted in a net operating deficit for the year. In November of 2018, three new Directors were elected which replaced three incumbents. The new District Board developed and implemented a new operating budget that included both expense reductions and cost controls. Additionally, as previously noted, the District implemented a new operating schedule for ambulance service which will continue to generate cost savings to the District.

During fiscal year 2020, COVID-19 was declared a global health pandemic by the World Health Organization. COVID-19 surfaced in nearly all regions of the world, which had driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. The implementation of these measures impacted the operation of the District. The "stay at home" orders along with the reduction in tourism to the District's service area resulted in a decreased demand for ambulance transportation, a main source of revenue for the District. The number of ambulance transports decreased in 2020 compared to 2019 with the most significant decreases occurring in the second half of the fiscal year. During the fourth quarter alone of the fiscal year ambulance transports decrease 21.8% with compared with the prior year. The reduction in ambulance transports negatively impacted ambulance revenue while increasing expenditures for medical supplies and additional protective equipment for ambulance personnel. The District responded to this unplanned global event with additional cost controls and expense reductions. As a result, the District was able to maintain positive cash flow for the year. The cash balance increased by \$36,789 during fiscal year 2020 when compared to the prior year.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020**

CURRENT ASSETS

Cash and Cash Equivalents	\$ 402,747
Accounts Receivable, Net of Allowance of \$55,674	166,265
Total Current Assets	569,012

NONCURRENT ASSETS

Capital Assets:	
Nondepreciable	5,063
Depreciable - Net of Accumulated Depreciation	221,933
Total Noncurrent Assets	226,996

Total Assets	796,008
--------------	---------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows- Pensions	287,194
Deferred Outflows - Other Postemployment Benefits	82,547
Total Deferred Outflows of Resources	369,741

CURRENT LIABILITIES

Accounts Payable	4,163
Accrued Payroll	17,828
Current Portion - Long-Term Debt	48,989
Total Current Liabilities	70,980

NONCURRENT LIABILITIES

Long-Term Liabilities	
Long-Term Debt	100,596
OPEB Liability	2,739,492
Net Pension Liability	1,644,639
Total Noncurrent Liabilities	4,484,727
Total Liabilities	4,555,707

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows- Pensions	239,935
Deferred Inflows- OPEB	997,076
Total Deferred Inflows of Resources	1,237,011

NET DEFICIT

Net Investment in Capital Assets	77,411
Unrestricted	(4,704,380)
Total Net Deficit	\$ (4,626,969)

See accompanying Notes to Financial Statements.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES	
Ambulance Charges	\$ 602,696
Other Operating Revenues	13,175
Total Operating Revenues	<u>615,871</u>
OPERATING EXPENSES	
Salaries and Wages	808,634
Payroll Benefits	778,395
Workers' Compensation Insurance	60,493
Professional Services	65,322
Contract Services	52,161
Depreciation	62,609
Medical Supplies and Equipment	61,777
Bad Debt Expense	20,252
Repairs and Maintenance	27,856
Insurance	36,815
Fuel and Oil	14,862
Payroll Taxes	18,644
Utilities	15,207
Licenses and Permits	18,303
Office and Computer Supplies	29,419
Uniform Expense	4,850
Education and Travel	5,680
Miscellaneous Expense	36,113
Total Operating Expenses	<u>2,117,392</u>
OPERATING LOSS	<u>(1,501,521)</u>
NONOPERATING REVENUES (EXPENSES)	
Property Taxes and Special Assessment Taxes	1,082,538
Rental Income	42,523
Other Income (Expense)	(2,113)
Interest Expense	(6,480)
Total Nonoperating Revenues (Expenses)	<u>1,116,468</u>
CHANGE IN NET POSITION	(385,053)
Net Deficit – Beginning of Year	<u>(4,241,916)</u>
NET DEFICIT- END OF YEAR	<u><u>\$ (4,626,969)</u></u>

See accompanying Notes to Financial Statements.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customer and Users	\$ 694,712
Payments to Employees	(1,232,766)
Payments to Vendors and Suppliers	(474,109)
Net Cash Used by Operating Activities	<u>(1,012,163)</u>

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Property Taxes Received	<u>1,082,538</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,082,538</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Purchases of Capital Assets	(139,259)
Proceeds from Sale of Capital Assets	26,000
Proceeds from Issuing New Long-Term Debt	92,015
Payments on Long-Term Debt	(41,897)
Net Cash Used by Capital and Financing Activities	<u>(63,141)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Rental and Other Investment Income Received	<u>35,230</u>
Net Cash Provided by Investing Activities	<u>35,230</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

42,464

Cash and Cash Equivalents - Beginning of Year

358,944

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 401,408

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Net Operating Loss	\$ (1,501,521)
Adjustments to Reconcile Net Operating Loss to Net Cash used by Operating Activities:	
Depreciation	62,609
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	78,841
Deferred Outflows	45,394
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(6,355)
Accrued Payroll	1,746
OPEB Liability	(716,793)
Pension Liability	195,918
Deferred Inflows	827,998
Total Adjustments	<u>489,358</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,012,163)</u></u>

See accompanying Notes to Financial Statements.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 the county of 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, a portion of 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 directors. The Administrator manages the day-to-day operations of the District in accordance with the policies and procedures established by the board of directors. The board of directors 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 directors.

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 which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special tax assessments, grants and charitable contributions. On an accrual basis, revenues from property taxes and special tax 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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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.

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 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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 acquisition 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:

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, 2020.

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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property Taxes and Assessments (Continued)

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.

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 position 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 FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Outflows and Inflow of Resources (Continued)

Deferred Outflows - Other Postemployment Benefits Other than Pensions (OPEB)

The District also recorded deferred outflows of resources related to its (OPEB) obligation that resulted from District contributions to the plan subsequent to the measurement date of the actuarial valuations for the healthcare plan and to differences between expected and actual plan experience.

Deferred Inflows - Other Postemployment Benefits Other than Pensions (OPEB)

The District also recorded deferred inflows of resources related to its (OPEB). The deferred inflows of resources related to OPEB results from the effect of the changes in assumptions. These amounts are deferred and amortized as detailed in Note 5 to the financial statements.

Postemployment Benefits Other than Pensions (OPEB)

The District participates in an Agent Multiple-Employer defined benefit postemployment healthcare plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

Risks and Uncertainties

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 impacted various parts of its 2020 operations and financial results including but not limited to decreased revenues or losses from collections, increased payroll costs or possible losses of tax assessments or special assessments. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 22, 2021 the date the financial statements were available for issuance.

NOTE 2 DEPOSITS AND INVESTMENTS

On June 30, 2020, the District had the following cash and investments on hand:

	2020
Cash in Bank Accounts	\$ 307,074
Local Agency Investment Fund	95,673
Total Cash and Investments	\$ 402,747

Cash and investments listed above, are presented on the accompanying basic financial statements as cash and cash equivalents of \$402,747.

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.

Authorized Maximum 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
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

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, 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, 2020 is 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).

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (continued)

The fund currently yields approximately 1.078%. LAIF is currently unrated and has an average life of 191 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.

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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at July 01, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Nondepreciable Assets:				
Land	\$ 5,063	\$ -	\$ -	\$ 5,063
Total Nondepreciable Assets	<u>5,063</u>	<u>-</u>	<u>-</u>	<u>5,063</u>
Depreciable Assets				
Buildings and Improvements	124,605	47,244	-	171,849
Ambulance and Vehicles	415,730	92,015	(39,000)	468,745
Furniture and Fixtures	20,378	-	-	20,378
Equipment	285,799	-	-	285,799
Total Depreciable Capital Assets	<u>846,512</u>	<u>139,259</u>	<u>(39,000)</u>	<u>946,771</u>
Accumulated Depreciation	<u>(673,929)</u>	<u>(62,609)</u>	<u>11,700</u>	<u>(724,838)</u>
Total Depreciable Assets, Net	<u>172,583</u>	<u>76,650</u>	<u>(27,300)</u>	<u>221,933</u>
Total Capital Assets, Net	<u>\$ 177,646</u>	<u>\$ 76,650</u>	<u>\$ (27,300)</u>	<u>\$ 226,996</u>

NOTE 4 LONG-TERM DEBT

During fiscal year 2016, the District entered into a loan agreement to purchase an ambulance and certain operating equipment. The loan carries interest at 3.25% compounded quarterly. 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.

In the current fiscal year, the District entered into another loan agreement to purchase an ambulance. The loan carries interest at 3.5% compounded quarterly. The term of the loan is five years with quarterly payments of \$5,035, commencing on November 28, 2019. The loan matures on August 28, 2024 when all remaining principal and interest on the loan is due.

Future payments of long-term debt in connection with the loan agreement are as follows:

Year Ended June 30,	Principal	Interest
2021	\$ 48,989	\$ 4,422
2022	49,282	2,810
2023	26,786	1,337
2024	19,537	604
2025	4,991	44
Total	<u>149,585</u>	<u>9,217</u>
Current Portion	<u>(48,989)</u>	<u>(4,422)</u>
Total	<u>\$ 100,596</u>	<u>\$ 4,795</u>

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt activity as of June 30, 2020:

	June 30, 2019	Additions	Payments	June 30, 2020	Due Within One Year
Notes Payable	\$ 98,128	\$ 92,015	\$ 40,558	\$ 149,585	\$ 48,989
Total	<u>\$ 98,128</u>	<u>\$ 92,015</u>	<u>\$ 40,558</u>	<u>\$ 149,585</u>	<u>\$ 48,989</u>

NOTE 5 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Benefits

The District provides other postemployment benefits (OPEB) under a multiemployer 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 postemployment medical and dental 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 coverage. Dental coverage is provided through Principal. 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>.

<u>Participant Type</u>	<u>Number of Participants</u>
Inactive Participants Currently Receiving Benefits	4
Inactive Participants Entitled to but not yet Receiving Benefit Payments	-
Active Employees	10
Total	<u>14</u>

Funding Policy

The Districts' required contribution is based on projected pay-as-you-go basis. For the fiscal year ended June 30, 2020, the District contributed \$55,424 to the plan including the implicit rate subsidy.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Net OPEB Liability (Asset)

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2020
Total OPEB Liability	\$ 2,739,492
Plan Fiduciary Net Position	-
District's Net OPEB Liability (Asset)	\$ 2,739,492

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	0.00%
--	-------

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2020 using the alternative measurement method, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. Standard actuarial update procedures were used to project/discount from the valuation to the measurement date. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Inflation	3.00%
Salary Increases	3.00%
Investment Rate of Return	4.00%
Health Care Trend Rate	6.00% for 2019, 5.90% for 2020, 5.80% for 2021, and decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the 2014 rates used by CalPERS for the pension valuations. Discount rate is based on a blend of the long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher is used – to the extent that the other conditions are not met.

Since the last measurement date, the assumptions for salary remained unchanged at 3.0%, the investment rate of return remained unchanged at 4.0%, and the healthcare trend rate increased to 6.0% from 5.0%. The inflation rate used was 3.0% for both measurement dates.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) - (b)
Balances at June 30, 2019	\$ 3,456,285	\$ -	\$ 3,456,285
Changes for the Year:			
Service Cost	139,691	-	139,691
Interest	129,180	-	129,180
Difference Between Expected and Actual Experience	(963,671)	-	(963,671)
Changes in Assumptions or Other Inputs	33,431	-	33,431
Net Investment Income	-	-	-
Benefit Payments	(55,424)	(55,424)	-
Contributions - Employer	-	55,424	(55,424)
Administrative Expense	-	-	-
Net Changes	<u>(716,793)</u>	<u>-</u>	<u>(716,793)</u>
Balances at June 30, 2020	<u>\$ 2,739,492</u>	<u>\$ -</u>	<u>\$ 2,739,492</u>

The following presents the District’s net OPEB liability calculated using the discount rate of 3.13 %, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.13 %) or 1% point higher (4.13 %) than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability (Asset)</u>
1% Decrease (2.13%)	\$ 3,217,404
Current Discount Rate (3.13%)	2,739,492
1% Increase (4.13%)	2,361,766

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 6.0 %, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.0 %) or 1% point higher (7.0 %) than the current rate:

<u>Healthcare Trend Rate</u>	<u>Net OPEB Liability (Asset)</u>
1% Decrease (5.00% for 2019, 4.00% Ultimate, 3.00% at Medicare Ages)	\$ 2,345,720
Current Trend Rate (6.00% for 2019, 5.00% Ultimate, 4.00% at Medicare Ages)	2,739,492
1% Increase (7.00% for 2019, 6.00% Ultimate, 5.00% at Medicare Ages)	3,237,553

OPEB Expense

For the year ended June 30, 2020, the District recognized OPEB expense of \$39,547. As of June 30, 2020, the District reported deferred outflows and inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contribution to OPEB Plan After Measurement Date	\$ 55,424	\$ -
Differences Between Expected and Actual Experience in the Measurement of the TOL	-	781,846
Changes in Assumptions	27,123	215,230
Net Difference Between Projected and Actual Earnings of OPEB Plan Investments	-	-
Total	<u>\$ 82,547</u>	<u>\$ 997,076</u>

As of June 30, 2020 and 2019, employer OPEB contributions of \$55,424 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2021	\$ (229,324)
2022	(229,324)
2023	(229,324)
2024	(223,324)
2025	(58,657)

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense

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, 2020, 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.

<u>Pension Plan</u>	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalPERS	<u>\$ 1,644,639</u>	<u>\$ 82,547</u>	<u>\$ 997,076</u>	<u>\$ 314,687</u>

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

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 nonduty disability benefits after four 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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Benefits Provided (Continued)

An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at 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.

The Plan provisions and benefits in effect at June 30, 2020, are summarized herein.

	Miscellaneous Risk Pool		
	Prior to	On or after	
Hire Date	1/1/2013	1/1/2013	
Benefit Formula	2% at 55	2% at 62	
Benefit Vesting Schedule	5 Years	5 Years	
	of Service	of Service	
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	9.680%	6.985%	
	Safety Risk Pool		
		On or After	
		7/1/2010	
	Prior to	and Before	
	7/1/2010	1/1/2013	
Hire Date	7/1/2010	1/1/2013	
Benefit Formula	3% at 55	3% at 55	
Benefit Vesting Schedule	5 Years	5 Years	
	of Service	of Service	
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	21.927%	20.073%	13.034%

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 a percentage of annual payroll. The contribution rates for the plan for the year ended June 30, 2020 are presented above and the total District contributions were \$68,150.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

As of June 30, 2020 the District reported net pension liabilities for its proportionate share of the Safety and Miscellaneous Risk Pools net pension liability totaling \$1,644,639. The net pension liability was measured as of June 30, 2019. 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, 2020, the District's proportion was 0.0029% and 0.0245% for the Safety and Miscellaneous Risk Pools, respectively.

For the year ended June 30, 2020, the District recognized net pension expense of \$314,687. 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, 2020, 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	\$ 68,150	\$ -
Effect of Changes in Assumptions	67,000	14,112
Difference Between Actual and Expected Experience	105,836	735
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	22,688
Effect of Change in Proportion	46,208	81,723
Differences Between Contributions and Proportionate Share of Contributions	-	120,677
Total	<u>\$ 287,194</u>	<u>\$ 239,935</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, 2020.

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 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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

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, 2020 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 3.9 years.

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

<u>Year Ended June 30,</u>	<u>Amortization</u>
2021	\$ 117,749
2022	(71,045)
2023	(26,546)
2024	(41,049)
Total	<u>\$ (20,891)</u>

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018 used the methods and assumptions herein, applied to all prior periods included in the measurement.

	Miscellaneous	Safety
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net Pension Plan Investment and Administrative Expenses; Includes Inflation	7.0% Net Pension Plan Investment and Administrative 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

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Actuarial Methods and Assumptions (Continued)

Preretirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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.

CalPERS continues the Asset Liability Management (ALM) process to expand its review of assets and liabilities to ensure financial risks to the System are better understood, communicated, and mitigated. To establish appropriate levels of risk. ALM is focused on investment and actuarial policies. These policies include key decision factors and intend to drive optimum asset allocations, while stabilizing employer contribution rates, and the volatility of those rates year to year. Additionally, in order to better manage risks arising from terminating agencies, CalPERS has enhanced its oversight of contracting public agencies' financial health through its development of a standardized review criteria. These improvements include streamlining the collection and termination process to reduce the timeframe, accelerating notifications to the Board and members, and adopting a risk oversight process to improve early detection of financial hardship issues.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Discount Rate (Continued)

The expected real rates of return by asset class are as followed:

Asset Class	New Strategic Allocation	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Global Equity	50.00 %	4.80 %	5.98 %
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

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 % lower or higher than the current rate as shown herein.

District's Proportionate Share of the Net Pension Liability:	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Miscellaneous	\$ 198,069	\$ 115,584	\$ 47,498
Safety	2,288,516	1,529,055	906,417
Total	\$ 2,486,585	\$ 1,644,639	\$ 953,915

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.

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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 RISK MANAGEMENT (CONTINUED)

At June 30, 2020, 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.

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.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 LEASE AGREEMENTS

The District currently is party to two leases wherein it leases a portion of existing office space 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 \$42,523 as rental income.

NOTE 9 ACCUMULATED NET DEFICIT AND MANAGEMENT PLANS

In fiscal year 2020, the District experienced a total decrease in net position of \$384,188. This decrease has increased the accumulated net deficit to \$4,626,104 at June 30, 2020. As of that date, current assets exceeded current liabilities by \$498,897. Prior to fiscal 2019, the District experienced substantial negative net cash flow from operations which resulted in a sustained draw down of the District's available cash reserves.

In the fiscal year 2018, management and the board of directors implemented a strategic deployment plan 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 was fully implemented. The reduction to payroll expenses was realized and in the current year, the District continues to experience positive cash flow.

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. The primary increase in expenses and resulting increase in net deficit is the recognition of net pension liability and OPEB liability and recognition of their related expenses as required by the Governmental Accounting Standards Board.

REQUIRED SUPPLEMENTARY INFORMATION

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY –
OTHER POSTEMPLOYMENT BENEFITS OBLIGATION
JUNE 30, 2020**

<u>Total OPEB Liability</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Service Cost	\$ 355,185	\$ 365,841	\$ 139,691
Interest	92,171	104,446	129,180
Difference Between Expected and Actual Experience	-	-	(963,671)
Changes of Assumptions	-	(322,844)	33,431
Benefit Payments	<u>(54,570)</u>	<u>(55,769)</u>	<u>(55,424)</u>
Net Change in Total OPEB Liability	392,786	91,674	(716,793)
Total OPEB Liability - Beginning	<u>2,971,825</u>	<u>3,364,611</u>	<u>3,456,285</u>
Total OPEB Liability - Ending (a)	<u>\$ 3,364,611</u>	<u>\$ 3,456,285</u>	<u>\$ 2,739,492</u>
<u>Plan Fiduciary Net Position</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contributions - Employer	\$ 54,570	\$ 55,769	\$ 55,424
Net Investment Income	-	-	-
Benefit Payments	(54,570)	(55,769)	(55,424)
Administrative Expense	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ 3,364,611</u>	<u>\$ 3,456,285</u>	<u>\$ 2,739,492</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-	-	-
Covered Payroll	\$ 905,129	\$ 923,563	\$ 826,535
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	371.73 %	374.23 %	331.44 %

Note: Accounting standards require presentation of 10 years of 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
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS OBLIGATION
JUNE 30, 2020**

<u>OPEB Contributions</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 54,570	\$ 55,769	\$ 55,424
Contributions in Relation to the ADC	<u>54,570</u>	<u>55,769</u>	<u>55,424</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 905,129	\$ 923,563	\$ 826,535
Contributions as a Percentage of Covered-Employee Payroll	6.03 %	6.04 %	6.71 %

(1) The District did not calculate an ADC. The District contributes on a pay as you go method assumed to be an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

Note: Accounting standards require presentation of 10 years of 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
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020**

	2015	2016	2017	2018	2019	2020
District's Proportion of the Net Pension Liability	0.01786%	0.01741%	0.01669%	0.01577%	0.01503%	0.01605%
District's Proportionate Share of the Net Pension Liability	\$ 1,111,455	\$ 1,194,756	\$ 1,444,091	\$ 1,564,188	\$ 1,448,721	\$ 1,644,639
District's Covered Payroll Reported as of the Previous Fiscal Year to Align with the Measurement Date of the Net Pension Liability	\$ 752,508	\$ 894,213	\$ 955,565	\$ 951,188	\$ 905,129	\$ 923,563
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	147.70 %	133.61 %	151.12 %	164.45 %	160.06 %	178.08 %
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82 %	78.40 %	74.07 %	73.31 %	75.26 %	75.26 %

Note: Accounting standards require presentation of 10 years of 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.

See Notes to the Required Supplementary Information.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually Required Contribution	\$ 167,727	\$ 180,930	\$ 195,492	\$ 130,863	\$ 82,840	\$ 68,150
Contribution in Relation to the Contractually Required Contribution	<u>(167,727)</u>	<u>(180,930)</u>	<u>(195,492)</u>	<u>(130,863)</u>	<u>(82,840)</u>	<u>(68,150)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 894,213	\$ 955,565	\$ 951,188	\$ 905,129	\$ 923,563	\$ 823,817
Contributions as a Percentage of Covered Payroll	18.76 %	18.93 %	20.55 %	14.46 %	8.97 %	8.27 %

Note: Accounting standards require presentation of 10 years of 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
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability

The schedule is intended to show the funded status of the District's actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Postemployment Healthcare 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.

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 Pension 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, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2021.

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 opinion 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.

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 did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

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

District’ Response to the Findings

The District’s response to the findings 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
June 22, 2021

FINDINGS AND RESPONSES

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

NOTE: The finding and recommendations listed below include details about the criteria or specific requirements, the condition, the effect, and the cause.

2020-001 ACCOUNTS RECEIVABLE AND RESERVE FOR DOUBTFUL ACCOUNTS

Original Finding: 2019-002

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Repeat of Prior Year Finding: Yes

Finding: The accounts receivable balance and revenue reported from the District internal billing system was not reconciled to the general ledger. The reserve for doubtful accounts was not being properly estimated and recorded. Accounts receivable were not properly adjusted for bad debt write off. The adjustment to reconcile the revenue and accounts receivable, and to correct the reserve for doubtful accounts resulted in an audit adjustment to correct a material understatement of bad debt expense and to record a material estimate for allowance for uncollectible accounts.

Recommendation: Establish a system of consistent monthly reconciliation of revenue billed from the District billing system and the detailed accounts receivable to the general ledger. Implement a consistent method to evaluate the collectability of accounts and adjust appropriately to ensure accounts receivable are reported at their net realizable value.

Management's Response: During the fourth quarter of the fiscal year, the District commenced a major project to upgrade both its accounting system and ambulance billing systems. The first part of the systems upgrade was the new ambulance billing system. The new ambulance billing system prepares and generates invoices for emergency services provided utilizing standard, pre-established rates. Healthcare payors, both governmental and private insurers, seldom pay the billed amount invoiced due to legislative limits and restrictions or the remittance of an amount deemed to be a usual and customary payment for the services provided. Historically, when payment was received and reviewed, an adjustment to the originally billed amount was made to reflect the payment received. These adjustments are not bad debt write offs but more in the nature of revenue billing adjustments. The District understands that maintaining the balance of the accounts receivable at the billed amount does not conform to Generally Accepted Accounting Principles (GAAP) which requires the accounts receivable to be stated at their net realizable value and not at the billed amount. With the upgrade, when completed, to the District's accounting system, the accounts receivable will be recorded at the billed amount which will then be offset by the recording of the estimated revenue adjustment to the billed amount in an offsetting contra revenue account. The net result of this procedure will be the reduction of the billed accounts receivable down to the estimated net realizable value. When payment is received any minor difference between the recorded net realizable value and the amount received will be adjusted and recorded. The fact that the billed amount will be included in the accounting in the general ledger will then allow for reconciliation to the ambulance billing system. Additionally, the District will be able to track delinquent accounts and develop and record estimated reserve for doubtful accounts which will be reviewed on a quarterly basis.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

2019-001 CLOSING PROCESS AND RECONCILIATIONS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Repeat of Prior Year Finding: Yes

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.

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.

Management's Response: During the fiscal year ended June 30, 2019, the Cambria Community Healthcare District (the District) experienced turnover in a key management position. The District's Administrator, with many years of experience, announced his retirement. The District commenced a search to identify and hire a new Administrator along with recruiting an interim Administrator to manage the District's operations until such time as a permanent Administrator could be hired. The District was managed by three successive interim Administrators, some of which were on a part time basis only. A permanent Administrator was not hired until the first part of the following fiscal year. The permanent Administrator is now onboard and working on a fulltime basis. The interim Administrators' major focus was on operations and to a lesser extent on the financial activities of the District. All of the deficiencies that are noted were impacted by the loss of the prior Administrator. The District now believes that with the addition of the permanent full time Administrator and the utilization of an experienced external accounting service, that the deficiencies noted can and will be corrected.

In conjunction with the external accounting service, the monthly close process will be documented. All steps in the monthly close process will be identified, including all necessary reconciliations. Responsible individuals will be assigned to each step in the closing process along with required completion dates.

Current Year Status: Improvement has been made.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

2019-002 ACCOUNTS RECEIVABLE AND RESERVE FOR DOUBTFUL ACCOUNTS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Repeat of Prior Year Finding: Yes

Finding: 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.

Recommendation: Establish a system of consistent monthly reconciliation of detailed accounts receivable to the general ledger and implement a consistent method to evaluate the collectability of accounts and adjust appropriately to ensure accounts receivable are reported at their net realizable value.

Management's Response: The District's ambulance billing system prepares and generates invoices for emergency services provided utilizing standard, pre-established rates. Healthcare payors, both governmental and private insurers, seldom pay the billed amount invoiced due to legislative limits and restrictions or the remittance of an amount deemed to be a usual and customary payment for the services provided. When payment is received and reviewed, an adjustment to the originally billed amount is made to reflect the payment received. These adjustments are not bad-debt write offs but more in the nature of billing adjustments. For tracking purposes and administrative ease, the District maintains its balance of uncollected and unpaid ambulance services (Accounts Receivable) at their billed amount and not at their net realizable value. Generally Accepted Account Principles (GAAP) require that all accounts, including Accounts Receivable, be stated at their net realizable amount. To comply with GAAP requirements, the District's Accounts Receivable Balance will be adjusted, on a quarterly basis, to its net realizable value. Additionally, an estimate will also be developed of all accounts that may prove uncollectable and the corresponding Reserve for Doubtful Accounts will be developed at that time.

Current Year Status: Not yet implemented. See Finding 2020-001.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

