CAMBRIA COMMUNITY HEALTHCARE DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS

June 30, 2019

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

TABLE OF CONTENTS
June 30, 2019

CliftonLarsonAllen LLP
CLAconnect.com

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT

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, 2019 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 iii, and the historical pension and post-employment benefits information on pages 30 to 33 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 May 29, 2020 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

CliftonLarsonAllen LLP
Glendora, California
May 29, 2020

BOARD OF DIRECTORS AND ADMINISTRATION

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

BOARD OF DIRECTORS AND ADMINISTRATION
June 30, 2019

Director	Position	Term Expires
Barbara Bronson Gray	President	December 2020
Laurie Mileur	Vice President	December 2022
Igor "Iggy" Ferdoroff	Secretary	December 2022
Bill Rice	Director	December 2022
Miguel Hernandez, MD	Director	December 2022
Mike McDonough	Administrator	As of August 2019**

** Adminstrator's position was vacant as of June 30, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019. 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, 2019 by $73,024 compared to 2018 and consisted of cash, accounts receivable and capital assets.
- Total liabilities decreased as, of June 30, 2019 by $101,614 compared to 2018 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 $4,241,916 compared to the restated net deficit at June 30, 2018 of $4,116,989.
- Operating revenues were $742,275 for the year ended June 30, 2019 compared to $850,413 for 2018.
- Current year assessments, property taxes and other non-operating revenues were $1,100,546 compared to $1,049,567 for the year ended June 30, 2018.
- Operating expenses were $1,967,748 for the current year compared to operating expenses of $2,556,991 for the year ended June 30, 2018.
- For the year ended June 30, 2019, the District recorded a loss from operations of $1,225,473 compared to a loss from operations of $1,706,578 in 2018. Total change in net position was a decrease of $124,927 compared to a decrease in net position of $657,011 for the year ended June 30, 2018.

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 non-current. Changes within the year in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses and Change in Net Position.

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

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

- Operating activities
- Financing activities
- Investing activities

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

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

Condensed Statements of Net Position

	2019	2018	Change
Assets:			
Current and other assets	$ 604,050	$ 520,427	$ 83,623
Capital assets - non current	177,646	188,245	(10,599)
Total Assets	781,696	708,672	73,024
Deferred Outflows of Resources:			
Deferred amount pension and OPEB	415,135	493,864	(78,729)
Total Deferred Outflows	415,135	493,864	(78,729)
Liabilities:			
Current liabilities	55,734	98,508	(42,774)
Non-current liabilities	4,974,000	5,032,840	(58,840)
Total Liabilities	5,029,734	5,131,348	(101,614)
Deferred Inflows of Resources:			
Deferred amount pension and OPEB	409,013	188,177	220,836
Total Deferred Inflows	409,013	188,177	220,836
Net Position:			
Net investment in capital assets	79,518	61,976	17,542
Unrestricted	(4,321,434)	(4,178,965)	(142,469)
Total Net Position	$ (4,241,916)	$ (4,116,989)	$ (124,927)

Total assets increased by $73,024 primarily due to an increase in cash and a decrease in receivables. Total liabilities decreased by $101,614 primarily due to decreases in accounts payable and accrued liabilities and a net decrease in pension and OPEB obligations.

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 $4,241,916. See Note 9 to the accompanying financial statements for a discussion of management's plan to address the District's net deficit.

Condensed Statements of Revenues, Expenses and Change in Net Position

	2019	2018	Change
Operating revenues	$ 742,275	$ 850,413	$ (108,138)
Non-operating revenues, net	1,100,546	1,049,567	50,979
Total Revenues	1,842,821	1,899,980	(57,159)
Total Operating Expenses	1,967,748	2,556,991	(589,243)
Change in Net Position	(124,927)	(657,011)	532,084
Net Position - Beginning of Year	(4,116,989)	(3,459,978)	(657,011)
Net Position - End of Year	$ (4,241,916)	$ (4,116,989)	$ (124,927)

As of June 30, 2019, the District's total operating expenses exceeded its total revenues, resulting in a decrease in net position of $124,927. Revenues from operating and non-operating sources increased by $50,979 and operating expenses decreased $589,243 when compared to the prior year.

Operating Revenues:

Operating revenues for the District decreased $108,138, primarily due to decreases in revenue from supplemental government payment programs and a reduction in payments from government grants and charitable foundations.

Non-operating Revenues:

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

Operating Expenses:

Operating expenses consist of costs incurred in connection with the ambulance operations of the District, primarily consisting of payroll and benefit related expenses. The District also incurs general and administrative expenses related to the operations of the District Offices. Operating expenses decrease by $589,243 in 2019 when compared to 2018. During the current fiscal year 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 saving were achieved by the reductions in bad debt expense and the reduction in legal expenses and the use of less outside consultants.

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, 2019, 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. As a result of these changes along expense reductions and cost controls, the District reduced the total negative change in Net Position from ($657,011) in 2018 to ($124,927) in 2019 or an improvement of $532,084. Additionally, the District ended the fiscal year 2019 with positive cash flow after experiencing a several of years of negative cash flows. The cash balance increase by $39,882 during fiscal year 2019 when compared to the prior year.

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, 2019

CURRENT ASSETS		
Cash and cash equivalents	$	358,944
Accounts receivable, net of allowance of $84,863		245,106
Total current assets		604,050
NON-CURRENT ASSETS		
Capital assets:		
Nondepreciable		5,063
Depreciable- net of accumulated depreciation		172,583
Total non-current assets		177,646
Total assets		781,696
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows- pensions		357,871
Deferred outflows- other postemployment benefits		57,264
Total deferred outflows of resources		415,135
CURRENT LIABILITIES		
Accounts payable		10,518
Accrued payroll		13,272
Current portion- long-term debt		31,944
Total current liabilities		55,734
NON-CURRENT LIABILITIES		
Long-term liabilities		
Compensated absences		2,810
Long-term debt		66,184
OPEB liability		3,456,285
Net pension liability		1,448,721
Total non-current liabilities		4,974,000
Total liabilities		5,029,734
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows- pensions		139,979
Deferred inflows- OPEB		269,034
Total deferred inflows of resources		409,013
NET DEFICIT		
Net investment in capital assets		79,518
Unrestricted		(4,321,434)
Total Net Deficit	$	(4,241,916)

See accompanying notes to the financial statements.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Fiscal Year Ended June 30, 2019

OPERATING REVENUES	
Ambulance charges	$ 669,042
Other operating revenues	73,233
Total operating revenues	742,275
OPERATING EXPENSES	
Salaries and wages	826,279
Payroll benefits	642,129
Workers' compensation insurance	48,246
Professional services	61,480
Contract services	36,208
Depreciation	49,599
Medical supplies and equipment	30,204
Bad debt expense	79,478
Repairs and maintenance	45,719
Insurance	32,486
Fuel and oil	24,865
Payroll taxes	21,826
Utilities	16,669
Licenses and permits	13,141
Office and computer supplies	10,143
Uniform expense	6,425
Education and travel	3,132
Miscellaneous expense	5,239
Election expense	12,380
Trustee compensation	2,100
Total operating expenses	1,967,748
Operating Loss	(1,225,473)
NON OPERATING REVENUES (EXPENSES):	
Property taxes	535,686
Special assessment	527,066
Rental income	45,978
Other income (expense)	(4,393)
Interest expense	(3,791)
Total non operating revenues (expenses)	1,100,546
Change in net position	(124,927)
Net Deficit Beginning of Year	(4,116,989)
Net Deficit End of Year	$ (4,241,916)

See accompanying notes to the financial statements.

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer and users	$ 698,534
Payments to employees	(1,188,477)
Payments to vendors and suppliers	(503,580)
Net cash used by operating activities	(993,523)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Property taxes received	535,686
Special assessments received	527,066
Net cash provided by non-capital financing activities	1,062,752
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Proceeds from sale of capital assets	4,500
Payments on long-term debt	(31,932)
Purchases of capital assets	(39,000)
Net cash used by capital and financing activities	(66,432)
CASH FLOWS FROM INVESTING ACTIVITIES	
Rental and other investment income received	37,085
Net cash provided by investing activities	37,085
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,882
Cash and Cash Equivalents - Beginning of Year	319,062
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 358,944
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net operating loss	$ (1,225,473)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	49,599
(Increase) Decrease in assets and deferred outflows:	
Accounts receivable	(43,741)
Deferred outflows	78,729
Increase(Decrease) in liabilities and deferred inflows:	
Accounts payable	(53,839)
Accrued payroll	7,290
Compensated absences	(3,131)
OPEB liability	91,674
Pension liability	(115,467)
Deferred inflows	220,836
Total adjustments	231,950
Net cash used by operating activities	$ (993,523)

See accompanying notes to the financial statements.

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, 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.

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 XIIIA 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.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019.

Property Tax Administration Fees

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

Tax Levies - are limited to 1% of full value which results in a tax rate of $1.00 per $100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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- 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.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 ***Fiduciary Activities***. The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2020-21. The District does not expect this pronouncement to have a significant impact.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 ***Leases***. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The implementation date for this statement was delayed by the GASB and is effective for the fiscal year 2021-22. The District is evaluating the impact of this pronouncement,

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 ***Accounting for Interest Cost Incurred before the End of a Construction Period.*** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for the fiscal year 2021-22. The District does not expect this pronouncement to have a significant impact.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 ***Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.*** The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 % equity interest is acquired in that component unit. The statement is effective for the fiscal year 2020-21. The District does not expect this pronouncement to have a significant impact.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 Conduit Debt Obligations. The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuer, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2022-23. The District does not expect this pronouncement to have a significant impact.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 Omnibus 2020. The objectives of the Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics. Some requirements are effective upon issuance of the statement and other requirements are effective for the fiscal year 2021-22. The District is evaluating the impact of this pronouncement.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsequent Events

Management evaluated subsequent events through May 29, 2020, the date the financial statements were available to be issued. Subsequent to year end, 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 may impact 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 as these events occurred subsequent to year end and are still developing.

NOTE 2: DEPOSITS AND INVESTMENTS

On June 30, 2019, the District had the following cash and investments on hand:

Cash in bank accounts	$	323,435
Local Agency Investment Fund		35,509
Total cash and investments	$	358,944

Cash and investments listed above, are presented on the accompanying basic financial statements as cash and cash equivalents of $358,944.

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.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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, 2019, 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, 2019 is

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The fund currently yields approximately 2.266%. LAIF is currently unrated and has an average life of 173 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Concentration of Credit Risk

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

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Non-depreciable assets:				
Land	$ 5,063	$ -	$ -	$ 5,063
Total non depreciable assets	5,063	-	-	5,063
Depreciable assets				
Buildings and improvements	124,605	-	-	124,605
Ambulance and vehicles	439,122	39,000	(62,392)	415,730
Furniture and fixtures	20,378	-	-	20,378
Equipment	294,023	-	-	294,023
Total Depreciable capital assets	878,128	39,000	(62,392)	854,736
Accumulated depreciation	(694,946)	(49,599)	62,392	(682,153)
Total depreciable assets, net	183,182	(10,599)	-	172,583
Total capital assets, net	$ 188,245	$ (10,599)	$ -	$ 177,646

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.

NOTE 4: LONG-TERM DEBT

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

Year Ended June 30,	Principal	Interest
2020	$ 29,096	$ 2,836
2021	30,053	1,879
2022	31,042	890
2023	7,937	64
	98,128	5,669
Current Portion	(31,944)	(2,836)
Total	$ 66,184	$ 2,833

The following is a summary of long-term debt activity as of June 30, 2019:

	June 30, 2018	Additions	Payments	June 30, 2019	Due Within One Year
Compensated absences	$ 5,941	$ -	$ 3,131	$ 2,810	$ -
Notes Payable	126,269	-	28,141	98,128	31,944
	$ 132,210	$ -	$ 31,272	$ 100,938	$ 31,944

NOTE 5: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Benefits

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

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

NOTE 5: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	2
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	13
Total	15

Funding Policy

The Districts' required contribution is based on projected pay-as-you-go basis. For the fiscal year ended June 30, 2019, the District contributed $55,769 to the plan including the implicit rate subsidy.

Net OPEB Liability (Asset)

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

	Balance June 30, 2019
Total OPEB liability	$ 3,456,285
Plan fiduciary net position	-
District's net OPEB liability (asset)	$ 3,456,285
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, 2018 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, 2018. 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, 2018, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

NOTE 5: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Inflation	3.00%
Salary Increases	3.00%
Investment Rate of Return	4.00%
Health Care Trend Rate	5.00%

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 decreased to 5.0% from 6.0%. The inflation rate used was 2.0% for both measurement dates.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 3,364,611	$ -	$ 3,364,611
Changes for the year:			
Service cost	365,841	-	365,841
Interest	104,446	-	104,446
Employer contributions	-	55,769	(55,769)
Changes of Assumptions	(322,844)	-	(322,844)
Benefit payments	(55,769)	(55,769)	-
Net changes	91,674	-	91,674
Balances at June 30, 2019	$ 3,456,285	$ -	$ 3,456,285

The following presents the District's net OPEB liability calculated using the discount rate of 3.62 %, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.62 %) or 1% point higher (4.62 %) than the current rate:

NOTE 5: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Discount rate	Net OPEB Liability (Asset)
1% decrease (2.62%)	$ 4,163,792
Current discount rate (3.62%)	3,456,285
1% increase (4.62%)	2,912,315

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 5.0 %, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (4.0 %) or 1% point higher (6.0 %) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (5.00% decreasing to 4.00%)	$ 2,848,073
Current healthcare trend rate (6.00% decreasing to 5.00%)	3,456,285
1% increase (7.00% decreasing to 6.00%)	4,256,718

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of $416,480.

As of June 30, 2019, the District reported deferred outflows of resources related to employer OPEB contributions of $57,264. Contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended June 30, 2020.

Amounts reported as deferred inflows of resources related to the change in assumptions of $269,034 for OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2020	$ 53,807
2021	53,807
2022	53,807
2023	53,807
2023	53,806

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

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

As of June 30, 2019, 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.

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalPERS	$ 1,448,721	$ 357,871	$ 139,979	$ 70,068

Plan Description

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

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired by the district, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after 4 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate

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

upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is a least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2019, 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 of services	5 years of services
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.0%-2.5%
Required employee contribution rate	7%	6.25%
Required employer contribution rate	8.892%	6.842%

	Safety Risk Pool		
	Prior to	On or after 7/1/2010 and before	On or after
Hire date	7/1/2010	1/1/2013	1/1/2013
Benefit formula	3% at 55	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of services	5 years of services	5 years of services
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4%-3%	2%-2.7%
Required employee contribution rate	9%	9%	11.500%
Required employer contribution rate	20.556%	18.677%	12.141%

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.

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

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, 2019 are presented above and the total District contributions were $82,840.

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

As of June 30, 2019 the District reported net pension liabilities for its proportionate share of the Safety and Miscellaneous Risk Pools net pension liability totaling $1,448,721. The net pension liability was measured as of June 30, 2018. 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, 2018, the District's proportion was 0.023% and 0.002% for the Safety and Miscellaneous Risk Pools, respectively.

For the year ended June 30, 2019, the District recognized net pension expense of $70,068. 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, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 82,840	$ -
Effect of changes in assumptions	146,133	21,240
Difference between actual and expected experience	33,628	1,694
Net difference between projected and actual earnings on pension plan investments	9,729	-
Effect of change in proportion	73,389	48,252
Differences between contributions and proportionate share of contributions	12,152	68,793
Total	$ 357,871	$ 139,979

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.

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

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.

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, 2018 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.

Year Ended June 30	Amortization
2020	$ 135,318
2021	50,837
2022	(50,407)
2023	(696)

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the methods and assumptions herein, applied to all prior periods included in the measurement.

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

	Miscellaneous	Safety
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2018
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

CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scales MP-2016. For more details on this table, Please refer to the 2017 experience study report.

All other actuarial assumption used in the June 30, 2017, valuation use the results of CalPERS Experience Study and Review of Actuarial Assumption – December 2017, including updates to salary increase, morality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

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,

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

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 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 return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table herein reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

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%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Inflation Sensitive	0.00%	77.00%	1.81%
Liquidity	1.0%	0.00%	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.

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

District's proportionate share of the net pension liability:	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Miscellaneous	$ 173,930	$ 100,357	$ 39,623
Safety	2,047,012	1,348,364	775,947
Total	$ 2,220,942	$ 1,448,721	$ 815,570

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.

At June 30, 2019, 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.

NOTE 7: RISK MANAGEMENT

- 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.

As a result of the heavy rainfall in fiscal 2018, the District experienced mudslides and flooding at its Ambulance Call Center. The District had temporarily relocated the center operations while the mudslide damage was repaired. The District has initiated insurance claims against the losses and expects to recover all expenses from SDRMA in excess of its deductible share of $1,000.

NOTE 8: LEASE AGREEMENTS

The District currently is party to 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 $45,978 as rental income. As disclosed in Note 7, the District entered into a month-to-month lease for temporary housing of its Ambulance Call Center. The lease stipulates rent of $3,000 per month which is being reimbursed by SDRMA. The lease was terminated in October 2018.

NOTE 9: ACCUMULATED NET DEFICIT AND MANAGEMENT PLANS

In fiscal year 2019, the District experienced a total decrease in net position of $124,927. This decrease has increased the accumulated net deficit to $4,241,916 at June 30, 2019. As of that date, current assets exceeded current liabilities by $548,316. In recent years, substantial negative net cash flow from operations has resulted in a sustained draw down of the District's available cash reserves.

In the current fiscal year, Management and the Board of Directors 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 the current year, the District experienced 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, 2019

Total OPEB Liability	**2018**	**2019**
Service Cost	$ 355,185	$ 365,841
Interest	92,171	104,446
Changes of Assumptions	-	(322,844)
Benefit Payments	(54,570)	(55,769)
Net Change in Total OPEB Liability	392,786	91,674
Total OPEB Liability - beginning	2,971,825	3,364,611
Total OPEB Liability - ending (a)	$ 3,364,611	$ 3,456,285
Plan Fiduciary Net Position	2018	2019
Contributions - Employer	$ 54,570	$ 55,769
Net Investment Income	-	-
Benefit Payments	(54,570)	(55,769)
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - beginning	-	-
Plan Fiduciary Net Position - ending (b)	$ -	$ -
Net OPEB Liability (Asset) - ending (a) - (b)	$ 3,364,611	$ 3,456,285
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered payroll	$ 905,129	$ 923,563
Net OPEB liability (asset) as a percentage of covered-employee payroll	371.73%	374.23%

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 POST EMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS OBLIGATION
June 30, 2019

OPEB Contributions	2018	2019
Actuarially Determined Contribution (ADC)	$ 54,570	$ 55,769
Contributions in relation to the ADC	54,570	55,769
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 905,129	$ 923,563
Contributions as a percentage of covered-employee payroll	6.03%	6.04%

(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, 2019

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.01786%	0.01741%	0.01669%	0.01577%	0.01503%
District's proportionate share of the net pension liability	1,111,455	1,194,756	1,444,091	1,564,188	1,448,721
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
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%
Plan's fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.07%	73.31%	75.26%

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

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

CAMBRIA COMMUNITY HEALTHCARE DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2019

	2015	2016	2017	2018	2019
Contractually required contribution	$ 167,727	$ 180,930	$ 195,492	$ 130,863	$ 82,840
Contribution in relation to the contractually required contribution	(167,727)	(180,930)	(195,492)	(130,863)	(82,840)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 894,213	$ 955,565	$ 951,188	$ 905,129	$ 923,563
Contributions as a percentage of covered payroll	18.76%	18.93%	20.55%	14.46%	8.97%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

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

CliftonLarsonAllen LLP
CLAconnect.com

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, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2020.

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 items 2019-001 and 2019-002 that we consider to be material weaknesses.

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

Compliance and Other Matters

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

District' Response to the 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

CliftonLarsonAllen LLP
Glendora, California
May 29, 2020

FINDINGS AND RESPONSES

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

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

2019-001 CLOSING PROCESS AND RECONCILIATIONS

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

Repeat of Prior Year Finding: No

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.

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

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: No

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 payers, 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.