

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**

**BASIC FINANCIAL STATEMENTS**

June 30, 2016

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
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June 30, 2016

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## **Basic Financial Statements**



## INDEPENDENT AUDITORS' REPORT

The 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 fiscal year ended June 30, 2016, 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cambria Community Healthcare District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the fiscal 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 the schedule of funding progress for post employment benefits other than pensions on page 21, the schedule of proportionate share of net pension liability on page 22 and the schedule of pension contributions on page 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, on our consideration of the Cambria Community Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Moss, Remy & Hartgraves LLP*

Santa Maria, California  
March 13, 2017

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2016

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**ASSETS**

Cash and investments	\$ 477,327
Accounts receivable, net	115,135
Capital Assets:	
Nondepreciable	5,063
Depreciable - net of accumulated depreciation	<u>48,602</u>
Total assets	<u>646,127</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	<u>204,665</u>
Total deferred outflows of resources	<u>204,665</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	38,050
Accrued payroll	13,967
Long-term liabilities:	
Compensated absences	7,385
OPEB payable	1,110,838
Net pension liability	<u>1,194,756</u>
Total liabilities	<u>2,364,996</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>251,995</u>
Total deferred inflows of resources	<u>251,995</u>

**NET POSITION**

Net investment in capital assets	53,665
Unrestricted	<u>(1,819,864)</u>
Net position	<u><u>\$ (1,766,199)</u></u>

See accompanying notes to basic financial statements.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended June 30, 2016

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**Operating Revenues:**

Ambulance charges	\$ 697,930
Other operating revenues	<u>52,160</u>
Total operating revenues	<u>750,090</u>

**Operating Expenses:**

Salaries and wages	955,565
Trustee compensation	6,000
Payroll taxes	18,535
Payroll benefits	701,241
Workers' compensation insurance	39,484
Education and travel	5,829
Fuel and oil	17,828
Insurance	23,225
Licenses and permits	13,271
Medical supplies and equipment	25,560
Miscellaneous expense	8,414
Office and computer supplies	11,803
Professional services	64,202
Repairs and maintenance	43,862
Training	1,748
Uniform expense	7,980
Utilities	16,577
Bad debt expense	65,918
Depreciation	26,173
Contract services	<u>49,162</u>
Total operating expenses	<u>2,102,377</u>
Net operating loss	<u>(1,352,287)</u>

**Non-Operating Revenues (Expenses):**

Property taxes	479,153
Special assessment	478,317
Rental income	30,640
Interest income	<u>698</u>
Total non-operating revenues (expenses)	<u>988,808</u>
Change in net position	(363,479)
Net position, beginning of fiscal year	<u>(1,402,720)</u>
Net position, end of fiscal year	<u><u>\$ (1,766,199)</u></u>

See accompanying notes to basic financial statements.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2016

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**Cash Flows From Operating Activities:**

Receipts from customers and users	\$ 709,195
Payments to suppliers	(1,085,014)
Payments to employees	(661,466)
Net cash used by operating activities	<u>(1,037,285)</u>

**Cash Flows From Noncapital Financing Activities:**

Property taxes received	479,153
Special assessments received	478,317
Net cash provided by noncapital financing activities	<u>957,470</u>

**Cash Flows From Capital and Related Financing Activities:**

Purchase of capital assets	<u>(5,608)</u>
Net cash used by capital and related financing activities	<u>(5,608)</u>

**Cash Flows From Investing Activities:**

Interest income received	698
Rental income received	<u>30,640</u>
Net cash provided by investing activities	<u>31,338</u>

Net decrease in cash and cash equivalents	(54,085)
Cash and cash equivalents, beginning of fiscal year	<u>531,412</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 477,327</u>

**Reconciliation of Operating Loss to Net Cash**

**Used by Operating Activities:**

Operating loss	\$ (1,352,287)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	26,173

**Change in operating assets and liabilities:**

(Increase) decrease in accounts receivable	25,023
(Increase) decrease in deferred outflows	(36,938)
Increase (decrease) in accounts payable	(14,854)
Increase (decrease) in accrued payroll	(1,625)
Increase (decrease) in compensated absences	2,960
Increase (decrease) in OPEB payable	298,764
Increase (decrease) in net pension liability	83,301
Increase (decrease) in deferred inflows	<u>(67,802)</u>

Net cash used by operating activities	<u>\$ (1,037,285)</u>
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See accompanying notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

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 to provide 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 building, which is leased to physicians and eye care professionals.

B. Accounting Policies

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

C. Reporting Entity

The Reporting District is the Cambria Community Healthcare District.

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

D. Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments, and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligible requirements have been satisfied; and revenue from investments is recognized when earned.

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

E. Cash and Cash Equivalents

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

F. Capital Assets

Acquisitions of property, plant and equipment are recorded at cost and are depreciated on a straight line basis over their estimated useful lives ranging from five to forty years. Donated capital assets are recorded at cost if available or at their estimated fair value on the date received.

G. Receivables

The District uses the allowance method for accounting for doubtful accounts. The District also uses the allowance method for accounting for Medicare and Medi-Cal contractual allowances.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Budget and Budgetary Accounting

An annual budget is approved by the Board of Directors.

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

J. Property Taxes

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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. 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.

L. 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.

M. 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.

N. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

O. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

The District has one item which qualifies for reporting in this category; refer to Note 4 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

The District has one item which qualifies for reporting in this category; refer to Note 4 for a detailed listing of the deferred inflows of resources the District has reported.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

P. Pensions

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) 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. Investments are reported at fair value.

Q. Future Accounting Pronouncements

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

**NOTE 2 - CASH AND INVESTMENTS**

On June 30, 2016, the District had the following cash and investments on hand:

Cash in bank accounts	\$ 290,017
Local Agency Investment Fund	<u>187,310</u>
Total cash and investments	<u>\$ 477,327</u>

Cash and investments listed above, are presented on the accompanying basic financial statements, as follows:

Cash and investments – statement of net position	<u>\$ 477,327</u>
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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. The District had investments in the Local Agency Investment Fund, however, that external pool is not measured under Level 1, 2 or 3.

Investments Authorized by the California Government Code

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

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

Concentration of Credit Risk

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

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 governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 California Government Code does not contain legal or 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 LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
LAIF	\$ 187,310	\$ 187,310	\$ -	\$ -	\$ -
Total	\$ 187,310	\$ 187,310	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	\$ 187,310	N/A	\$ -	\$ -	\$ -	\$ 187,310
Total	\$ 187,310		\$ -	\$ -	\$ -	\$ 187,310

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Business-type activity</b>				
Nondepreciable capital assets:				
Land	\$ 5,063	\$ -	\$ -	\$ 5,063
Total nondepreciable capital assets	<u>\$ 5,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,063</u>
Depreciable capital assets:				
Buildings and improvements	\$ 75,478	\$ -	\$ -	\$ 75,478
Ambulance and vehicles	345,709			345,709
Furniture and fixtures	13,335			13,335
Equipment	343,365	5,608		348,973
Total depreciable capital assets	<u>777,887</u>	<u>5,608</u>		<u>783,495</u>
Accumulated depreciation	708,720	26,173		734,893
Net depreciable capital assets	<u>\$ 69,167</u>	<u>\$ (20,565)</u>	<u>\$ -</u>	<u>\$ 48,602</u>
Net capital assets	<u>\$ 74,230</u>	<u>\$ (20,565)</u>	<u>\$ -</u>	<u>\$ 53,665</u>

**NOTE 4 - PENSION PLAN**

**A. General Information about the Pension Plans**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans (Plans), cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS 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 credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years 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% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.377%	6.555%

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

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**NOTE 4 - PENSION PLAN (Continued)**

**A. General Information about the Pension Plans (Continued)**

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Safety</u>		
	<u>Prior to July 1, 2010</u>	<u>On or after July 1, 2010 and before January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates	19.536%	17.689%	12.082%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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.

For the fiscal year ended June 30, 2016, the District's contributions to the pension plan for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions-employer	\$ 12,403	\$ 168,527

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 4 - PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 60,795
Safety	1,133,961
	<u>\$ 1,194,756</u>

At June 30, 2016, the System reported a liability of \$1,194,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. 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 Pension Plan participants, actuarially determined. The District's proportionate share of net pension liability for the plan as of June 30, 2016 was as follows:

	Proportionate Share of Net Pension Liability June 30, 2014	Proportionate Share of Net Pension Liability June 30, 2015	Change Increase (Decrease)
Miscellaneous	0.00095%	0.00089%	(0.00006%)
Safety	0.01691%	0.01652%	(0.00039%)

For the year ended June 30, 2016, the District recognized pension expense of \$159,491. 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 method, and plan benefits. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 180,930	\$ -
Differences between expected and actual experience	662	21,490
Changes in assumptions		105,101
Net difference between projected and actual earnings on retirement plan investments		53,231
Adjustment due to differences in proportions	23,073	36,566
Changes in actual contributions and proportionate share of contributions		35,607
	<u>\$ 204,665</u>	<u>\$ 251,995</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. \$180,930 reported as 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, 2017.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 4 - PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30,	Amount
2017	\$ (102,089)
2018	(102,089)
2019	(89,589)
2020	65,507
	\$ (228,260)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net Pension Plan Investment and Administrative Expenses; includes inflation	7.5% 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

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

*Changes of Assumptions*

GASB No. 68, paragraph 68 states that the long term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015 to correct the adjustment which previously reduced the discount rate for administrative expenses.

**NOTE 4 - PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF C). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below 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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% was used for this period.

(b) An expected inflation of 3.0% was used for this period.

**NOTE 4 - PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension plan liability:			
Miscellaneous	\$ 101,957	\$ 60,795	\$ 26,811
Safety	\$ 1,901,732	\$ 1,133,961	\$ 500,077

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2016, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2016.

**NOTE 5 - JOINT VENTURE**

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, 2016, 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.
- Employee dishonesty coverage of \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value (ACV) basis, to a combined total of \$1 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage is for the replacement cost up to \$100 million per occurrence, subject to \$1,000 deductible.

**NOTE 5 - JOINT VENTURE (Continued)**

- Public officials personal liability is up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, deductible of \$500 per claim.
- Comprehensive and collision on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000 as elected; ACV limits.

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

**NOTE 6 - CONTINGENT LIABILITIES**

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

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of long-term debt activity as of June 30, 2016:

	July 1, 2015	Additions	Deletions	June 30, 2016	Due Within One Year
Compensated absences	\$ 4,425	\$ 40,852	\$ 37,892	\$ 7,385	\$ -
Net pension liability	1,111,455	159,491	76,190	1,194,756	
OPEB liability	812,074	332,973	34,209	1,110,838	
	<u>\$ 1,927,954</u>	<u>\$ 533,316</u>	<u>\$ 148,291</u>	<u>\$ 2,312,979</u>	<u>\$ -</u>

**NOTE 8 – NET POSITION**

The financial statements utilize a net position presentation. 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.

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

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

Funding Policy

The District pays 100% of the health benefits for three retirees up to a predetermined –annual cap of \$17,178 per retiree. During fiscal year 2015-2016, expenditures of \$34,209 were recognized for post-retirement health insurance contributions on a pay as you go basis. The District shall cover 100% of the retired employee’s premium, and spouse or one dependent.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Funding Policy (Continued)

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

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District’s Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan (including administrative costs), and changes in the District’s Net OPEB Obligation/(Asset):

	Fiscal Year Ended June 30, 2016
Annual Required Contributions	\$ 300,491
Interest on Net OPEB Obligation/(Asset)	32,482
Annual OPEB Costs (Expense)	332,973
Contributions Made	(34,209)
Increase in Net OPEB Obligations/(Asset)	298,764
Net OPEB Obligation/(Asset) - Beginning of fiscal year	812,074
Net OPEB Obligation/(Asset) - End of fiscal year	<u>\$ 1,110,838</u>

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

Fiscal Year End	Annual OPEB Cost	Annual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation/(Asset)
June 30, 2014	\$ 217,342	\$ 35,960	16.55%	\$ 622,508
June 30, 2015	\$ 224,597	\$ 35,031	15.60%	\$ 812,074
June 30, 2016	\$ 332,973	\$ 34,209	10.27%	\$ 1,110,838

Funded Status and Funding Progress

The funded status of the plan was as follows:

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

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Methods and Assumptions

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

In the July 1, 2015, valuation, the level percentage of payroll method was used. The assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5 percent. The value of plan assets was not calculated in this, for the first valuation, as there are no assets to value. The plan unfunded accrued liability is being amortized over a 30-year amortization period.

The District did not pre-fund retiree healthcare costs nor establish an irrevocable trust for retiree healthcare costs. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

**NOTE 10 – SUBSEQUENT EVENT**

On July 1, 2016, the District entered into a capital lease agreement with Municipal Finance Corporation for a Leader Type II Ambulance, in the amount of \$173,434. The lease calls for 24 monthly payments of \$7,983.09.

**Required Supplementary Information Section**

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
**June 30, 2016**

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The following table provides required supplementary information regarding the District's postemployment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/2009	\$ -	\$ 1,117,341	\$ 1,117,341	0.0%	\$ 430,540	260%
7/1/2012	\$ -	\$ 1,449,539	\$ 1,449,539	0.0%	\$ 558,481	260%
7/1/2015	\$ -	\$ 2,202,696	\$ 2,202,696	0.0%	\$ 564,148	390%

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years\*  
 June 30, 2016

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The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01741%	0.01786%
Proportionate share of the net pension liability	\$ 1,194,756	\$ 1,111,455
Covered- employee payroll	\$ 894,213	\$ 752,508
Proportionate share of the net pension liability as percentage of covered-employee payroll	133.61%	147.70%
Plan's total pension liability	\$ 31,771,217,402	\$ 30,829,968,631
Plan's fiduciary net position	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CAMBRIA COMMUNITY HEALTHCARE DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
 Last 10 Years\*  
 June 30, 2016

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The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 180,930	\$ 167,727
Contribution in relation to the actuarially determined contributions	(180,930)	(167,727)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 955,565	\$ 894,213
Contributions as a percentage of covered-employee payroll	18.93%	18.76%

**Notes to Schedule**

Valuation date	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method/period	For details, see June 30, 2013 funding valuation report.
Price inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds.
Retirement age	The probabilities of retirement are based on the 2010 CALPERS Experience Study for the period from 1997 to 2007.
Valuation date	6/30/2014
Discount rate	7.65%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.