

**COAST LIFE SUPPORT DISTRICT**

**Audited Basic Financial Statements**

**For Years Ended June 30, 2013 and 2012**

**COAST LIFE SUPPORT DISTRICT**

Audited Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

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# *COLLINS ACCOUNTANCY COMPANY*

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## **Independent Auditor's Report**

The Board of Directors of the  
Coast Life Support District  
Gualala, California

We have audited the accompanying financial statements of the business-type activities of Coast Life Support District as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the 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 include 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. According 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Coast Life Support District, as of June 30, 2013 and 2012, and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

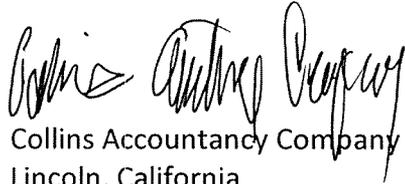
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress of Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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 9, 2014 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

Coast Life Support District  
May 9, 2014  
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testing, and not to provide an opinion on the 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 Coast Life's internal control over financial reporting and compliance.



Collins Accountancy Company  
Lincoln, California  
May 9, 2014

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Coast Life Support District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Year ending June 30, 2013 and 2012 (FY2013 and FY2012).

#### Financial Highlights

- At the close of FY2013, the District's single proprietary fund reported combined ending net position of \$1,427,623, an increase of \$172,197 in comparison with the prior year (FY2012). Unrestricted net position (\$767,284) is principally comprised of cash (\$710,048, or 93%) with the balance represented by other net working capital (accounts receivable and other current assets, less current liabilities other than the current portion of long-term liabilities).
- The District's total liabilities decreased \$87,520 to \$145,663 during FY2013.
- At the close of FY2012, the District reported ending net assets of \$1,152,665, an increase of \$102,761 in comparison with the prior year (FY2011). Unrestricted net assets (\$697,319) are principally comprised of cash (\$638,418, or 92%) with the balance represented by other net working capital (accounts receivable and other current assets, less current liabilities other than the current portion of long-term liabilities).
- The District's total liabilities decreased \$63,140 to \$195,249 during FY2012.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: *Basic Financial Statements*, and *Notes to the Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. *Basic Financial Statements*: the basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.
  - a. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets and equity. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
  - b. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only

## COAST LIFE SUPPORT DISTRICT

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2013 and 2012

result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

- c. The *Statement of Cash Flows* presents the cash flows resulting from operating, non-capital financing, capital and related financing and investing activities, with a reconciliation to operating income (loss).
  - d. The basic financial statements can be found on pages 11-14 of this report.
2. *Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 15-32 of this report.
  3. *Other Information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's funding and obligations for CalPERS. Required supplementary information can be found on pages 33-35 of this report.

#### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,427,623 at the close of FY2013, an increase of \$172,197 over the previous fiscal year. The primary event contributing to this gain was increased tax revenue from a tax rate increase passed by the voters in April 2012, which took effect in FY 2013. At the close of FY2012, assets exceeded liabilities by \$1,255,426, an increase of \$102,761 over FY2011. The primary event contributing to this gain in FY2012 was unspent After Hours Urgent Care (AHUC) tax revenue, collected prior to a modification of the taxing policy approved by voters in April 2012 to eliminate the "After Hours" constraint on the program. Beginning in July 2012, the taxes collected supported an "Urgent Care" program, with no specification of operating hours.

Slightly less than half of the District's net assets (46% at June 30, 2013 and 44% at June 30, 2012) are in investment in capital assets (e.g. land, buildings, and equipment). The District uses these capital assets to provide EMS to citizens; consequently, these assets are not available for future spending.

**COAST LIFE SUPPORT DISTRICT**

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

**Pro-Forma Statement of Net Position**

	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>
<b>Assets</b>			
Current assets	\$874,294	\$854,061	\$656,959
Capital Assets	698,992	634,548	704,639
<b>Total Assets</b>	<b>\$1,573,286</b>	<b>\$1,488,609</b>	<b>\$1,361,598</b>
<b>Liabilities</b>			
Current Liabilities	\$145,663	\$195,249	\$132,109
Long-term Liabilities	--	37,934	76,824
<b>Total Liabilities</b>	<b>\$145,663</b>	<b>\$233,183</b>	<b>\$208,933</b>
<b>Net Position</b>			
Net investment in capital assets	\$660,339	\$558,107	\$591,080
Unrestricted	767,284	697,319	561,585
<b>Total Net Position</b>	<b>\$1,427,623</b>	<b>\$1,255,426</b>	<b>\$1,152,665</b>

**Pro-Forma Statement of Revenues and Other Income, Expenditures,  
and Changes in Net Position**

	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>
<b>Revenues and Other Income</b>			
Property Taxes	\$1,112,776	\$884,351	\$874,594
Ambulance Transports, net of uncollectible accounts	558,269	569,066	601,594
Other Revenues	16,468	9,035	11,764
<b>Total Revenues</b>	<b>\$1,687,513</b>	<b>\$1,462,452</b>	<b>\$1,487,952</b>
<b>Expenses</b>			
Ambulance Operations, excluding uncollectible accounts	\$1,288,742	\$1,271,065	\$1,177,782
After Hours Urgent Care (AHUC)	222,836	83,595	58,755
Interest Expense	3,738	5,031	8,069
<b>Total Expenses</b>	<b>\$1,515,316</b>	<b>\$1,359,691</b>	<b>\$1,244,606</b>
Change in Net Position	172,197	102,761	243,346
Net Position, beginning of year	1,255,426	1,152,665	909,319
Net Position, end of year	<u>\$1,427,623</u>	<u>\$1,255,426</u>	<u>\$1,152,665</u>

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

### Financial Analysis of the Government's Activities—Capital Asset and Debt Administration

- **Capital Assets.** The District's investment in capital assets amounts to \$698,992 as of June 30, 2013 and \$634,548 as of June 30, 2012 (net of accumulated depreciation).
- **Long-term debt.** At the end of FY2013, the District had a long-term debt outstanding of \$38,653, a decrease of \$37,788 from FY2012. At the end of FY2012, the District had a long-term debt outstanding of \$76,441, a decrease of \$37,118 from FY2011.

### Coast Life Support District's Outstanding Debt

The District's total liabilities decreased by \$87,520 during FY2013 and increased by \$24,250 during FY2012.

### Economic Factors, Income and Expenses, and Operational Highlights

**Introduction.** FY2013 District financial performance reflected an increase in per-patient reimbursement, and an increase in expenses.

	<u>FY2013</u>	<u>FY2012</u>	<u>FY2011</u>
Ambulance Transports	390	396	382
Avg. Collection/Transport	\$1574	\$1297	\$1575

- While ambulance transports decreased slightly in FY2013, reimbursement per transport increased approximately 18%.
- Ambulance operating expenses increased \$18K, or about 1.4%.

### Income

- **Overview of Economic Factors**
  - **Randomness of Revenue Sources.** Tax revenues from Sonoma and Mendocino Counties are the basis of community support for the District, and comprise two-thirds of total budgeted expenses. The balance of expenses must be met with revenues from ambulance operations, which are by their nature random and unpredictable, both in quantity and expected reimbursement based on type of patient. Forecasting ambulance revenue is necessarily problematic and can only be based on historical trends and best estimates of local economics and population changes.
  - **Other Programs.** CLSD continues a contract with TeamHealth to provide a free after-hours medical advice line to handle non-life-threatening emergencies. The boards of directors of CLSD and RCMS continue to collaborate in a joint working group to explore alternative means of providing 24/7 urgent care to our community.

## COAST LIFE SUPPORT DISTRICT

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2013 and 2012

#### Income (continued)

- **FY2013 Income.** We experienced only a slight decrease in ambulance revenue for FY2013. Since our collections methodology has not changed significantly, and the number of patients has remained very close to the previous year, we attribute this to payer mix and an increase in the Resident Discount from 25% to 50%.
  - **Patient Mix and Write-offs.** Total bad debt and discretionary write-offs increased by \$80.6K, or 55% during FY2013. The newly established Resident Discounts contributed \$19.2K to this.
  - **Collections.**
    - The District continues an aggressive policy toward collections. We have developed a strategy of timing billings to maximize insurance reimbursement, and the average number of patients paying on a monthly plan has decreased from about twenty to about fifteen.
    - For the FY13 year, the board approved a Resident Discount of 50% of out-of-pocket expense. Resident Discounts totaled \$19.2K for the Fiscal Year.

#### Expenses

- **Overview.** Total Expenses for FY2013 were held to only a fractional increase over the previous year. While Personnel costs are the primary driver of emergency medical services, and represent seventy percent of the District's budgeted operating expenses, through aggressive management of overtime and consolidating several substitute/part-time paramedics into a single permanent position in FY2013, Personnel expenses were actually reduced compared to FY2012. We also hired an EMS Medical Director and re-aligned and reduced the role of the previous Medical Director to focus only on the Urgent Care program in FY2013. The remaining aspects of the operational budget remained essentially flat from the previous year. Personnel costs had increased in FY2012 when compared with FY2011 due to a Cost of Living Adjustment. FY2012 also included costs related to a tax election that did not reoccur in FY2013.
- **After Hours Urgent Care (AHUC).** Expenses for this program increased during FY2013 by \$139K, due to initiation of a contract for Urgent Care services with Redwood Coast Medical Services. Expenses had increased in FY2012 when compared to FY2011 due to the tax election held in FY 2012. The balance of special taxes collected for Urgent Care is being held in reserve for exploring alternatives for improving healthcare availability in the District and other related purposes.
- **Capital Expenditures.** In Fiscal Year 2013, most of the capital expenditures went to the purchase of a new ambulance. FY2012 had no new capital expenditures.

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

### Operational Highlights for Fiscal Year 2013

**Introduction.** While the primary purpose of the annual audit is to evaluate financial performance and ensure compliance with generally accepted accounting principles, it is also one of very few opportunities to document that resources were expended prudently and in support of the District's goals and objectives. During FY2013, we achieved several milestones remarkable for a small rural EMS operation and enhanced our leadership position in both the local community and the greater EMS professional community. I believe these bear noting, as this is an opportunity for the CLSD Board of Directors to gain an appreciation of their achievements in support of the District mission.

#### Summary:

CLSD continues to serve as the performance standard for EMS in Sonoma and Mendocino Counties. Our reputation with the community remains at extremely high levels, a position we guard jealously as we provide highly visible emergency medical response. This was reflected in a campaign to increase the scope of practice for our paramedics, to support the unique conditions under which CLSD paramedics operate, culminating in a personal audience with the Director of California's state EMS system, Dr. Howard Backer, to gain approval of several drug and protocol expansion proposals.

#### Intra-Organizational Performance

##### Finance

- Executed annual Ambulance Operations fiscal plan at 99% of budget (net of Uncollectable Accounts) while sustaining District operations, community CPR education, and first responder training programs.
- The new policy for 25% Discounted Out-of-Pocket Expense for District Residents cost \$19.3K of potential revenue.
- Successfully staved off an attempt by Mendocino County to include our District in a county-wide contract for private ambulance services. At a local public meeting hosted by County leadership to gain public input on the proposal, we were heartened to see a large and vocal crowd protesting any change in ambulance service delivery for the community.

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

### Intra-Organizational Performance (continued)

#### Logistics

- Emergency Response
  - Staff
    - Consolidate Paramedic Team and Medical Leadership. Eliminated the part-time paramedic positions by consolidating them into a single FTE, eliminating the inconsistency in paramedic practice and building a solid, permanent team.
    - EMS Medical Director. To begin building a case for increased scope of paramedic practice to take to the state level and to strengthen the clinical training program, we brought on board Dr. Tucker Bierbaum, MD as EMS Medical Director.
    - After two years of modification cycles, we rewrote and deployed a new Employee Handbook.
  - Ambulance
    - We purchased a new Mercedes Sprinter ambulance to replace one of the aged Freightliners. Quality of ride and handling, particularly important on long transports, can greatly affect patient outcomes for spinal and other orthopedic injuries. Additionally, better fuel efficiency, greater maneuverability, low maintenance, and superior interior clinical design will all contribute to improved performance.
    - Prior to the end of FY2013, we transferred ownership of the outgoing Freightliner ambulance to the Mendocino County Sheriff's Department, Sheriff Tom Allman gratefully accepted the transfer and converted it to a command vehicle.
- Interagency Coordination and Disaster Response
  - In cooperation with Sonoma County Sheriff's Office and CalFIRE leadership, we began a multi-agency Coastal Response Forum to address the unique challenges of multi-agency response to coastal emergencies. By June we completed the first draft of the Sonoma County Coast Response Plan, a comprehensive document addressing roles, chain of command, and communications protocols for water, coastal, and roads emergency incidents.
  - Designated April as Disaster Preparedness Month, and assigned staff for permanent responsibility for annual review and confirmation of all Disaster Plan resources.
    - Held a HAM radio operators drill involving all District-area fire departments and Sonoma County Department of Emergency Operations. With the help of local operators, we developed a new reporting protocol and communications forms which has been adopted for use at both local and County levels.

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

### Intra-Organizational Performance (continued)

- Urgent Care Program
  - Initiated a contract with Redwood Coast Medical Services to subsidize the Urgent Care program and ensure stability.
  - District leadership continues to play a key coordinating and support role for the Community Healthcare Working Group.
- CPR/AED Program
  - We have been quite successful in deployment of the new, condensed "Hands only" CPR training program for the general public, greatly increasing exposure to the community. This new program is being introduced into area schools with great success.

### Extra-Organizational Performance

- We continue to maintain strong working relationships with leadership of:
  - Five District-area fire districts
  - Sonoma and Mendocino counties' Sheriff departments
  - Sonoma and Mendocino counties' departments of emergency services
  - Both County Supervisors and their staffs.
  - Senior staffs of US Congressman Jared Huffman, State Senator Noreen Evans, and Assemblymember Wes Chesbro.
- CLSD representatives also attended several area public forums as public speakers and advocates for the District mission.
- The District Administrator continues service on the REDCOM Board of Directors
  - Developed and resourced a \$1.3M plan to relocate the REDCOM dispatch center to a larger space with expanded capability without interruption in services.
  - Coordinated a permanent annual payment of \$200K to REDCOM from the Graton Rancheria, for support of their new casino.

### Summary

Fiscal Year 2013 was financially rewarding as patient revenues increased and the first full year of the new tax rate brought long-term stability to the District. This tax increase should allow for building a financial reserve and sustain current operations for five years.

The future holds financial challenges consistent with those of the past, specifically our financial dependence the randomness of emergency response. Further, future development in two significant areas will bear watching as we make financial and operational plans for the coming years: the next generation of healthcare for our community as we study options to enhance

## **COAST LIFE SUPPORT DISTRICT**

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2013 and 2012

the Urgent Care Program, and National Healthcare Reform. The former could significantly change our organizational structure and financing mechanisms; the latter could significantly affect our patient payer mix and reimbursement levels. Either of these events could trigger a re-evaluation of the District operational and strategic goals and expectations of the community.

### **Requests for Information**

This financial report is designed to provide a general overview of the Coast Life Support District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Coast Life Support District, PO Box 1056, Gualala, CA 95445.

**COAST LIFE SUPPORT DISTRICT**

Statement of Net Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<i>Current Assets:</i>		
Cash and investments	\$ 710,048	\$ 638,418
Accounts receivable	138,104	189,621
Less allowance for doubtful accounts	(42,735)	(37,815)
Receivable - special and ad valorem taxes	44,203	34,480
Prepaid expenses and other current assets	<u>24,674</u>	<u>29,357</u>
Total Current Assets	<u>874,294</u>	<u>854,061</u>
 <i>Property and Equipment:</i>		
Land	76,500	76,500
Buildings, improvements, and equipment	1,294,193	1,288,853
Less accumulated depreciation	<u>(671,701)</u>	<u>(730,805)</u>
Total Property and Equipment, net	<u>698,992</u>	<u>634,548</u>
 Total Assets	 <u>\$ 1,573,286</u>	 <u>\$ 1,488,609</u>
 <b>Liabilities</b>		
<i>Current liabilities and capital leases:</i>		
Accounts payable	\$ 18,332	\$ 57,530
Accrued wages and benefits	73,131	83,026
Accrued interest payable	3,277	3,916
Cash collected for other entities	12,270	12,270
Current portion of long-term liabilities	<u>38,653</u>	<u>38,507</u>
 Total Current Liabilities	 145,663	 195,249
 <i>Long-term liabilities and capital leases:</i>		
Noncurrent portion of long-term liabilities	<u>--</u>	<u>37,934</u>
 Total Liabilities	 <u>145,663</u>	 <u>233,183</u>
 <b>Net Position</b>		
Net investment in capital assets	660,339	558,107
Unrestricted	<u>767,284</u>	<u>697,319</u>
 Total Net Position	 <u>1,427,623</u>	 <u>1,255,426</u>
 Total Liabilities and Net Position	 <u>\$ 1,573,286</u>	 <u>\$ 1,488,609</u>

The accompanying notes are an integral part of these financial statements.

**COAST LIFE SUPPORT DISTRICT**

Statement of Revenues, Expenses and Changes in Net Position  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating Revenue</b>		
Ambulance billings	\$ 558,269	\$ 569,066
Other operating income	12,046	4,882
Total Operating Revenues	<u>570,315</u>	<u>573,948</u>
<b>Operating Expenses</b>		
<i>Ambulance services</i>		
Salaries	732,030	745,546
Employee benefits	257,412	253,539
Insurance	10,111	10,941
Office expense	3,417	5,487
Professional expenses	67,900	56,766
Dispatch services	20,892	15,709
Travel	733	83
Vehicle expense	72,437	52,446
Crew housing expenses	25,214	25,100
Training expense	19,548	13,292
Election expense	--	17,768
Other	10,563	4,297
Depreciation	68,485	70,091
Total Ambulance Services	<u>1,288,742</u>	<u>1,271,065</u>
<i>After hours urgent care</i>		
Salaries and benefits	31,804	31,741
Election expense	--	17,768
Other services and supplies	41,032	34,086
UC Contract	150,000	--
Total After hours urgent care	<u>222,836</u>	<u>83,595</u>
Total Operating Expenses	<u>1,511,578</u>	<u>1,354,660</u>
Operating Income (Loss)	<u>(941,263)</u>	<u>(780,712)</u>
<b>Other Income (Expense)</b>		
Special and ad valorem taxes	1,112,776	884,351
Grant revenue	--	--
Interest income	4,140	3,423
Interest expense	(3,738)	(5,031)
Donations	282	730
Total Other Income (Expense)	<u>1,113,460</u>	<u>883,473</u>
Change in net position	172,197	102,761
Net Position, Beginning of Year	<u>1,255,426</u>	<u>1,152,665</u>
Net Position, End of Year	<u>\$ 1,427,623</u>	<u>\$ 1,255,426</u>

The accompanying notes are an integral part of these financial statements.

**COAST LIFE SUPPORT DISTRICT**

Statement of Cash Flows  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from ambulance services	\$ 614,706	\$ 513,618
Cash received from other services	12,046	4,882
Cash payments to suppliers for goods and services	(456,362)	(231,675)
Cash payments to employees for services	(773,729)	(738,063)
Cash payments for payroll taxes and employee benefits	(257,412)	(253,539)
Net Cash Provided (Used) by Operating Activities	<u>(860,751)</u>	<u>(704,777)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Property taxes and special assessments received	1,103,053	885,443
Donation received	282	730
Net Cash Provided by Noncapital Financing Activities	<u>1,103,335</u>	<u>886,173</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition / disposition of capital assets	(132,929)	--
Interest paid - long-term debt	(4,377)	(4,848)
Principal paid - long-term debt	(37,788)	(37,118)
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(175,094)</u>	<u>(41,966)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	4,140	3,423
Net Cash Provided (Used) from Investing Activities	<u>4,140</u>	<u>3,423</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 71,630	 142,853
 <b>Cash and Cash Equivalents - Beginning of Year</b>	 <u>638,418</u>	 <u>495,565</u>
 <b>Cash and Cash Equivalents - End of Year</b>	 <u><u>\$ 710,048</u></u>	 <u><u>\$ 638,418</u></u>

The accompanying notes are an integral part of these financial statements.

## COAST LIFE SUPPORT DISTRICT

### Statement of Cash Flows (continued) For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ (941,263)	\$ (780,712)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	68,485	70,091
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	51,517	(55,448)
(Increase) decrease in allowance for doubtful accounts	4,920	--
(Increase) decrease in prepaid expenses and other assets	4,683	107
Increase (decrease) in accounts payable	(39,198)	21,961
Increase (decrease) in accrued wages & benefits	(9,895)	39,224
Net Cash Provided by Operating Activities	<u>\$ (860,751)</u>	<u>\$ (704,777)</u>

The accompanying notes are an integral part of these financial statements.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Reporting Entity

The Coast Life Support District (the "District"), is a special district created by California Assembly Bill No. 4227, signed into law by the Governor on July 16, 1986. The purpose of the District is to provide basic and advanced emergency medical services, including ambulance and life support services to a specified area of Sonoma and Mendocino Counties. In addition, the District provides medical training to fire agencies and other first responders in the District's response area. The District promotes cardiopulmonary and other resuscitation (CPR) training and conducts both CPR and first aid classes for public safety personnel and the general public. In 1997, the District's scope was increased to fill the need to financially support local health care facilities. The District now collects tax revenue and provides urgent care through a contract with Redwood Coast Medical Services (RCMS). The District's financial statements include the financial position and results of operations of the Coast Life Support District. A review of other units of local government, using the criteria set forth in generally accepted accounting principles, indicates there are no additional entities or funds for which the District has reporting responsibilities. Management has determined that the District should not be considered a part of any unit of local government for reporting purposes for the following reasons.

1. The District has separate legal standing from all other units of government.
2. No primary government selects the voting majority of the District's Board of Directors.
3. The District is fiscally independent of all other units of local government. The District's Board of Directors has sole authority to make financial decisions including levy taxes, establish rates, and issue bonded debt, subject, in some cases, to voter approval.
4. Exclusion of the District's financial statements from the financial statements of other units of local government would not cause the latter to be misleading or incomplete.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### **Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### Basis of Presentation and Accounting

The District is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to private enterprise and where a periodic determination of revenue earned, expense incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes. This enables the District to determine the extent to which user charges paid by customers covers the cost (expenses, including depreciation) of providing the service. Also, if the governing board elects not to recover the cost by user charges, enterprise fund accounting indicates the amount of subsidy for service which must be financed from taxes or other sources. Under this method, revenues are recognized when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments and related standards. This statement provides for a presentation of net position as well as an inclusion of a management's discussion and analysis, supplementary information, and other elements of disclosure in the financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection to the proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the customers in the form of ambulance services. Operating expenses include the cost of providing the ambulance services, administrative expenses and depreciation on capital assets. Ad valorem tax revenues, special taxes, grants used to finance operations, and expenses not directly related to the provision of the ambulance services and the accomplishment of the District's primary purposes are reported as the non-operating revenues and expenses.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### **Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### Measurement Focus

Measurement focus is a term to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, change in net position, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Assets, Liabilities and Net Position

##### *Cash and Investments*

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. Investments are carried at fair value.

##### *Accounts Receivable*

A provision for doubtful accounts has been established because the District incurs significant write-offs of billed receivables. The District accepts payment by Medicare and Medi-Cal as required by law. Such acceptance results in significant write-offs of billed ambulance receivables. Write-offs necessitated by the acceptance of Medicare and Medi-Cal are recorded as deductions to ambulance revenue because the District was never legally entitled to collect the full amount from these patients. When receivables billed directly to the ambulance customers are deemed uncollectible, they are submitted to a collection agency and written off as bad debt at that time. The District reviews actual collections of its ambulance receivables for approximately two months following the end of the year. The allowance for doubtful accounts is based on the amounts written off during this subsequent two-month period that were included in the receivable balance as of June 30.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

*Receivable – special and ad valorem taxes*

This receivable represents amounts of ad valorem property taxes and special taxes that have been received by Mendocino County, but not submitted to the District until after the balance sheet date.

*Prepaid Expenses and Other Current Assets*

Prepaid expenses consist of normal operating expenses for which payment is due in advance, such as liability and property insurance, prepayments to payroll service providers, and memberships dues, and are recorded as an expense when benefit is received. The total also includes advances to employees and pending overpayments to taxing agencies.

*Capital Assets*

The District’s capital assets include plant and equipment capitalized at total acquisition cost, provided such cost exceeds \$5,000 and the expected useful life exceeds 3 years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Building and Improvements	30 years
Equipment	5 to 10 years

Maintenance and repairs are expensed as incurred. Significant additions and betterments are capitalized and depreciated over their estimated useful lives.

*Cash Collected for Other Entities*

The District collects cash donations for the maintenance and operation of the Automated Weather Observation System (AWOS) at the Sea Ranch airport. The District has also collected donations for the Neighborhood Emergency Support Team and the certification individuals receive after being trained in disaster preparedness (NEST/CERT). Disbursements to both programs are made at the request of the respective agencies when repairs are needed for equipment, or when the agency purchases new equipment. The District is simply a bank for each of these agencies.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### **Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### *Compensated Absences*

It is the District's policy to permit permanent full time employees to take personal time off (PTO) in the year of its accrual. At the end of each fiscal year, employees can be paid for PTO benefits that have accrued through the last pay period worked or employees may roll over up to 13 PTO days (the amount accrued in one year) into the following year. Upon the termination of employment, employees will be paid PTO benefits that have accrued through the last pay period worked.

The compensated absences liability balance is not material and is included with accrued wages and benefits on the balance sheet.

#### *Allocation of Wages*

Due to significant time requirements to administer the after hours urgent care program, ten percent of the Operations Manager's gross pay and benefits is classified as the cost of providing urgent care to local residents, and twenty percent of the gross pay and benefits of the District Administrator is also reclassified in the same fashion.

#### Statement of Net Position

The statement of net position is designed to report the financial position of the District at the balance sheet date. The District's fund equity (net position) shown on this statement is separated into the categories defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. This category of net position is considered non-expendable.
- *Unrestricted Net Position* - This component of net position consists of net position that do not meet the definition of invested in capital assets, net of related debt and do not have restrictions placed upon them by outside parties or through enabling legislation. The District's Board of Directors may designate portions of unrestricted net position for particular purposes.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### **Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the results of operations of the District's single enterprise fund for the current period. Revenues are reported by major source. Operating revenues and expenses are presented separately from non-operating items and an operating income subtotal is presented prior to adjustment for non-operating items.

#### Operating and Non-operating Revenues and Expenses

The District's primary purposes are to provide basic and advanced emergency medical services and after hours urgent care. Operating expenses include those costs incurred to accomplish the District's primary purposes. These costs include salaries and benefits, professional and vehicle expenses, a provision for uncollectible accounts, and depreciation on capital assets. Revenues from property taxes, grants, donations, and interest income are considered non-operating revenues. Non-operating revenues are any revenues not meeting the definition above.

#### Restricted and Unrestricted Resources

When the District incurs an expense for which both restricted and unrestricted resources are available, restricted resources are used first followed by unrestricted resources.

#### Property Tax Revenue

The District covers a geographic area that includes parts of both Mendocino and Sonoma counties, and receives ad valorem property taxes and special taxes collected by both counties. The counties are responsible for assessing, collecting and distributing property taxes in accordance with state law.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 1 Second installment – February 1
Delinquent date:	First installment – December 10 Second installment – April 10

The special tax is a type of flat charge applied to each parcel of property within the District, regardless of the property value. A special tax approved by the voters in the District on March 6, 2007, which allowed the assessment of a special tax on property within the District at rate of \$32 per unit of benefit per year, and is used to fund emergency services. On April 10, 2012, the voters approved, with immediate effect, a measure repealing the existing tax of \$32 per unit of benefit per year and replacing it with a new tax of \$44 per unit of benefit per year for the same purpose. In June 1997 the voters in the District also approved a special tax to fund after hour urgent care availability for the residents of the District. On April 10, 2012, the voters approved a measure broadening the purpose of this tax by dropping the “after hours” restriction, but with no change to the tax rate. The special tax for urgent care is assessed at the rate of \$18 for undeveloped parcels, and \$36 for developed parcels.

Total ad valorem and special taxes collected by the counties of Sonoma and Mendocino are as follows for the fiscal years ended June 30:

	<u>2013</u>	<u>2012</u>
Medocino County	\$ 646,430	\$ 520,959
Sonoma County	466,346	363,392
<b>Total</b>	<b>\$ 1,112,776</b>	<b>\$ 884,351</b>

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results may differ from those estimates.

**Note 2. CASH AND INVESTMENTS**

Cash and investments consisted of the following amounts as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<b>Cash on hand and in checking accounts</b>	\$ 143,396	\$ 93,380
<b>Investments</b>		
Cash in Sonoma County Treasury	<u>566,652</u>	<u>545,038</u>
<b>Total Cash and Investments</b>	<u><u>\$ 710,048</u></u>	<u><u>\$ 638,418</u></u>

**Deposits**

At June 30, 2013 and 2012, the recorded amount of the District's deposits is shown above. This checking account balance is entirely covered by the National Credit Union Share Insurance Fund (NCUSIF), which has a limit of \$250,000. If there was a balance in excess of this limit, it would be covered by the multiple financial institution collateral pool that insures public deposits.

**Investments**

In accordance with its enabling legislation, the District has designated the Treasurer of Sonoma County to hold all monies of the District, with the exception of the deposit account at a local financial institution discussed above. By limiting its investments to the Sonoma County Treasurer's investment pool, managed in accordance with the

## COAST LIFE SUPPORT DISTRICT

### Notes to the Basic Financial Statements For the Years Ended June 30, 2013 and 2012

#### **Note 2. CASH AND INVESTMENTS** (continued)

California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Sonoma County Treasury is invested by the Treasurer in accordance with the County's Statement of Investment Policy. The Treasurer's investments are overseen by an Investment Oversight Committee consisting of one representative of the County Board of Supervisors, the County Superintendent of Schools or his or her representative, one representative of County school districts, one representative of County special districts, and one representative of the Sonoma Retirement Board. At June 30, 2013 and 2012, respectively, approximately 60.1% and 62.5% of the investment pool consisted of securities issued by federal agency issuers such as Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank. The extent of involuntary participation in the Sonoma County Treasurer's pool is estimated at 23%. The fair value of the District's position in the Sonoma County Treasurer's pool is approximately equivalent to the value of the pool shares.

Complete disclosures on the Sonoma County Treasurer's investment pool are available in the Comprehensive Annual Financial Report (CAFR) of the County of Sonoma, which is available on the website of the Sonoma County Auditor-Controller-Treasurer-Tax Collector at [http://www.sonoma-county.org/auditor/financial\\_reports.htm#top](http://www.sonoma-county.org/auditor/financial_reports.htm#top).

#### **Note 3. AMBULANCE REVENUE ALLOWANCES**

The ambulance billing revenue recognized in the Statement of Revenues, Expenses, and Changes in Net Position is reported net of write-offs for uncollectible accounts of \$232,351 and \$146,863, respectively, for the fiscal years ended June 30, 2013 and 2012.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 4. CAPITAL ASSETS**

A summary of changes in property and equipment and the related accumulated depreciation for the years ended June 30, 2013 and 2012 is as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Land	76,500	-	-	76,500
Building and Improvements	679,524	-	-	679,524
Less Accumulated				
Depreciation	(260,514)	(22,651)		(283,165)
Equipment	609,329	132,929	(127,589)	614,669
Less Accumulated				
Depreciation	<u>(470,291)</u>	<u>(45,834)</u>	<u>127,589</u>	<u>(388,536)</u>
Totals	<u>634,548</u>	<u>64,444</u>	<u>-</u>	<u>698,992</u>

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	76,500	-	-	76,500
Building and Improvements	679,524	-	-	679,524
Less Accumulated				
Depreciation	(237,863)	(22,650)	-	(260,513)
Equipment	629,213	-	(19,884)	609,329
Less Accumulated				
Depreciation	<u>(442,735)</u>	<u>(47,440)</u>	<u>19,884</u>	<u>(470,291)</u>
Totals	<u>704,639</u>	<u>(70,090)</u>	<u>-</u>	<u>634,549</u>

In February 2013, the District donated a fully-depreciated ambulance to the County of Mendocino while purchasing a new ambulance for District use.

**Note 5. CAPITAL LEASES**

On September 20, 2004, the District entered into a lease agreement with the Government Capital Corporation for the purpose of acquiring an ambulance. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 5. CAPITAL LEASES** (continued)

which transfers benefits and risks of ownership to the lessee. The ambulance acquired by this lease has been capitalized, in the amount of \$115,039, which represents the present value of future minimum lease payments at the time of the acquisition. Principal payments during the fiscal year ended June 30, 2013 were \$13,161 and interest paid was \$1,396. Principal payments during the fiscal year ended June 30, 2012 were \$13,057 and interest paid was \$1,500. The effective annual interest rate per year on the capital lease is 5.169 percent.

On August 29, 2008, the District entered into a lease agreement with De Lage Landen Public Finance, LLC, for the purpose of acquiring a new copier. This lease meets the criteria of a capital lease as defined above. The copier acquired by this lease has been capitalized, in the amount of \$8,482, the present value of future minimum lease payments of \$165.20 per month beginning September 29, 2008 and ending August 29, 2013. Due to timing differences, not all years have exactly 12 payments. Principal payments during the fiscal year ended June 30, 2013 were \$1,740 and interest paid was \$122. Principal payments during the fiscal year ended June 30, 2012 were \$1,642 and interest paid was \$183. The cost of the leased assets and the accumulated depreciation attributable to them are as follows:

	<u>Ambulance</u>	<u>Copier</u>	<u>Total</u>
Cost	\$ 115,039	\$ 8,482	\$ 123,521
Less Accumulated Depreciation at June 30, 2012	<u>(92,031)</u>	<u>(6,501)</u>	<u>(98,532)</u>
Remaining Book Value at June 30, 2012	<u>23,008</u>	<u>1,981</u>	<u>24,989</u>
Less 2013 Depreciation	<u>(11,504)</u>	<u>(1,696)</u>	<u>(13,200)</u>
Remaining Book Value at June 30, 2013	<u>\$ 11,504</u>	<u>\$ 285</u>	<u>\$ 11,789</u>

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 5. CAPITAL LEASES** (continued)

The following is a summary of the future minimum lease payments on capital leases:

Year Ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 14,169</u>	<u>\$ 718</u>	<u>\$ 14,887</u>
Totals	<u><u>\$ 14,169</u></u>	<u><u>\$ 718</u></u>	<u><u>\$ 14,887</u></u>

**Note 6. LONG-TERM LIABILITIES**

During the year ended June 30, 2009, the District acquired an ambulance, including the necessary radio equipment and a cardiac monitor, for a total capitalized cost of \$112,312. This acquisition was financed by an installment note payable to the Municipal Finance Corporation for the same amount, and is collateralized by the equipment acquired. The note is payable in annual installments of \$25,584, including interest at the rate of 4.5 percent per year.

The repayment requirements for this note are as follows:

Year ended June 30	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 24,482</u>	<u>\$ 1,102</u>
Totals	<u><u>\$ 24,482</u></u>	<u><u>\$ 1,102</u></u>

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 6. LONG-TERM LIABILITIES (continued)**

Changes in the District’s long-term obligations during the years ended June 30, 2013 and 2012 were as follows:

	Balance June 30, 2012	Add/ Deletion	Reductions	Balance June 30, 2013	Amounts Due in One Year
Note Payable	\$ 47,910	\$ -	\$ 23,428	\$ 24,482	\$ 24,482
Capital Lease- Amb.	26,460	719	13,336	13,843	13,843
Capital Lease-Copier	2,071	-	1,743	328	328
	<u>\$ 76,441</u>	<u>\$ 719</u>	<u>\$ 38,507</u>	<u>\$ 38,653</u>	<u>\$ 38,653</u>

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due in One Year
Note Payable	\$ 70,329	\$ -	\$ 22,419	\$ 47,910	\$ 23,428
Capital Lease- Amb.	39,517	-	13,057	26,460	13,336
Capital Lease-Copier	3,713	-	1,642	2,071	1,743
	<u>\$ 113,559</u>	<u>\$ -</u>	<u>\$ 37,118</u>	<u>\$ 76,441</u>	<u>\$ 38,507</u>

**Note 7. OPERATING LEASE**

Effective July 1, 2010, the District entered into an operating lease with the Redwood Coast Fire Protection District (RCFPD) to house an ambulance in Point Arena or Manchester. The agreement stipulates that the payments for the first year are to be \$220 per month and will increase by 10 percent of the prior year lease increase. The lease began with a \$240 “base year increase” over the basic rent of \$200 per month, resulting in the first year rent of \$220 per month. The lease agreement is for five-year period ending June 30, 2015, and can only be terminated or amended by the mutual agreement of both parties to the lease. RCFPD will consider negotiating a new lease at the end of the five-year period.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 7. OPERATING LEASE** (continued)

The projected minimum lease payments are as follows for the term of the lease:

<u>Year</u>	<u>Total Lease Payments</u>
2014	2,719
2015	2,751
Total remaining lease payments	<u>\$ 5,470</u>

**Note 8. 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 covers these risks of loss through the purchase of commercial insurance. Settlements have not exceeded insurance coverage in any of the last three years.

**Note 9. PENSION PLAN**

**(1) Plan Description**

The Coast Life Support District Employee Retirement Plan (Plan) is a cost-sharing multiple-employer defined benefit plan administered by the California Public Employees' Retirement System (CalPERS). The Plan was organized, effective July 2000 under the authority of the California Public Employees' Retirement Law (Law) and is also the authority for plan amendments and contributions from both the employees and their employers. The Law is documented in the California Government Code between section 20000 and 22958. CalPERS uses the "entry age normal" method to calculate the actuarial present value of total projected benefits. District employees are eligible to participate in the plan if they are classified as permanent full-time employees. The Plan is actually comprised of two plans; a safety plan with eight members who provide emergency ambulance services, and a miscellaneous plan with two members who have administrative duties. The District's plan is part of both the Miscellaneous and Safety pools within the CalPERS system. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the approval of the District's Board of Directors.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 9. PENSION PLAN** (continued)

Benefits include a periodic pension payment upon retirement. Employees with at least 5 years of service credit, that are permanently incapacitated from performing their duties, are eligible for disability retirement at the rate of 1.8 percent of final compensation for each year of service. The Plans also provide for death and survivor benefits. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 P Street, Sacramento, CA 95814 or online at <http://www.calpers.ca.gov/index.jsp?bc=/investments/reports/home.xml>.

**(2) Funding Policy**

It is the policy of CalPERS to fund the plan so that total assets of the plan equal or exceed the actuarial present value of projected benefits. If there is a shortfall, contribution rates are adjusted to eliminate the deficit over time. The contributions made by employees and the District depend on whether the employee is part of the safety or miscellaneous plan and whether or not the employee was hired prior to January 1, 2013. The below table summarizes the contribution rates for employees and the District paid during the fiscal years ended June 30, 2013 and 2012:

	Safety Plan		Miscellaneous Plan	
	Employee	District	Employee	District
Hired On or After 01/01/2013	9.500%	9.500%	6.250%	6.250%
Hired Prior to 01/01/2013				
Paid During 2012-2013	7.000%	19.223%	7.000%	15.080%
Paid During 2011-2012	7.000%	18.618%	7.000%	15.716%

The annual pension cost to the District was \$105,677 and \$104,861 for the years ended June 30, 2013 and 2012, respectively, and is equal to the required contributions for each year. There is no pension obligation at June 30, 2013 and June 30, 2012.

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS risk pool. Subsequent plan amendments are amortized as level percentage of pay over closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period. If the Plan's accrued liability exceeds the actuarial value of the plan asset, then the amortized payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 9. PENSION PLAN (continued)**

**(3) Annual Pension Cost and Net Pension Obligation**

The District's annual pension cost and net pension obligation (asset) for its CalPERS retirement plan for fiscal year 2013 and the three preceding fiscal years are presented below:

	June 30,			
	2013	2012	2011	2010
Annual required contribution	\$ 105,677	\$ 104,861	\$ 71,400	\$ 77,615
Interest on net pension obligation (asset)	--	--	--	--
Adjustment to annual required contribution	--	--	--	--
Annual pension cost	105,677	104,861	71,400	77,615
Contributions made	<u>(105,677)</u>	<u>(104,861)</u>	<u>(71,400)</u>	<u>(77,615)</u>
Increase (decrease) in net pension obligation (asset)	--	--	--	--
Net pension obligation (asset), beginning of year	--	--	--	--
Net pension obligation (asset), end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The required contribution was based on CalPERS June 30, 2010 actuarial valuation with the contributions determined as a percent of pay. Valuations as of later dates were performed to determine contribution rates for subsequent fiscal years.

A summary of the principal assumptions and methods used to determine the contractually required contributions is as follows:

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	17-18 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 9. PENSION PLAN** (continued)

On December 2, 2008, the District adopted a Deferred Compensation Plan for the benefit of all employees.

**(4) Funded Status and Funding Progress**

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the District has fewer than 100 employees participating in the retirement plans, CalPERS requires the District to participate in the Safety and Miscellaneous Plans administered by CalPERS. The schedule of Funding Progress presents the total assets and liabilities of the Safety and Miscellaneous pooled funds at CalPERS.

**Note 10. PROPOSITION FOUR/GANN APPROPRIATIONS LIMIT**

The Proposition Four appropriations limit (also known as the Gann Limit) creates a restriction on the amount of revenue that can be appropriated in any fiscal year. Only revenues that are “proceeds of taxes” are subject to limitation. The basis for calculating the limit began in 1978-79 for all California government entities and is calculated each year based on population changes and inflation. Government Code Section 7910 requires a local government to establish its appropriations limit by resolution each year, at regularly scheduled or noticed special meeting. The District is also required to formally adopt the two variables used in the calculation, which are the cost-of-living change factor and the population change factor.

From base-year recognition of special tax proceeds of \$300,000 in 1986-87, the current year calculations of the limit for the two years ended June 30, 2013 and 2012 are as follows:

<u>Fiscal Year</u>	<u>Base Limit</u>	<u>Cost-of-living Factor</u>	<u>Population Factor</u>	<u>Additional Tax</u>	<u>Appropriations Limit For Year</u>
2011-12	1,022,753	1.0097	1.0251	-	1,058,594
2012-13	1,058,594	1.0448	1.0052	225,300	1,337,071

The appropriations limit for both years ended June 30, 2013 and 2012 exceeds the actual tax revenue of the District for each year.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2013 and 2012

### **Note 10. PROPOSITION FOUR/GANN APPROPRIATIONS LIMIT (continued)**

On April 10, 2012, the voters approved a temporary increase in the District's Proposition 4 Appropriations Limit equal to the additional taxes raised by the increase in the District's special tax from \$32 per unit of benefit to \$44 per unit of benefit. Unless the voters extend the increased appropriation limit after four years, the limit will revert to the amount it would have been if it had only been adjusted by the customary population change and inflation factors without the temporary increase in each of the four years.

### **Note 11. AFTER HOURS URGENT CARE SERVICE**

In June, 1997, the voters of the District approved a special tax rate of \$18 per undeveloped parcel, and \$36 for a developed parcel to provide after hours urgent care. This service was provided through a contract between the District and Redwood Coast Medical Services (RCMS) until the District was notified by RCMS that the contract would be terminated February 2, 2009. The District signed a new contract with RCMS for urgent care services effective July 1, 2012.

On April 10, 2012, the voters approved expanding the existing After Hours Urgent Care program to include support for daytime urgent care.

### **Note 12. CONTRACTUAL COMMITMENTS.**

In June 2012, the District entered into a contract with Redwood Coast Medical Services (RCMS) to provide urgent care services for a two year period beginning July 1, 2012 and ending June 30, 2014. The total contract amount is \$300,000 for the two-year period and payments to RCMS will be made monthly as the contract period progresses in the amount of \$12,500 per month. The contract may not be terminated without cause until after the first year, and then only upon 180 days notice.

### **Note 13. SUBSEQUENT EVENTS.**

In August 2013, the District entered into a contract with Camden Group for \$175,000 to study After Hours Urgent Care alternatives.

In April 2014, voters in the District passed Measure J authorizing an increase in the special tax for urgent care from \$18 per unit of benefit to a maximum of \$74 per unit of benefit, although the Board may set the tax lower than the maximum for the coming year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2013

**Funding Progress of Pension Plan**

The District participates with multiple employers in a pooled pension plan with CalPERS. The information below reflects the funding status of the plan as a whole, as the information is not available for individual members prior to the June 30, 2011 valuation date. The following information reflects the most recent actuarial valuations from CalPERS:

**Schedule of Funding Progress for the Safety and Miscellaneous Plan Pools Administered by CalPERS**

Schedule of Funding Progress for the Safety and Miscellaneous Plan Pool Administered by CalPERS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Safety Plan Pool:</u>						
6/30/2009	\$ 63,095,026	\$ 73,625,106	\$ 10,530,080	85.7%	\$ 21,879,598	48.1%
6/30/2010	\$ 69,069,025	\$ 80,550,533	\$ 11,481,508	85.7%	\$ 21,754,150	52.8%
6/30/2011	\$ 74,508,206	\$ 87,234,077	\$ 12,725,871	85.4%	\$ 21,957,452	58.0%
6/30/2012	\$ 75,003,561	\$ 84,829,856	\$ 9,826,295	88.4%	\$ 21,079,631	46.6%
<u>Miscellaneous Plan Pool:</u>						
6/30/2009	\$ 2,758,511,101	\$ 3,104,798,222	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/2010	\$ 2,946,408,106	\$ 3,309,064,934	\$ 362,656,828	89.1%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,203,214,899	\$ 3,619,835,876	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/2012	\$ 3,686,598,343	\$ 4,175,139,166	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2013

Prior to the June 30, 2011 valuation date, funding status information for the District's separate portion of the multiple-employer, pooled pension plan was not available. However, the information became available for June 30, 2011 and is presented below:

**Schedule of Funding Progress for the District's Separate Portion of the Safety and Miscellaneous Plan Pools Administered by CalPERS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Safety Plan Pool:</u>						
6/30/2011	\$ 1,373,864	\$ 1,608,351	\$ 234,487	85.4%	\$ 438,692	53.5%
6/30/2012	\$ 1,485,746	\$ 1,673,605	\$ 187,859	88.8%	\$ 430,613	43.6%
<u>Miscellaneous Plan Pool:</u>						
6/30/2011	\$ 138,707	\$ 180,988	\$ 42,281	76.6%	\$ 49,949	84.6%
6/30/2012	\$ 171,507	\$ 216,674	\$ 45,167	79.2%	\$ 128,937	35.0%

**Schedule of Employer Contributions (Coast Life Support District)**

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2010	\$ 77,615	100%
6/30/2011	71,400	100%
6/30/2012	104,861	100%
6/30/2013	105,677	100%

A summary of the principal assumptions and methods used to determine the funding progress data presented above for the most recent valuation date is below:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	13 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Investment Rate of Return	7.50% (net of administrative expenses)

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2013

**Actuarial Assumptions** (continued)

Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

# *COLLINS ACCOUNTANCY COMPANY*

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## **Independent Auditor's 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***

The Board of Directors of the  
Coast Life Support District  
Gualala, 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 business-type activities of the Coast Life Support District (the "District"), as of and for the year ended June 30, 2013, and have issued our report thereon dated May 9, 2014.

### **Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 entity's 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified

Coast Life Support District  
May 9, 2014

certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2013-1 and 2013-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

### **Compliance and Other Matters**

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

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control 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.

  
Collins Accountancy Company  
Lincoln, California  
May 9, 2014

## COAST LIFE SUPPORT DISTRICT

### Schedule of Findings and Responses For the Year Ended June 30, 2013

#### **Finding 2013-1: Verification of Online Billpay Transactions**

##### **Criteria**

When internal control includes the periodic reconciliation of two different pieces of information, the procedure is most effective when the two pieces of information being reconciled are obtained from different sources.

##### **Condition**

The District implemented an online Bill Pay procedure at the beginning of fiscal year 2011-2012. Under the procedure, the Business Manager enters the payment orders in the online Bill Pay system and then furnishes both a list of bills paid from the Bill Pay system and a list of bills entered into the QuickBooks accounting software to the Operations Manager. The Operations Manager then reconciles the two lists.

##### **Cause**

It is efficient for the business manager to provide both lists at the end of the billpay process.

##### **Effect or Potential Effect of Condition**

The current procedure increases the risk that bills could be paid by the Business Manager but not reviewed by the Operations Manager if they are not included in the list furnished by the Business Manager.

##### **Recommendation**

We recommend that the Operations Manager obtain the list of bills paid online directly from the Bill Pay service and use this list to reconcile to the QuickBooks list provided by the Business Manager.

##### **Views of Responsible Officials and Corrective Action Plan**

We agree with the finding and will work with the bookkeeper and Operations Manager to develop a means of reconciling the bank bill pay statement and Quickbooks that preserves separation of duties. This will initially entail the Operations Manager personally downloading and checking the Quickbooks file against the bank's record of bills paid online. Beginning July 2014, our plan is to have the Operations Manager sign and code invoices for payment, then scan the signed invoice and attach it to the transaction in Quickbooks.

## **COAST LIFE SUPPORT DISTRICT**

### Schedule of Findings and Responses For the Year Ended June 30, 2013

#### **Finding 2013-2: Ambulance Billing**

##### **Criteria**

In submitting billings for ambulance services to third party payers, Coast Life Support District is required to ensure that each billing correctly reflects the scope of services performed for the patient. The District's ambulance services are generally divided between advanced and basic life support, although there are several sub-classifications within these general categories. Advanced life support is provided by personnel with a higher level of training than basic life support.

##### **Condition**

During our testing of patient billing, it appeared that 1 of the services billed out of the 25 included in our sample met the criteria for basic life support but was billed as advanced life support.

##### **Cause**

It appears an error occurred in classifying the services.

##### **Effect or Potential Effect**

Using an incorrect service classification in billing for ambulance services could cause the District to receive more or less funds than it may be entitled to receive, depending on the nature of the misclassification.

##### **Recommendation**

We recommend that statistics from the billing system on advanced and basic life support services billed be periodically compared to statistics developed from operational records.

##### **Views of Responsible Officials and Corrective Action Plan**

While we agree with the Finding, we decline the Recommendation as not worth the additional (and not available) man-hours needed to implement it. We believe this is a rare problem and should be caught and managed by exception rather than creating a very time-consuming process of manually comparing operational logs with billing records. The difference in payment received between BLS and ALS transports from all but private insurance (a small percentage of our patients) is very small, certainly not greater than the cost of implementing a review system as suggested.