COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements

For Year Ended June 30, 2011

(with comparative amounts as of June 30, 2010)

COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements
For the Year Ended June 30, 2011

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COLLINS ACCOUNTANCY COMPANY

POST OFFICE BOX 426 **TELEPHONE: (916) 626-4984**
LINCOLN, CALIFORNIA 95648-0426 **WEBSITE: HTTP://WWW.COLLINSACCT.COM/**

Independent Auditor's Report on Basic Financial Statements

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

We have audited the basic financial statements of the Coast Life Support District as of and for the year ended June 30, 2011 as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements of Coast Life Support District as of and for the year ended June 30, 2010, were audited by another auditor whose report dated November 3, 2010, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, balances originally reported in the allowance for doubtful accounts and bad debt expense for the year ended June 30, 2010 were reclassified for comparability to the June 30, 2011 financial statements.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Coast Life Support District, as of June 30, 2011, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2012 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

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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information regarding pensions, referred to in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of reviewing documentation regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Collins Accountancy Company
Lincoln, California
June 15, 2012

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2011

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, 2011 (FY2011).

Financial Highlights

- At of the close of FY2011, the District reported ending net assets of $1,152,665, an increase of $243,346 in comparison with the prior year (FY2010). Unrestricted net assets ($561,585) are principally comprised of cash ($495,565, or 88%) 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 $25,049 to $208,933 during FY2011.

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 are comprised of two components: *Basic Financial Statements* and *Notes to the Basic 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 Assets* 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 Assets* presents information showing how the District's net assets 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 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 12-15 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 16-33 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 34-35 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $1,152,665 at the close of FY2011, an increase of $243,346 over the previous fiscal year. The primary event contributing to this gain was unspent After Hours Urgent Care program (AHUC) tax revenue.

About half of the District's net assets (51%) 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, 2011

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

	FY2011	FY2010	FY2009
Revenues and Other Income			
Property Taxes	$874,594	$880,946	$862,093
Ambulance Transports, net of uncollectible accounts	601,594	481,688	497,930
Other Revenues	11,764	6,481	18,366
Total Revenues	**$1,487,952**	**$1,369,115**	**$1,378,389**
Expenditures			
Ambulance Operations, excluding uncollectible accounts	$1,183,523	$1,176,305	$1,154,817
After Hours Urgent Care (AHUC)	53,014	63,954	133,101
Interest Expense	8,069	12,133	14,875
Total Expenditures	**$1,244,606**	**$1,252,392**	**$1,302,793**
Change in Net Assets	243,346	116,723	75,596
Net Assets, beginning of year	909,319	792,596	717,000
Net Assets, end of year	$1,152,665	$909,319	$792,596

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

- **Capital Assets**. The District's investment in capital assets, as of June 30, 2011 amounts to $704,639 (net of accumulated depreciation).
- **Long-term debt.** At the end of FY2011, the District had a long-term debt outstanding of $113,559, a decrease of $72,044 from FY2010.

Coast Life Support District's Outstanding Debt

	FY2011	FY2010	FY2009
Current payables & Payroll Liabilities	$95,374	$48,379	$100,621
Building Mortgage & Ambulance Debt	113,559	185,603	271,096
Total	$208,933	$233,982	$371,717

The District's total liabilities decreased by $25,049 during FY2011, resulting from scheduled paydown of debt ($72,044), offset by a $46,995 increase in payables and payroll liabilities. No new debt was incurred in FY2011.

Economic Factors, Income and Expenses, and Operational Highlights

Introduction. FY2011 District financial performance was extraordinary with respect to both ambulance income and operating expenses.

	FY2011	FY2010	FY2009
Ambulance Transports	382	369	385
Avg Collection/Transport	$1,575	$1,305	$1,293

- *Despite a FY2011 transport volume increase of only 4%, ambulance income net of uncollectible accounts increased 25%,* reflecting a substantial increase in both revenue at approved rates (a 12% increase over FY2010) and collection rate (41% in FY2011 versus 37% in FY2010).
- *Ambulance operating expenses increased only one percent*, or about $7K, from FY2010 to FY2011.

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.

- **FY2011 Income.** We experienced an increase in total income for FY2011 due to a slightly higher average collections rate. Despite our collections successes, our write off rate remains very high; for FY2011 we collected only about 41% of revenue at approved rates.
    - **Collections**. The District continues an aggressive policy toward collections, and the number of patients paying on a monthly plan has decreased. Our accounts aged

over ninety days are almost entirely on debtors who are on a monthly payment agreement.

- **Other funding sources.** The California state budget continues to weaken, and any possibility of approaching the state legislature for supporting funding has been eliminated for the foreseeable future. We secured grant funding from the Mendocino Community Foundation for CPR training manikins and a dedicated projection system in the Bill Platt Training Center.

Expenses

- **Overview.** EMS expenses for this Fiscal Year increased over the previous year. Personnel costs are the primary driver of emergency medical services, and represent seventy percent of the District's budgeted operating expenses. These funds are well spent and finance the core of our mission; the District now enjoys a highly qualified team of Paramedics and Emergency Medical Technicians, who are widely regarded in their professional community as the gold standard for EMS performance. We also under-executed our training budget and ambulance operations budget significantly. Capital expenditures have followed a conservative replacement plan to ensure up-to-date and well-maintained vehicles, medical equipment, and state-of-the-region communications capability.

- **After Hours Urgent Care (AHUC).** Expenses for this program have decreased from year to year, reflecting the termination of the 24/7 urgent care service. The balance of special taxes collected for AHUC over these expenses is being held in reserve for exploring alternatives for improving healthcare availability in the District and other related purposes.

- **Capital Expenditures**. In Fiscal Year 2011, the District had minimal new capital expenditures, continued from approval in the prior year.
    - Area-wide communications system. Originally budgeted in FY 2008, the District has sought development of an area-wide communications system that will significantly enhance interagency and intra-organizational communication. The goal is to link repeaters that will enable handheld-to-handheld radio communication anywhere in the District, and enhanced REDCOM alert paging. This project has been in hiatus during FY2011, as we have been steadily building our case to seek FCC approval for frequency licensing.

Operational Highlights for Fiscal Year 2011

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 FY2011, 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:

This year has been an example of the benefits of a stable and maturing management team, an increasingly energetic and innovative staff, and a board of directors focused on the strategic mission of the District. We continue to seek means of improving both our District mission and our internal operations, and have succeeded on all fronts. Our reputation with the community remains at extremely high levels, a position we guard jealously as we provide highly visible emergency medical response.

Intra-Organizational Performance

Finance

- Executed annual Ambulance Operations fiscal plan at 94% of budget while sustaining District operations and expanding community education and first responder training programs.
- Streamlined accounting and bookkeeping by eliminating and consolidating several accounts, resulting in better expenditure tracking and management.
- Increased per transport collection 21%. While some of this increase may be from a change in payer mix, we believe most of the increase is through improved collections performance.
- Secured a $4,250 grant from Mendocino Community Foundation in support of community CPR training and upgrade to Bill Platt Training Center.

Logistics

- Emergency Response
    - Tactical Network. We continue to press forward on creating a coastal tactical network. There are many agencies and private entities involved, each with their own requirements and agenda.
        - Met with California Emergency Management Authority (CalEMA) in Sacramento to secure authorization for local frequency use. Began the long and tedious process of applying to the FCC for securing a frequency license.

        - Secured approval from Sonoma County to purchase and maintain repeaters on two sites in the southern District.
        - Convinced Mendocino County to finance and coordinate relocation of Bluff Top and Point Arena Lighthouse radio equipment to AT&T tower. The bureaucracy involved, combined with the County's sole-source radio maintenance provider, has yielded a depressingly-long implementation schedule. We will prevail, however.
    - Mobile & Handheld Radio Narrow-banding conversion. Developed and executed a plan to convert all CLSD radios and pagers from wide-band to narrow-band in advance of both counties' deadlines, and with absolutely no interruption in radio coverage.
    - HAM Operators Drill. CLSD hosted the second annual District-wide HAM radio operators drill, coordinating with all District-area fire departments, RCMS, and The Sea Ranch disaster response manager.

- Disaster Response and Coordination
    - Developed and trained staff to a comprehensive Disaster Response Plan, including contingency management, mission priorities, and identification of critical assets to continue mission in the event of compromised out-of-District agency support.
    - Continued District-wide Mass Casualty Incident training, creating a positive inter-agency working environment with District leadership, and involving all emergency responding agencies, including fire, Sheriff, State and regional parks officials, and California Highway Patrol. Beyond the actual mass casualty training, the drills emphasized inter-agency coordination and communication, which will significantly benefit area-wide disaster response.

- After Hours Urgent Care
    - The District leadership plays a key coordinating and support role for the Community Healthcare Working Group. We coordinated two remote site visits for working group leadership.

- CPR/AED Program
    - Completely overhauled the community-wide CPR training program, to provide no-charge training to the lay community while maintaining a strong central program for health care providers and community employees in CPR-designated positions. Worked with the new Casino staff in Point Arena to start an ongoing CPR/AED certification program and install facility AEDs. Reduced in-house program costs while identifying external revenue sources through our designation as an American Heart Association official training center. With the addition of manikins and dedicated projector system funded by the Mendocino Community Foundation, this program is now where it needs to be.

- Business Functions
  - Witnessed a maturing payroll system pay benefits by reducing overtime and improving Operation Manager time utilization:
    - Automated payroll to an on-line submission and tracking system, eliminating paper records and reducing payroll calculation time from an entire workday to less than one hour.
    - Automated staff scheduling to on-line ("cloud computing") scheduling, facilitating staff-wide schedule visibility and greatly improving the process for schedule changes.
  - Streamlined accounting and bookkeeping system to simplify budget execution and cost tracking.
  - Realized over $120K in increased collections through practice change of delaying billings until patient deductible has been met.

<u>Staff</u>

- Nominated Paramedic Mark Leonard for the California Ambulance Association's "Stars of Life" program. Mark was one of about a dozen paramedics chosen for this award—of a California population of over 12,000 paramedics and EMTs.
- Implemented an on-line safety training program to significantly reduce Worker's Compensation insurance premiums.
- Reorganized BLS teams to streamline management, allow for personal leadership initiatives, and greater BLS team autonomy.
- Instituted a cyclical EMT training schedule for all BLS critical skills, to ensure regular skills maintenance and maximize re-certification opportunity.
- Developed a Shift Supervisor position to relieve the Operations Manager of daily duty crew management actions.

Extra-Organizational Performance

- CLSD continues to hold a seat on the REDCOM Board of Directors, which manages Sonoma County-wide dispatch services among all fire and EMS agencies. The primary achievements in which CLSD participated were streamlining the REDCOM audit and financial reporting process, and developing an organizational strategy to consolidate staff functions under an Executive Director to relieve board members of managing operational issues.
- 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.
- CLSD representatives also attended several area public forums as public speakers and advocates for the District mission.

Summary

Fiscal Year 2011 was a year of cementing our reputation as an organization influencing community safety and emergency response across the region, to include both local and regional governments and agencies. Our financial position, though stronger at the close of this year, remains at risk due to the lack of an EMS cash reserve and dependence on random events in an aging population living in a weakened economy. Despite our prudent stewardship of tax resources as we execute our mission, a steadily dwindling income stream in the face of certain cost increases puts us at risk in the long-term without a secure funding base. *Since completion of this audit, voters have passed a measure to increase the EMS tax rate, which should ensure financial stability for several years to come.*

Our performance on all metrics exceeded expectations, made more remarkable by keeping total expenditures under budgeted amounts. We continue to provide world-class EMS service, we are increasing our leadership and influence in the emergency response professional community, and we are steadily gaining support of the local community through training and outreach programs.

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 replace the After Hours 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 Assets
June 30, 2011
(with comparative totals as of June 30, 2010)

	2011	2010
Assets		
Current Assets:		
Cash and investments	$ 495,565	$ 240,008
Accounts receivable	139,730	116,908
Less allowance for doubtful accounts	(43,372)	(19,783)
Receivable - special and ad valorem taxes	35,572	31,734
Prepaid expenses and other current assets	29,464	9,763
Total Current Assets	656,959	378,630
Property and Equipment:		
Property and equipment	1,385,237	1,378,816
Less accumulated depreciation	(680,598)	(614,145)
Total Property and Equipment, net	704,639	764,671
Total Assets	$ 1,361,598	$ 1,143,301
Liabilities		
Current liabilities and capital leases:		
Accounts payable	$ 35,569	$ 8,935
Accrued wages and benefits	43,802	26,034
Accrued interest payable	3,733	3,733
Cash collected for other entities	12,270	9,677
Current portion of long-term liabilities	36,735	72,044
Total Current Liabilities	132,109	120,423
Long-term liabilities and capital leases:		
Noncurrent portion of long-term liabilities	76,824	113,559
Total Liabilities	208,933	233,982
Net Assets		
Invested in capital assets, net of related debt	591,080	579,068
Unrestricted	561,585	330,251
Total Net Assets	1,152,665	909,319
Total Liabilities and Net Assets	$ 1,361,598	$ 1,143,301

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

COAST LIFE SUPPORT DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011	2010
Operating Revenue		
Ambulance billings	$ 753,270	$ 570,494
Other operating income	2,814	4,182
Total Operating Revenues	756,084	574,676
Operating Expenses		
Ambulance services		
Salaries	707,100	710,746
Employee benefits	211,292	213,225
Insurance	14,200	17,521
Office expense	5,607	4,332
Professional expenses	57,412	60,692
Dispatch services	15,672	15,672
Travel	1,158	198
Vehicle expense	62,483	52,426
Crew housing expenses	21,439	26,473
Training expense	14,667	7,811
Uncollectible accounts	151,676	88,806
Other	6,040	2,312
Depreciation	66,453	64,897
Total Ambulance services	1,335,199	1,265,111
After hours urgent care		
Salaries	20,452	19,816
Services and supplies	32,562	44,138
Total After hours urgent care	53,014	63,954
Total Operating Expenses	1,388,213	1,329,065
Operating Income (Loss)	(632,129)	(754,389)
Other Income (Expense)		
Special and ad valorem taxes	874,594	880,946
Grant revenue	4,250	--
Interest income	1,462	1,994
Interest expense	(8,069)	(12,133)
Donations	3,238	305
Total Other Income (Expense)	875,475	871,112
Change in net assets	243,346	116,723
Net assets, beginning of year	909,319	792,596
Net assets, end of year	$ 1,152,665	$ 909,319

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

COAST LIFE SUPPORT DISTRICT

Statement of Cash Flows
For the year ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011	2010
Cash Flows From Operating Activities		
Cash received from ambulance services	$ 602,361	$ 478,798
Cash received from others services	2,814	4,182
Cash payments to suppliers for goods and services	(224,307)	(196,158)
Cash payments to employees for services	(709,784)	(778,195)
Cash payments for payroll taxes and employee benefits	(211,292)	(213,225)
Net Cash Provided (Used) by Operating Activities	(540,208)	(704,598)
Cash Flows from Non-Capital Financing Activities		
Property taxes and special assessments received	870,756	884,324
Grant Revenue	4,250	--
Donation received	3,238	305
Cash collected for (paid to) other entities	2,593	(192)
Net Cash Provided by Noncapital Financing Activities	880,837	884,437
Cash Flows from Capital and Related Financing Activities		
Acquisition / disposition of capital assets	(6,421)	(12,019)
Interest paid - long-term debt	(8,069)	(13,204)
Principal paid - long-term debt	(72,044)	(85,493)
Net Cash Provided (Used) from Capital and Related Financing Activities	(86,534)	(110,716)
Cash Flows from Investing Activities		
Interest received	1,462	1,994
Net Increase (Decrease) in Cash and Cash Equivalents	255,557	71,117
Cash and Cash Equivalents - Beginning of Year	240,008	168,891
Cash and Cash Equivalents - End of Year	$ 495,565	$ 240,008

(continued)

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

COAST LIFE SUPPORT DISTRICT

Statement of Cash Flows (continued)
For the year ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011	2010
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (632,129)	$ (754,389)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	66,453	64,897
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	767	(2,890)
(Increase) decrease in other current assets	(19,701)	38,763
Increase (decrease) in accounts payable	26,634	(3,346)
Increase (decrease) in accrued wages & benefits	17,768	(47,633)
Net Cash Provided by Operating Activities	$ (540,208)	$ (704,598)

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

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 after hours urgent care through a medical advice telephone service. 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.

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 assets 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 assets as well as an inclusion of a management discussion and analysis, supplementary information, and other elements of disclosure in the financial statements.

The District applies all GASB pronouncements as well as statements and interpretations of the Financial Accounting Standards Board (FASB), the Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, to the extent they do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB pronouncements issued after November 30, 1989 to its business-type activities and enterprise funds.

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

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

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.

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 assets, 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 assets.

Assets, Liabilities and Net Assets

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. It is policy of the District to accept payment by third parties, such as Medicare and Medi-Cal, where 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 recorded as a bad debt expense 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

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

subsequent two-month period that were included in the receivable balance as of June 30, 2011. Balances as of June 30, 2010 have been reclassified to conform to this presentation.

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.

The District's prepaid expense consists primarily of prepaid insurance.

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

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

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.

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 is classified as the cost of providing urgent care to local residents, and twenty percent of the gross pay of the District Administrator is also reclassified in the same fashion.

Statement of Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* - This component of net assets 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 assets is considered non-expendable.

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

- *Unrestricted Net Assets* - This component of net assets consists of net assets 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 assets for particular purposes.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets 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. The presentation of ambulance revenues and uncollectible accounts for the year ended June 30, 2010 has been reclassified to conform to the current year method, as discussed under Accounts Receivable, above.

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 revenues are those revenues that arise directly from accomplishing these primary purposes. 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.

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

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.

In accordance with Article XIII-A of the State Constitution, California property taxes are collected by the County Tax Collector, pooled, and then allocated to the local governments within the County. Property tax revenue is recognized when taxes are levied.

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

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. Property taxes collected are allocated to the District three times a year.

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. The same election repealed the old special tax of $16 per unit of benefit. 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. The special tax for the after hour urgent care is assessed at the rate of $18 for undeveloped parcels, and $36 for developed parcels.

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

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

	2011	2010
Mendocino County	$ 518,569	$ 523,724
Sonoma County	356,025	357,222
Total	$ 874,594	$ 880,946

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, 2011 and 2010:

	2011	2010
Cash on hand and in checking accounts	$ 43,356	$ 99,664
Investments		
Cash in Sonoma County Treasury	452,209	140,344
Total Cash and Investments	$ 495,565	$ 240,008

Deposits

At June 30, 2011, 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.

Note 2. CASH AND INVESTMENTS (continued)

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 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, 2011, approximately 45% 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.

Note 3. CAPITAL ASSETS

A summary of changes in property and equipment and the related accumulated depreciation for the years ended June 30, 2011 and 2010 is as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Land	76,500	-	-	76,500
Building and Improvements	679,524	-	-	679,524
Less Accumulated Depreciation	(215,213)	(22,650)	-	(237,863)
Equipment	622,792	6,421	-	629,213
Less Accumulated Depreciation	(398,932)	(43,803)	-	(442,735)
Totals	764,671	(60,032)	-	704,639

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Land	76,500	-	-	76,500
Building and Improvements	679,524	-	-	679,524
Less Accumulated Depreciation	(192,562)	(22,651)	-	(215,213)
Equipment	610,773	12,019	-	622,792
Less Accumulated Depreciation	(356,686)	(42,246)	-	(398,932)
Totals	817,549	(52,878)	-	764,671

Note 4. 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 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, 2011 were $11,900 and interest paid was $2,657. Principal payments during the fiscal year ended June 30, 2010 were $11,314 and interest paid was $3,242. 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. Principal payments during the fiscal year ended June 30, 2011 were $1,692 and interest paid was $290. Principal payments during the fiscal year ended June 30, 2010 were $1,968 and interest paid was $510. The cost of the leased assets and the accumulated depreciation attributable to them are as follows:

	Ambulance	Copier	Total
Cost	$ 115,039	$ 8,482	$ 123,521
Less Accumulated Depreciation	(80,527)	(4,806)	(85,333)
Remaining Book Value at June 30, 2011	$ 34,512	$ 3,676	$ 38,188

Note 4. CAPITAL LEASES (continued)

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

Year Ended June 30:	Principal	Interest	Total
2012	$ 14,316	$ 2,224	$ 16,540
2013	15,079	1,460	16,539
2014	13,835	677	14,512
Totals	$ 43,230	$ 4,361	$ 47,591

Note 5. LONG-TERM LIABILITIES

On January 17, 2001, the District purchased the ambulance center in Gualala for $618,436, financing $407,600 of the cost through Rural Community Assistance Corporation (RCAC). Ninety percent of the loan is guaranteed by the United States Department of Agriculture. The loan from RCAC is evidenced by two promissory notes, both of which have term of 120 months with monthly payments. The first note in the amount of $366,800 accrues interest at the rate of 6.75 percent per year, with monthly payment of $4,229. The second note in the amount of $40,800 accrues interest at the rate of 5.5 percent per year, with monthly payments of $444. These loans were paid off during the year ended June 30, 2011.

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	Principal	Interest
2012	$ 22,419	$ 3,165
2013	23,428	2,156
2014	24,482	1,102
Totals	$ 70,329	$ 6,423

Note 5. LONG-TERM LIABILITIES (continued)

Changes in the District's long-term obligations during the years ended June 30, 2011 and 2010 were as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due in One Year
Mortgage Payable	$ 36,999	$ -	$ 36,999	$ -	$ -
Note Payable	91,782	-	21,453	70,329	22,419
Capital Lease- Amb.	51,417	-	11,900	39,517	12,577
Capital Lease-Copier	5,405	-	1,692	3,713	1,739
	$ 185,603	$ -	$ 72,044	$ 113,559	$ 36,735

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amount Due in One Year
Mortgage Payable	$ 88,680	$ -	$ 51,681	$ 36,999	$ 36,999
Note Payable	112,312	-	20,530	91,782	21,453
Capital Lease- Amb.	62,731	-	11,314	51,417	11,900
Capital Lease-Copier	7,373	-	1,968	5,405	1,692
	$ 271,096	$ -	$ 85,493	$ 185,603	$ 72,044

Note 6. 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.

Note 6. OPERATING LEASE (continued)

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

Year	Total Lease Payments
2012	$ 2,664
2013	2,690
2014	2,719
2015	2,751
Total remaining lease payments	$ 10,824

Note 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District 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 8. 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), an agent multiple-employer defined benefit pension plan. 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 one member who has administrative duties only. 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.

Note 8. 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 within one year or less. Employee members of both plans contributed 7 percent of reportable earnings for the period July 1, 2009 to June 30, 2011. The District contributed 13.616 percent for the reportable earnings for the miscellaneous plan from July 1, 2010 to June 30, 2011 and 14.519 percent from July 1, 2009 to June 30, 2010. The District contributed 15.164 percent for the reportable earnings for the safety plan from July 1, 2010 to June 30, 2011 and 15.728 percent from July 1, 2009 to June 30, 2010. The annual pension cost to the District was $71,400 and $77,615 for the years ended June 30, 2011 and 2010, respectively, and is equal to the required contributions for each year. There is no pension obligation at June 30, 2011 and June 30, 2010.

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 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.

Note 8. 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 2011 and the two preceding fiscal years are presented below:

	June 30,		
	2011	2010	2009
Annual required contribution	$ 71,400	$ 77,615	$ 84,880
Interest on net pension obligation (asset)	--	--	--
Adjustment to annual required contribution	--	--	--
Annual pension cost	71,400	77,615	84,880
Contributions made	(71,400)	(77,615)	(84,880)
Increase (decrease) in net pension obligation (asset)	--	--	--
Net pension obligation (asset), beginning of year	--	--	--
Net pension obligation (asset), end of year	$ --	$ --	$ --

The required contribution was based on CalPERS June 30, 2008 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, 2008
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	16 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	3.25% 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%.

Note 8. 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 9. 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, 2011 and 2010 are as follows:

Fiscal Year	Base Limit	Cost-of-living Factor	Population Factor	Appropriations Limit For Year
2009-10	$ 1,015,861	1.0062	1.0091	$ 1,031,461
2010-11	1,031,461	0.9746	1.0174	1,022,753

The appropriations limit for both years ended June 30, 2011 and 2010 exceeds the actual tax revenue of the District for each year.

Note 10. AFTER HOURS URGENT CARE SERVICE

The residents of the District voted to pass Measure F in November, 1996. This measure expanded the powers of the District in order to provide and/or operate health care facilities. 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.

As a result of that contract termination, the District has contracted with a service that provides telephone advice for local residents with urgent medical care needs. This service is considered an interim measure by District management, and other methods to provide urgent medical care to the residents within the District are being investigated.

Note 11. SUBSEQUENT EVENTS.

On April 10, 2012, the voters of the District approved the replacement of the existing EMS tax of $32 per unit of benefit with a new tax not to exceed $44 per unit of benefit. On the same date, the voters also approved expanding the existing After Hours Urgent Care program to include support for daytime urgent care.

REQUIRED SUPPLEMENTARY INFORMATION

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Year Ended June 30, 2011

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. 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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acctuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payoll ((b-a)/c)
Safety Plan Pool:						
6/30/2007	$ 69,523,793	$ 77,117,539	$ 7,593,746	90.2%	$ 22,403,563	33.9%
6/30/2008	$ 62,163,959	$ 69,011,153	$ 6,847,194	90.1%	$ 21,538,000	31.8%
6/30/2009	$ 63,095,026	$ 73,625,106	$ 10,530,080	85.7%	$ 21,879,598	48.1%
Miscellaneous Plan Pool:						
6/30/2007	$ 2,391,434,447	$ 2,611,746,790	$ 220,312,343	91.6%	$ 665,522,859	33.1%
6/30/2008	$ 2,547,323,278	$ 2,780,280,768	$ 232,957,490	91.6%	$ 688,606,681	33.8%
6/30/2009	$ 2,758,511,101	$ 3,104,798,222	$ 346,287,121	88.9%	$ 742,981,488	46.6%

Schedule of Employer Contributions (Coast Life Support District)

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2009	$ 84,880	100%
6/30/2010	$ 77,615	100%
6/30/2011	$ 71,400	100%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Year Ended June 30, 2011

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, 2009
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	7 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%.

OTHER REPORT

COLLINS ACCOUNTANCY COMPANY

POST OFFICE BOX 426 TELEPHONE: (916) 626-4984
LINCOLN, CALIFORNIA 95648-0426 WEBSITE: HTTP://WWW.COLLINSACCT.COM/

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 the accompanying basic financial statements of the Coast Life Support District (the "District"), as of June 30, 2011 and for the year then ended and have issued our report thereon dated June 15, 2012. 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.

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, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors of the
Coast Life Support District

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.*

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Collins Accountancy Company
Lincoln, California
June 15, 2012