

COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements

For Years Ended June 30, 2014 and 2013

COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

Table of Contents

Independent Auditor’s Report 1

Management’s Discussion and Analysis (Unaudited).....4

Basic Financial Statements:

 Statement of Net Position 13

 Statement of Revenues, Expenses, and Changes in Net Position 14

 Statement of Cash Flows 15

 Notes to the Basic Financial Statements 17

Required Supplementary Information 35

Other Report:

 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 38

 Schedule of Findings and Responses40

COLLINS ACCOUNTANCY COMPANY

**620 THIRD STREET, SUITE 120
POST OFFICE BOX 426
LINCOLN, CALIFORNIA 95648-0426
TELEPHONE: (916) 626-4984**

**CRAIG D. COLLINS, CPA
LINDA FOSTER, CPA, MS TAX
WEBSITE: [HTTP://WWW.COLLINSACCT.COM/](http://www.collinsacct.com/)**

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, 2014 and 2013 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2014 and 2013, 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 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 March 16, 2015 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
March 16, 2015
Page 3

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

March 16, 2015, except as to the above referenced procedures
on the Management's Discussion and Analysis, which is as of
April 16, 2015

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014 and 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Coast Life Support District ("the District", or "CLSD") 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, 2014 and 2013 (FY2014 and FY2013).

Financial Highlights

- At the close of FY2014, the District's single proprietary fund reported combined ending net position of \$1,497,151, an increase of \$69,528 in comparison with the prior year. Unrestricted net position (\$821,932) is principally comprised of cash (\$713,034, or 87%) 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 \$2,529 to \$143,134 during FY2014.
- At the close of FY2013, the District reported ending net position of \$1,427,623, an increase of \$172,197 in comparison with the prior year. Unrestricted net assets (\$767,284) are 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.

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, 2014 and 2013

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 14-17 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 18-36 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 37-40 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 \$1,497,151 at the close of FY2014, an increase of \$69,528 over the previous fiscal year. The primary events affecting the change in net position were an increase in ambulance billings associated with retroactive payments for MediCal patients under the Ground Emergency Medical Transport program, offset by consulting fees for the enhanced medical services project. At the close of FY2013, assets exceeded liabilities by \$1,427,663, an increase of \$172,197 over FY2012. 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.

Slightly less than half of the District's net position (46% at June 30, 2014 and 2013) are in investment in capital assets (e.g. land, buildings, and equipment), net of associated debt. The District uses these capital assets to provide emergency medical services 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, 2014 and 2013

Pro-Forma Statement of Net Position

	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
<u>Assets</u>			
Current assets	\$965,066	\$874,294	\$854,061
Capital assets	<u>675,219</u>	<u>698,992</u>	<u>634,548</u>
Total Assets	<u>\$1,640,285</u>	<u>\$1,573,286</u>	<u>\$1,488,609</u>
<u>Liabilities</u>			
Current liabilities	\$143,134	\$145,663	\$195,249
Long-term liabilities	--	--	<u>37,934</u>
Total liabilities	<u>\$143,134</u>	<u>\$145,663</u>	<u>\$233,183</u>
<u>Net position</u>			
Net investment in capital assets	\$675,219	\$660,339	\$558,107
Unrestricted	<u>821,932</u>	<u>767,284</u>	<u>697,319</u>
Total net position	<u>\$1,497,151</u>	<u>\$1,427,623</u>	<u>\$1,255,426</u>

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

	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
<u>Revenues and other income</u>			
Property taxes	\$1,120,268	\$1,112,776	\$884,351
Ambulance transports, net of uncollectible accounts	689,731	558,269	569,066
Other income	<u>15,391</u>	<u>16,468</u>	<u>9,035</u>
Total revenues and other income	<u>\$1,825,390</u>	<u>\$1,687,513</u>	<u>\$1,462,452</u>
<u>Expenses</u>			
Ambulance operations, excluding uncollectible accounts	\$1,337,336	\$1,288,742	\$1,271,065
Urgent care	418,515	222,836	83,595
Interest expense	<u>11</u>	<u>3,738</u>	<u>5,031</u>
Total expenses	<u>\$1,755,862</u>	<u>\$1,515,316</u>	<u>\$1,359,691</u>
Change in net position	69,528	172,197	102,761
Net position, beginning of year	<u>1,427,623</u>	<u>1,255,426</u>	<u>1,152,665</u>
Net position, end of year	<u>\$1,497,151</u>	<u>\$1,427,623</u>	<u>\$1,255,426</u>

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014 and 2013

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

- **Capital Assets.** The District's investment in capital assets amounts to \$675,219 as of June 30, 2014 and \$698,992 as of June 30, 2013 (net of accumulated depreciation).
- **Long-term debt.** At the end of FY2014, the District had no long-term debt, a decrease of 38,653 from FY2013. At the end of FY2013, the District had a long-term debt outstanding of \$38,653, a decrease of \$37,788 from FY2012.

Coast Life Support District's Outstanding Debt

The District's total liabilities decreased by \$2,523 during FY2014, and by \$87,520 during FY2013.

Economic Factors, Income and Expenses, and Operational Highlights

Introduction. FY2014 ambulance financial performance reflected 4% decrease in number of ambulance transports and a 7% decrease in per-transport revenue (excluding retroactive MediCal reimbursement), and a 4% increase in ambulance operating expenses. FY2013 ambulance financial performance reflected 2% decrease in number of ambulance transports and a less than 1% decrease in per-transport revenue, and a 1% increase in ambulance operating expenses.

	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
Number of ambulance transports	376	390	396
Average revenue per transport (excluding retroactive MediCal reimbursement)	\$1,336	\$1,431	\$1,437

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 cover approximately two-thirds of total 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 continued a contract with TeamHealth through the end of FY2014 to provide a free after-hours medical advice line to handle non-life-threatening emergencies. The boards of directors of CLSD and Redwood Coast

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2014 and 2013

Medical Services (RCMS, the Federally Qualified Health Center in the District) continue to collaborate in a joint working group to explore alternative means of providing increased access to medical services in our community.

- **FY2014 Income.** We experienced a 10% decrease in ambulance revenue for FY2014 vs. FY2013, excluding the retroactive MediCal reimbursements, on a 4% decrease in the number of transports. We attribute this to payer mix.

Expenses

- **Overview.** Total ambulance expenses for FY2014 were 4% higher than the previous year. Personnel costs (salaries and benefits) represent three quarters of the total ambulance operating expenses, and increased only 1% from FY2013. The remaining expense increases were associated with third-party expenses (Medical director for full year, dispatch services). The remaining aspects of the operational budget remained essentially flat from the previous year.
- **Urgent Care.** In FY2014, Urgent Care expenses increased by \$196K, principally due to the consultant project (\$175K) and election costs (\$17K). Expenses for this program increased during FY2013 by \$139K, principally due to initiation of a contract for weekday Urgent Care services with RCMS.
- **Capital Expenditures.** In FY2014, capital purchases included new medical equipment (\$32K) and building improvements (\$14K). In FY2013, capital purchases included purchase of a new ambulance.

Operational Highlights for Fiscal Year 2014

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 FY2014, 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.

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014 and 2013

Intra-Organizational Performance

Finance

- Executed annual Ambulance Operations fiscal plan at 98% of budget (net of Uncollectable Accounts) while sustaining District operations, community CPR education, and first responder training programs.
- Received nearly \$150K from our participation in the state's Ground Emergency Medical Transportation (GEMT) Program, an initiative that allows public agency ambulances to recover 50% of their actual costs of providing services to MediCal beneficiaries.
- The new policy for 50% Discounted Out-of-Pocket Expense for District Residents cost \$38K of potential revenue.
- Increased our EMS financial reserve balance to \$377K.
- We now conduct all of our bookkeeping using QuickBooks Online.

Logistics

- Emergency Response
 - Staff
 - Development. We continue to stabilize and develop our full-time paramedic and EMT crew. We have developed a career training track to bring new EMTs up to ALS level and prepared for further professional development.
 - Clinical Advances.
 - Verapamil. Please recall last summer's campaign directed at the state EMS Director to expand the scope of practice for our paramedics. We had a "shopping list" of protocol changes and drug authorizations, the first of which was Verapamil, which is used to control tachycardia (rapid heart rate) due to atrial fibrillation. This was a hard fight, because the authorizing body in Sacramento is composed of political appointees from urban-based EMS systems, where transportation times are very short and tachycardia management is not an issue. In February one of our paramedics had a 70 year-old patient with extreme shortness of breath and atrial fibrillation, with a heart rate of 167. As often is the case in the winter, REACH and CALSTAR could not come in due to weather. Faced with a two-hour transport to Santa Rosa, the paramedic used Verapamil to bring the patient's heart rate under control; the patient's condition stabilized and improved greatly, and they all arrived in town safely.
 - Spinal Protocol Change. **This is another example of our leadership role in EMS care. Our experience (confirmed by national studies) shows that long**

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014 and 2013

transports on hard backboards can actually increase patient injury. In response to our proposals, Coastal Valley EMS Agency has radically changed protocols for cervical spine immobilization to reduce transportation-related injuries and patient discomfort. As with 12-lead monitors, drug and expanded scope protocols, and now this change, Coast Life Support has a leading role in advancing pre-hospital care in California.

- BLS Protocol Changes. We have taken the lead in Sonoma and Mendocino Counties with increasing the scope of practice for EMTs, and drafted a handful of protocols and scope enhancements which are now working their way through the approval process.
 - Community Paramedic. After several years of planning, the state has initiated a process to develop and approve Community Paramedic curricula at a dozen pilot sites around the state. Each of these pilot sites are large organizations (e.g. medical schools, large county health departments) with the staff and resources to develop programs, conduct training, and monitor implementation results in a handful of test communities. Once the pilot programs are complete, the state will conduct an evaluation of the program and seek to establish reimbursement policies (none exist at this point). Finally, if the program is recommended by the state EMS Agency office, legislation will be introduced to formalize the plan and certification process.
- Equipment
 - We have replaced our EKG monitor, which has significantly increased functionality and better supports our patient care on long transports.
- Interagency Coordination and Leadership
 - Our new radio channel, COAST BLUE, is now operational and allows direct communication from Point Arena to Santa Rosa. The fire departments are thrilled and using it regularly to coordinate inter- and intra-agency missions. The repeater at Zetler Road is also now installed, expanding coverage to the northern end of the District. A final repeater will be installed at Moonraker next year, filling in some mid-District gaps from Salt Point through southern Sea Ranch.
 - Designated April as Disaster Preparedness Month, with staff assigned to permanent responsibility for annual review and confirmation of all Disaster Plan resources.
 - Established a close working relationship with the new South Coast VFD Chief Gregg Warner to develop joint disaster response plans.
 - Mendocino County Emergency Services conducted a county-wide communications exercise in June for the Healthcare Coalition members, who are largely the rural clinics supported by the hospitals. As the lead on

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2014 and 2013

medical support for South Coast disaster operations, CLSD participated with support from our volunteer HAM operators.

- Urgent Care
 - Completed and executed a \$165K contract study with Camden Group to develop alternatives for enhancing medical care services to our community. The study results validated current RCMS Urgent Care costs, recommended against a Critical Access Hospital due to financial considerations and diminished clinical demand, and recommended a three-way partnership with a tertiary care medical center to develop a local multi-specialty outpatient services community medical center.
 - Facilitated the smooth introduction of a new Urgent Care services contract with Redwood Coast Medical Services.
 - Assisted in standing up the Joint Oversight Group, a joint committee of the CLSD and RCMS boards of directors complemented by community members, for mutual support in oversight of the Urgent Care program.
- Community Training Programs
 - Every CLSD and local fire department EMT trained at our station under the tutelage of Nick Scanlon-Hill. Now Anthony Macedo, a former CLSD BLS EMT, has hired on with Mendocino County Office of Education as an instructor for First Responder and EMT certification programs. He will be filling Nick's big shoes in a very important leadership role for our community. We look forward to working with him to ensure a continuing supply of locally-trained EMTs and First Responders for both CLSD and the local fire departments.
 - 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.

COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2014 and 2013

- Senior staffs of US Congressman Jared Huffman, State Senator Noreen Evans, and Assembly Member 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
 - Served as board lead on \$1.3M construction project and relocation of REDCOM dispatch center.
 - Developed and negotiated a new dispatch service contract with American Medical Response.
 - Developed an executive recruiting plan to replace the incumbent Director.

Summary

Fiscal Year 2014 was financially rewarding as we became aware of, and enrolled in, a two-pronged program to greatly increase MediCal patient revenues. The second phase will be implemented in FY2015, and we anticipate a significant boost in annual revenues from this as well. Our reserves are growing to a point where we can look at extending our horizon for the next tax increase by two or three years under the current operations tempo.

As ever, the future holds financial challenges consistent with those of the past, however, 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 develop healthcare services in our community, and insurance coverage under 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

Statements of Net Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
<i>Current Assets:</i>		
Cash and investments	\$ 713,034	\$ 710,048
Accounts receivable	168,384	138,104
Less allowance for doubtful accounts	(72,236)	(42,735)
Receivable - special and ad valorem taxes	46,320	44,203
Due from other governments	82,277	--
Prepaid expenses and other current assets	27,287	24,674
Total Current Assets	<u>965,066</u>	<u>874,294</u>
 <i>Property and Equipment:</i>		
Land	76,500	76,500
Buildings, improvements, and equipment	1,309,054	1,294,193
Less accumulated depreciation	(710,335)	(671,701)
Total Property and Equipment, net	<u>675,219</u>	<u>698,992</u>
 Total Assets	<u>\$ 1,640,285</u>	<u>\$ 1,573,286</u>
 Liabilities		
<i>Current liabilities and capital leases:</i>		
Accounts payable	\$ 51,740	\$ 18,332
Accrued wages and benefits	79,124	73,131
Accrued interest payable	--	3,277
Cash collected for other entities	12,270	12,270
Current portion of long-term liabilities	--	38,653
 Total Liabilities	143,134	145,663
 Net Position		
Net investment in capital assets	675,219	660,339
Unrestricted	821,932	767,284
 Total Net Position	<u>1,497,151</u>	<u>1,427,623</u>
 Total Liabilities and Net Position	<u>\$ 1,640,285</u>	<u>\$ 1,573,286</u>

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

COAST LIFE SUPPORT DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the years ended June 30, 2014 and 2013

	2014	2013
Operating Revenue		
Ambulance billings	\$ 689,731	\$ 558,269
Other operating income	10,059	12,046
Total Operating Revenues	699,790	570,315
Operating Expenses		
<i>Ambulance services</i>		
Salaries	738,594	732,030
Employee benefits	257,688	257,412
Insurance	11,873	10,111
Office expense	4,259	3,417
Professional expenses	84,981	67,900
Dispatch services	26,140	20,892
Travel	177	733
Vehicle expense	73,772	72,437
Crew housing expenses	32,236	25,214
Training expense	26,320	19,548
Other	10,834	10,563
Depreciation	70,462	68,485
Total Ambulance Services	1,337,336	1,288,742
<i>Urgent care</i>		
Salaries and benefits	27,867	31,804
Election expense	16,556	--
Other services and supplies	223,408	41,032
UC Contract	150,684	150,000
Total Urgent care	418,515	222,836
 Total Operating Expenses	 1,755,851	 1,511,578
 Operating Income (Loss)	 (1,056,061)	 (941,263)
Other Income (Expense)		
Special and ad valorem taxes	1,120,268	1,112,776
Grant revenue	--	--
Interest income	4,009	4,140
Interest expense	(11)	(3,738)
Donations	1,323	282
Total Other Income (Expense)	1,125,589	1,113,460
 Change in net position	 69,528	 172,197
Net Position, Beginning of Year	1,427,623	1,255,426
 Net Position, End of Year	 \$ 1,497,151	 \$ 1,427,623

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

COAST LIFE SUPPORT DISTRICT

Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Cash received from ambulance services	\$ 606,675	\$ 614,706
Cash received from other services	10,059	12,046
Cash payments to suppliers for goods and services	(630,445)	(456,362)
Cash payments to employees for services	(760,468)	(773,729)
Cash payments for payroll taxes and employee benefits	<u>(257,688)</u>	<u>(257,412)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,031,867)</u>	<u>(860,751)</u>
Cash Flows from Non-Capital Financing Activities		
Property taxes and special assessments received	1,118,151	1,103,053
Donations received	<u>1,323</u>	<u>282</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,119,474</u>	<u>1,103,335</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(46,689)	(132,929)
Interest paid - long-term debt	(3,288)	(4,377)
Principal paid - long-term debt	<u>(38,653)</u>	<u>(37,788)</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(88,630)</u>	<u>(175,094)</u>
Cash Flows from Investing Activities		
Interest received	<u>4,009</u>	<u>4,140</u>
Net Cash Provided (Used) from Investing Activities	<u>4,009</u>	<u>4,140</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 2,986	 71,630
 Cash and Cash Equivalents - Beginning of Year	 <u>710,048</u>	 <u>638,418</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 713,034</u></u>	 <u><u>\$ 710,048</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (1,056,061)	\$ (941,263)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	70,462	68,485
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(30,280)	51,517
Increase (decrease) in allowance for doubtful accounts	29,501	4,920
(Increase) decrease in due from other governments	(82,277)	--
(Increase) decrease in prepaid expenses and other assets	(2,613)	4,683
Increase (decrease) in accounts payable	33,408	(39,198)
Increase (decrease) in accrued wages & benefits	5,993	(9,895)
Net Cash Provided by Operating Activities	<u>\$ (1,031,867)</u>	<u>\$ (860,751)</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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 after the end of the year. The allowance for doubtful accounts is based on the amounts written off after year-end, plus estimates of future write-offs, for items 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, 2014 and 2013

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.

Due from other governments

This receivable represents amounts owed to the District under the Ground Emergency Medical Transport program, for supplemental reimbursement under California's state MediCal program.

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 membership 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.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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

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.

Compensated Absences

It is the District's policy to permit permanent full time employees to take paid personal time off (PTO), subject to a maximum accrual of PTO earned during the most recent twenty-four month period. Upon the termination of employment, employees will be paid any unused PTO benefits. 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 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.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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

- *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.

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, net of uncollectible amounts. 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 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. Operating revenues, consisting primarily of ambulance billings, are earned directly in exchange for accomplishing the District's primary purposes. Revenues from property taxes, grants, donations, and interest income are considered non-operating revenues.

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, 2014 and 2013

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 April 10, 2012 established the current tax of \$44 per unit of benefit per year for emergency services. 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 at the rate of \$18 for undeveloped parcels, and \$36 for developed parcels. On April 10, 2012, the voters approved a measure broadening the purpose of this tax by dropping the “after hours” restriction with the intention that the tax also be used to provide daytime urgent care services, but with no change to the tax rate. 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. This April 2014 increase will not impact the District financially until the 2014-2015 fiscal year.

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>2014</u>	<u>2013</u>
Medicino County	\$ 662,007	\$ 646,430
Sonoma County	458,261	466,346
Total	\$ 1,120,268	\$ 1,112,776

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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.

Impact of Future Implementation of New Accounting Pronouncement

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. The standard changes the way liabilities for defined benefit pensions will be calculated for financial reporting purposes. Under current standards, no pension liability is recognized as long as an entity consistently makes the actuarially determined required contributions under the plan. Upon implementation of GASB 68, the District will be required to measure its pension liability using the present value of projected benefits attributable to employee service performed as of the date of the financial statements, less an allowance for the plan assets available to finance those benefits. The District anticipates a significant increase in the liabilities it reports on its financial statements upon implementation of this standard, which is effective for periods beginning after June 15, 2014.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 2. CASH AND INVESTMENTS

Cash and investments consisted of the following amounts as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash on hand and in checking accounts	\$ 95,718	\$ 143,396
Investments		
Cash in Sonoma County Treasury	<u>617,316</u>	<u>566,652</u>
Total Cash and Investments	<u>\$ 713,034</u>	<u>\$ 710,048</u>

Deposits

At June 30, 2014 and 2013, 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 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,

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 2. CASH AND INVESTMENTS (continued)

and one representative of the Sonoma Retirement Board. The Sonoma County Treasury is not rated by any widely recognized investment rating agency. At June 30, 2014 and 2013, respectively, approximately 54.7% and 60.1% 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 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. 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 \$187,510 and \$232,351, respectively, for the fiscal years ended June 30, 2014 and 2013.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 4. CAPITAL ASSETS

A summary of changes in property and equipment and the related accumulated depreciation for the years ended June 30, 2014 and 2013 is as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	76,500	-	-	76,500
Building and Improvements	679,524	14,480	-	694,004
Less Accumulated				
Depreciation	(283,165)	(23,551)	-	(306,716)
Equipment	614,669	32,209	(31,828)	615,050
Less Accumulated				
Depreciation	<u>(388,536)</u>	<u>(46,911)</u>	<u>31,828</u>	<u>(403,619)</u>
Totals	<u>698,992</u>	<u>(23,773)</u>	<u>-</u>	<u>675,219</u>
	<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>

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, 2014 and 2013

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, 2014 were \$13,843 and interest paid was \$715, with the lease being fully repaid as of June 30, 2014. Principal payments during the fiscal year ended June 30, 2013 were \$13,161 and interest paid was \$1,396. 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, 2014 were \$328 and interest paid was \$2, with the lease being fully repaid as of June 30, 2014. Principal payments during the fiscal year ended June 30, 2013 were \$1,740 and interest paid was \$122. 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, 2013	<u>(103,535)</u>	<u>(8,197)</u>	<u>(111,732)</u>
Remaining Book Value at June 30, 2013	<u>11,504</u>	<u>285</u>	<u>11,789</u>
Less 2014 Depreciation	<u>(11,504)</u>	<u>(285)</u>	<u>(11,789)</u>
Remaining Book Value at June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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. This note was repaid during the year ended June 30, 2014.

Changes in the District's long-term obligations during the years ended June 30, 2014 and 2013 were as follows:

	Balance June 30, 2013	Add/ Deletion	Reductions	Balance June 30, 2014	Amount Due in One Year
Note Payable	\$ 24,482	\$ -	\$ 24,482	\$ -	\$ -
Capital Lease- Amb.	13,843	-	13,843	-	-
Capital Lease-Copier	328	-	328	-	-
	<u>\$ 38,653</u>	<u>\$ -</u>	<u>\$ 38,653</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance June 30, 2012	Add/ Deletion	Reductions	Balance June 30, 2013	Amount 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>

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

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 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. The projected minimum lease payments for the year ending June 30, 2015 are \$2,751.

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, 2014 and 2013

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 2013-2014	7.000%	19.427%	7.000%	15.773%
Paid During 2012-2013	7.000%	19.223%	7.000%	15.080%

The annual pension cost to the District was \$98,046 and \$105,677 for the years ended June 30, 2014 and 2013, respectively, and is equal to the required contributions for each year. There is no pension obligation at June 30, 2014 and June 30, 2013.

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, 2014 and 2013

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 2014 and the three preceding fiscal years are presented below:

	June 30,			
	2014	2013	2012	2011
Annual required contribution	\$ 98,046	\$ 105,677	\$ 104,861	\$ 71,400
Interest on net pension obligation (asset)	--	--	--	--
Adjustment to annual required contribution	--	--	--	--
Annual pension cost	98,046	105,677	104,861	71,400
Contributions made	<u>(98,046)</u>	<u>(105,677)</u>	<u>(104,861)</u>	<u>(71,400)</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, 2011 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, 2011
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	17 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
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%.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 9. PENSION PLAN (continued)

(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, 2014 and 2013 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	1.0377	1.0052	225,300	1,329,515
2013-14	1,329,515	1.0512	1.0055		1,405,273

The appropriations limit for both years ended June 30, 2014 and 2013 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, 2014 and 2013

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. CONTRACTUAL COMMITMENTS/URGENT CARE SERVICE.

In April 2014, voters in the District passed Measure J authorizing a special tax for urgent care at a maximum of \$74 per unit of benefit. In May 2014, the District entered into a contract with Redwood Coast Medical Services (RCMS) to provide urgent care services to the community for 10 hours each day, seven days per week for a five-year period beginning July 1, 2014 and ending June 30, 2019. The total contract amount is \$624,739 for the first year, with amounts for successive years to be negotiated by the parties. Equal payments to RCMS will be made monthly as the contract period progresses.

Note 12. SUBSEQUENT EVENTS.

In February 2015, the District entered into an agreement to purchase a new ambulance, similar to the ambulance purchased in FY2013, for approximately \$140,000. This purchase is expected to be completed with delivery during FY2015.

In February 2015, the District entered into an informal partnership with Redwood Coast Medical Services and St. Joseph Health (the "Mendonoma Health Alliance") to pursue a \$100,000 federal planning grant through the Health Resources and Services Administration/Office of Rural Health Policy Rural Health Network Program. Letters of commitment have been signed by each partner, with the intent to expand health care services in the community should the grant application succeed.

REQUIRED SUPPLEMENTARY INFORMATION

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Years Ended June 30, 2014 and 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 for the pooled plan:

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

Beginning with the June 30, 2013 valuation date, CalPERS changed its method of calculating the unfunded liability to use the market value of plan assets rather than the actuarial value of assets. CalPERS also combined multiple safety plan pools and multiple miscellaneous plan pools into one single pool each for the safety and miscellaneous plans. As a result, information on the funded status of the pooled plans as of the June 30, 2013 is not comparable the funded status information presented for prior valuation dates.

Actuarial Valuation Date	Market 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>						
6/30/2013	\$ 12,092,373,658	\$ 16,086,316,273	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
<u>Miscellaneous Plan Pool:</u>						
6/30/2013	\$ 9,093,458,815	\$ 11,805,627,557	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited For the Years Ended June 30, 2014 and 2013

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>						
6/30/2010	\$ 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>						
6/30/2010	\$ 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%

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	Share of Pool's Market 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--Classic:</u>						
6/30/2011	\$ 1,238,808	\$ 1,608,351	\$ 369,543	77.0%	\$ 438,692	84.2%
6/30/2012	\$ 1,246,833	\$ 1,673,605	\$ 426,772	74.5%	\$ 430,613	99.1%
6/30/2013	\$ 1,497,191	\$ 1,856,597	\$ 359,406	80.6%	\$ 370,495	97.0%
<u>Safety Plan Pool--PEPRA:</u>						
6/30/2011	\$ 817	\$ 636	\$ (181)	128.5%	\$ 70,587	-0.3%
<u>Miscellaneous Plan Pool:</u>						
6/30/2011	\$ 124,162	\$ 180,988	\$ 56,826	68.6%	\$ 49,949	113.8%
6/30/2012	\$ 145,153	\$ 216,674	\$ 71,521	67.0%	\$ 128,937	55.5%
6/30/2013	\$ 181,093	\$ 250,517	\$ 69,424	72.3%	\$ 138,401	50.2%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Years Ended June 30, 2014 and 2013

Schedule of Employer Contributions (Coast Life Support District)

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2011	71,400	100%
6/30/2012	104,861	100%
6/30/2013	105,677	100%
6/30/2014	98,046	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, 2013
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Investment Rate of Return	7.50% (net of administrative expenses)
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%.

OTHER REPORT

COLLINS ACCOUNTANCY COMPANY

**620 THIRD STREET, SUITE 120
POST OFFICE BOX 426
LINCOLN, CALIFORNIA 95648-0426
TELEPHONE: (916) 626-4984**

**CRAIG D. COLLINS, CPA
LINDA FOSTER, CPA, MS TAX
WEBSITE: [HTTP://WWW.COLLINSACCT.COM/](http://www.collinsacct.com/)**

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, 2014, and have issued our report thereon dated March 16, 2015.

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
March 16, 2015

certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2014-1, 2014-2, 2014-3, and 2014-4 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
March 16, 2015

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2014

Finding 2014-01: Ambulance Collections

Criteria

Best practices in internal control typically segregate responsibilities for preparing the billings, writing off uncollectible accounts, and processing incoming payments.

Condition

Responsibilities for preparing billings for ambulance services, writing off uncollectible accounts, and posting payments to patient accounts are currently assigned to one individual, although initial receipt of payments at the District's post office box was assigned to a different individual. During the audit period, this individual was the only District employee with access to the billing system.

Cause

Due to the District's small size, opportunities to fully segregate duties are limited.

Effect or Potential Effect of Condition

When responsibility for billing, write offs, and payment processing are consolidated in one individual, the District is exposed to a higher risk that revenues may not be recognized to which the District is entitled.

Recommendation

We recommend that the District assign an individual who is not involved in billing or receiving payments to access the billing system directly on a monthly basis and review a list of all amounts written off to ensure that they are reasonable and that all write offs are accompanied by a payment except in the case of collection write offs. Alternatively, the District could contact the agencies and insurance companies that pay the District for its services to ensure that changes to bank account or remittance information may only be authorized by an individual who is not involved in the billing function.

Views of Responsible Officials and Corrective Action Plan

Although write-offs are reviewed and approved by the Board, Management concurs that additional controls are appropriate, and will establish the following during FY2015: (a) all proposed write-offs to the collection agency and for non-Medicare/MediCal accounts will be reviewed monthly by the District Administrator, and (b) proposed write-offs for Medicare/MediCal accounts will be reviewed in the aggregate by the District Administrator for reasonableness. Agencies and insurance companies that pay the District are generally not set up to provide notification of remittance information changes, or to establish controls over authorization of remittance instruction changes.

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2014

Finding 2014-02: Completeness of Patient Billing

Criteria

In organizations where billings must be submitted to receive payment for services rendered, internal procedures that compare records of the quantity and nature of the services provided to the quantity and nature of services billed to customers help ensure that the organization does not omit billings to which it was entitled.

Condition

In performing our testing, we selected a sample of three months and compared the number of ambulance calls documented on the District's call log to the number of calls billed in the patient billing system. Although we noted markings indicating that a count had previously been performed by District personnel, for the three months selected, the number of ambulance transports documented by the call logs exceeded the number billed in the patient billing system by a total of three. In our detailed testing, we also noted one instance in which the patient appeared to have received advanced life support services but was billed at the basic life support rate.

Cause

It appears the comparison between the call log and billing system performed by District personnel did not detect the discrepancies between the two.

Effect or Potential Effect of Condition

Without an effective procedure to ensure that all ambulance transports are billed, the District could miss revenue to which it would otherwise be entitled.

Recommendation

We recommend the District review and revise its procedure to ensure that the comparison between the call log and the patient billing system will identify discrepancies and that any discrepancies identified are resolved on a timely basis.

Views of Responsible Officials and Corrective Action Plan

In FY2015 we have already instituted a control spreadsheet which reconciles (a) the call log, which lists all ambulance dispatches and their outcome, (b) the Prehospital Care Report (PCR) system log, which lists all patient encounters, and (c) the billing system reports. The ALS vs. BLS distinction cannot be fully determined by which unit responded to the call, as the ALS unit can handle a BLS-level call, and the BLS unit can complete a transport which included ALS-unit interventions; a reading of the PCR is required. The District Administrator will review the control spreadsheet reconciliation on a monthly basis.

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2014

Finding 2014-03: 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. In one instance, we found a note indicating that the billpay list could not be printed due to a computer error.

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 a list of bills approved by the Operations Manager be forwarded to the Contract Bookkeeper, who can compare this to the bank statement during the bank reconciliation process to ensure the bank statement shows only authorized payments.

Views of Responsible Officials and Corrective Action Plan

The Contract Bookkeeper can independently access the billpay system at our bank and the payment records in the QuickBooks system, which also includes payments made by check. In FY2015 we will add reconciliation of these systems to the Operations Manager approved bills listing to the Bookkeeper's bank reconciliation process.

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2014

Finding 2014-04: Recordkeeping

Criteria

Maintaining records supporting the authorization and purpose of each transaction is an important element of internal control.

Condition

During audit testing, we were unable to examine the documentation supporting one bill payment batch, one explanation of benefits for a patient payment received, and two additional invoices paid after the end of the audit period.

Cause

It appears the documents were misplaced.

Effect or Potential Effect of Condition

Without documentation, the District may be unable to substantiate transactions recorded on its books or document control procedures that have occurred.

Recommendation

We recommend the District review its recordkeeping practices to ensure documentation of each transaction processed is properly filed and retained for a reasonable period of time.

Views of Responsible Officials and Corrective Action Plan

In FY2015 we will begin to attach scanned copies of relevant documents to the QuickBooks entries for vendor and cash receipt items, in addition to maintaining paper copies. In addition to enhancing management's ability to review supporting information on transactions without requiring access to paper document files, this will provide a permanent store for accounting records.