

**COLLINS ACCOUNTANCY COMPANY**

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April 11, 2013

Mr. Scott Foster, District Administrator  
Members of the Board of Directors  
Coast Life Support District  
PO Box 1056  
Gualala, CA 95445-1056

Re: Reissuance of June 30, 2012 Government Auditing Standards Report

Dear Mr. Foster and Members of the Board of Directors:

After presenting our initial audit report for the year ended June 30, 2012 and hearing your perspective regarding finding 2012-2 in the original report, we initiated a consultation with the American Institute of Certified Public Accountants' Technical Hotline. We wanted to ensure a fair outcome to the audit process and felt that such a consultation may provide a perspective that would cause us to reach a different conclusion. After providing them with a detailed explanation of the facts of the case and receiving their feedback, we have decided that it would be within our professional discretion to eliminate the finding by declining to consider it a material weakness. Consequently, we have reissued our audit report to reflect this decision, and we believe you will be happy to read the revised report language that indicates we have not identified any material weaknesses.

To avoid any confusion to readers of the audited financial statements, it is important that we confirm that the previous superseded audit report is no longer available. Please immediately remove the old report from your website and delete any electronic copies of the file and please return any paper bound copies of the old report to us. We will be sending you new bound copies of the reissued report.

We appreciate your understanding. Please don't hesitate to let me know if you have any questions.

Very sincerely yours,



Craig D. Collins, CPA  
Partner

**COAST LIFE SUPPORT DISTRICT**

**Audited Basic Financial Statements**

**For Years Ended June 30, 2012 and 2011**

**COAST LIFE SUPPORT DISTRICT**

Audited Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

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## **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 years ended June 30, 2012 and 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 audits.

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 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 as expenses related to the after-hours urgent care program for the year ended June 30, 2011 were reclassified for comparability to the June 30, 2012 financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coast Life Support District, as of June 30, 2012 and 2011, and the changes in its financial position and cash flows for the years 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 March 15, 2013 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

The Board of Directors of the  
Coast Life Support District

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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information regarding pensions, referred to in the table of contents, 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, which consisted of comparing the information for consistency with the basic financial statements and other knowledge we obtained during our audit of the basic financial statements and review of specialist's reports underlying the required supplementary information. 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.

  
Collins Accountancy Company  
Lincoln, California  
March 15, 2013

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012 and 2011

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

Management of the Coast Life Support District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Years ending June 30, 2012 and 2011 (FY2012 and FY2011).

#### Financial Highlights

- At the close of FY2012, the District's single enterprise fund reported ending net assets of \$1,255,426, an increase of \$102,761 in comparison with the prior year (FY2011). Unrestricted net assets (\$697,319) are principally comprised of cash (\$638,418, or 92%) with the balance represented by other net working capital (accounts receivable and other current assets, less current liabilities other than the current portion of long-term liabilities).
- The District's total liabilities increased \$24,250 to \$233,183 during FY2012.
- At 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 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 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

## COAST LIFE SUPPORT DISTRICT

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012 and 2011

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 10-13 of this report.
2. *Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 15-32 of this report.
  3. *Other Information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's funding and obligations for CalPERS. Required supplementary information can be found on pages 33-35 of this report.

#### Financial Analysis

As noted earlier, net 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 \$1,255,426 at the close of FY2012, an increase of \$102,761 over the previous fiscal year. At the close of FY2011, assets exceeded liabilities by \$1,152,665, an increase of \$243,346 over FY2010. The primary event contributing to this gain in both years was unspent After Hours Urgent Care program (AHUC) tax revenue.

About half of the District's net assets (44% at June 30, 2012 and 51% at June 30, 2011) are in investment in capital assets, net of related debt (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.

#### Pro-Forma Statement of Net Assets

|                          | FY2012             | FY2011             | FY2010             |
|--------------------------|--------------------|--------------------|--------------------|
| <b>Assets</b>            |                    |                    |                    |
| Current assets           | \$854,061          | \$656,959          | \$378,630          |
| Capital Assets           | 634,548            | 704,639            | 764,671            |
| <b>Total Assets</b>      | <b>\$1,488,609</b> | <b>\$1,361,598</b> | <b>\$1,143,301</b> |
| <b>Liabilities</b>       |                    |                    |                    |
| Current Liabilities      | \$195,249          | \$132,109          | \$120,423          |
| Long-term Liabilities    | 37,934             | 76,824             | 113,559            |
| <b>Total Liabilities</b> | <b>\$233,183</b>   | <b>\$208,933</b>   | <b>\$233,982</b>   |

**COAST LIFE SUPPORT DISTRICT**

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012 and 2011

**Pro-Forma Statement of Net Assets** (continued)

|   | <b>FY2012</b>      | <b>FY2011</b>      | <b>FY2010</b>    |
|---|--------------------|--------------------|------------------|
| <b>Net Assets</b>                               |                    |                    |                  |
| Invested in capital assets, net of related debt | \$558,107          | \$591,080          | \$579,068        |
| Unrestricted                                    | 697,319            | 561,585            | 330,251          |
| <b>Total Net Assets</b>                         | <b>\$1,255,426</b> | <b>\$1,152,665</b> | <b>\$909,319</b> |

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

|  | <b>FY2012</b>      | <b>FY2011</b>      | <b>FY2010</b>      |
|--|--------------------|--------------------|--------------------|
| <b>Revenues and Other Income</b>                       |                    |                    |                    |
| Property Taxes   | \$884,351          | \$874,594          | \$880,946          |
| Ambulance Transports, net of uncollectible accounts    | 569,066            | 601,594            | 481,688            |
| Other Revenues   | 9,035              | 11,764             | 6,481              |
| <b>Total Revenues</b>                                  | <b>\$1,462,452</b> | <b>\$1,487,952</b> | <b>\$1,369,115</b> |
| <b>Expenses</b>  |                    |                    |                    |
| Ambulance Operations, excluding uncollectible accounts | \$1,271,065        | \$1,177,782        | \$1,176,305        |
| After Hours Urgent Care (AHUC)                         | 83,595             | 58,755             | 63,954             |
| Interest Expense                                       | 5,031              | 8,069              | 12,133             |
| <b>Total Expenses</b>                                  | <b>\$1,359,691</b> | <b>\$1,244,606</b> | <b>\$1,252,392</b> |
| Change in Net Assets                                   | 102,761            | 243,346            | 116,723            |
| Net Assets, beginning of year                          | 1,152,665          | 909,319            | 792,596            |
| Net Assets, end of year                                | <u>\$1,255,426</u> | <u>\$1,152,665</u> | <u>\$909,319</u>   |

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

- **Capital Assets.** The District's investment in capital assets, amounts to \$634,548 as of June 30, 2012 and \$704,639 as of June 30, 2011 (net of accumulated depreciation).
- **Long-term debt.** At the end of FY2012, the District had a long-term debt outstanding of \$76,441, a decrease of \$37,118 from FY2011. 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

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012 and 2011

### Coast Life Support District's Outstanding Debt

The District's total liabilities increased by \$24,250 during FY2012 and decreased by \$25,049 during FY2011. No new debt was incurred in FY2012 or FY2011.

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

**Introduction.** FY2012 District financial performance reflected a decrease in per-patient reimbursement, and an increase in expenses.

|                           | <u>FY2012</u> | <u>FY2011</u> | <u>FY2010</u> |
|---------------------------|---------------|---------------|---------------|
| Ambulance Transports      | 396           | 382           | 369           |
| Avg. Collection/Transport | \$1,297       | \$1,575       | \$1,305       |

- While ambulance transports increase slightly in FY2012, reimbursement per transport decreased significantly.
- Ambulance operating expenses net of uncollectible accounts increased 7.9%, or about \$93,283, from FY2011 to FY2012.

### 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.
- **FY2012 Income.** We experienced a decrease in total income for FY2012 due to a lower average collections rate, when compared with an increase in FY2011. We believe this is from a higher than normal proportion of patients supported by public programs (Medicare, Medi-Cal).
  - **Patient Mix and Write-offs.** Total write-offs (including both bad debts recorded as bad debt expenses and required write-offs associated with Medicare and Medi-Cal

## COAST LIFE SUPPORT DISTRICT

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012 and 2011

netted against revenue) increased by 11% during FY2012. Medicare and Medi-Cal write-offs also increased 14.2% as a percentage of total write-offs.

- **Collections.** The District continues an aggressive policy toward collections. We have developed a strategy of timing billings to maximize insurance reimbursement, and the average number of patients paying on a monthly plan has decreased from about twenty to about fifteen.

#### Expenses

- **Overview.** Total Expenses for FY2012 and FY2011 increased over their respective previous years. Personnel costs are the primary driver of emergency medical services, and represent seventy percent of the District's budgeted operating expenses. During FY2012, the CLSD Board of Directors authorized a five percent Cost of Living Adjustment for all employees, to reflect increased costs and to stay competitive in the EMS labor market. The COLA and associated increases in labor acceleration costs (e.g. CalPERS, paid time off, etc.) comprised approximately 93% of the annual budgeted expense increase (\$86.4K). Adding to the annual costs was an un-budgeted tax election. The total costs of the election were shared equally between the EMS (ambulance) program and the After Hours Urgent Care (AHUC) program, at \$17.7K each. The remaining aspects of the operational budget remained essentially flat from the previous year.
- **After Hours Urgent Care (AHUC).** Expenses for this program increased during FY2012 by \$17.7K, due to an un-budgeted tax election in April. The purpose of the tax election was to re-define the tax to eliminate the "after hours" requirement to support urgent care with tax funds. Expenses for this program during FY2011 when compared with FY2010, 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 2012, the District had no new capital expenditures. In Fiscal Year 2011, the District had minimal new capital expenditures, continued from approval in the prior year. Some activity was for the "Coastal Tactical Network" described under "Logistics" below.

#### Operational Highlights for Fiscal Year 2012

**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 FY2012, we achieved several milestones

## COAST LIFE SUPPORT DISTRICT

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012 and 2011

remarkable for a small rural EMS operation and enhanced our leadership position in both the local community and the greater EMS professional community. I believe these bear noting, as this is an opportunity for the CLSD Board of Directors to gain an appreciation of their achievements in support of the District mission.

### **Summary:**

CLSD continues to serve as the performance standard for EMS in Sonoma and Mendocino Counties. Our reputation with the community remains at extremely high levels, a position we guard jealously as we provide highly visible emergency medical response. This was reflected in a forty percent EMS tax increase measure passed by the voters in April 2012, with 78.1% of voters supporting the measure.

### **Intra-Organizational Performance**

#### Finance

- Executed annual Ambulance Operations fiscal plan at 92.8% of budget while sustaining District operations, community CPR education, and first responder training programs.
- Convinced the Sonoma County Treasurer, the holder of CLSD tax and patient revenues, to consolidate dozens of accounts into only three for the purposes of budgeting and execution. Also convinced the Treasurer to allow Direct Deposit of CLSD funds into our local bank account, eliminating the inconsistent timing of paper checks for funds transfer.

#### Logistics

- Emergency Response
  - Coastal Tactical Network. Secured a \$220K Homeland Security Funds grant for purchase and implementation of a Coast Command Channel. This is the culmination of five years of effort to design and fund a communications capability that will link MED-120 to first responders throughout the District by handheld and mobile radios. Additional benefits include inter-agency radio communications by handheld and mobile radios in a regional disaster, a capability heretofore only achievable by landline or HAM radio. This capability will be available to District-area fire chiefs, Sheriff, CHP, CalTrans, CalFire, State Parks, and County Parks.
  - HAM Operators Drill. CLSD hosted the third 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

## COAST LIFE SUPPORT DISTRICT

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012 and 2011

- Designated April as Disaster Preparedness Month, and assigned staff for permanent responsibility for annual review and confirmation of all Disaster Plan resources.
- After Hours Urgent Care
  - Coordinated with senior RCMS staff to develop and execute a tax measure information campaign to redefine use of AHUC tax funds, eliminating the “after hours” restriction on use of these funds. The tax measure passed with the support of 89.2% of voters.
  - District leadership continues to play 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
  - With the advent of the American Heart Association's new CPR training protocols, CLSD has become a Certified AHA Training Center. This allows us to train CPR instructors and sponsor CPR training programs conducted elsewhere. We have also developed a 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

- 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. In serving a second term as President, we have developed four strategic imperatives to lead REDCOM into the next decade:
  - Space – relocate or increase dispatch operations spaces to reflect the staffing requirements for the workload doubling of the last ten years.
  - Organization – investigate alternate organizational structures for cost and span of control.
  - Finance – seek alternatives for REDCOM funding to mitigate future increases in member fees.
  - Technology – create a means of forecasting, prioritizing, and budgeting for anticipated technology requirements.
- 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.

## **COAST LIFE SUPPORT DISTRICT**

Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012 and 2011

### **Summary**

Fiscal Year 2012 was financially challenging as patient revenues decreased and staffing costs increased to meet market demand. Further, the lack of a discernable reserve and little optimism for increasing patient revenues painted a bleak near-term financial future. The CLSD Board of Directors met this challenge with the support of the community by increasing the parcel tax by forty percent through a strongly supported ballot measure. This tax increase should allow for building a financial reserve and sustain current operations for five years.

The future holds financial challenges consistent with those of the past, specifically our financial dependence the randomness of emergency response. Further, future development in two significant areas will bear watching as we make financial and operational plans for the coming years: the next generation of healthcare for our community as we study options to 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, 2012 and 2011

|  | <u>2012</u>             | <u>2011</u>             |
|--|-------------------------|-------------------------|
| <b>Assets</b>                                    |                         |                         |
| <i>Current Assets:</i>                           |                         |                         |
| Cash and investments                             | \$ 638,418              | \$ 495,565              |
| Accounts receivable                              | 189,621                 | 139,730                 |
| Less allowance for doubtful accounts             | (37,815)                | (43,372)                |
| Receivable - special and ad valorem taxes        | 34,480                  | 35,572                  |
| Prepaid expenses and other current assets        | 29,357                  | 29,464                  |
| Total Current Assets                             | <u>854,061</u>          | <u>656,959</u>          |
| <i>Property and Equipment:</i>                   |                         |                         |
| Land   | 76,500                  | 76,500                  |
| Buildings, improvements, and equipment           | 1,288,853               | 1,308,737               |
| Less accumulated depreciation                    | (730,805)               | (680,598)               |
| Total Property and Equipment, net                | <u>634,548</u>          | <u>704,639</u>          |
| <br>Total Assets                                 | <br><u>\$ 1,488,609</u> | <br><u>\$ 1,361,598</u> |
| <b>Liabilities</b>                               |                         |                         |
| <i>Current liabilities and capital leases:</i>   |                         |                         |
| Accounts payable                                 | \$ 57,530               | \$ 35,569               |
| Accrued wages and benefits                       | 83,026                  | 43,802                  |
| Accrued interest payable                         | 3,916                   | 3,733                   |
| Cash collected for other entities                | 12,270                  | 12,270                  |
| Current portion of long-term liabilities         | 38,507                  | 36,735                  |
| <br>Total Current Liabilities                    | <br>195,249             | <br>132,109             |
| <i>Long-term liabilities and capital leases:</i> |                         |                         |
| Noncurrent portion of long-term liabilities      | 37,934                  | 76,824                  |
| <br>Total Liabilities                            | <br><u>233,183</u>      | <br><u>208,933</u>      |
| <b>Net Assets</b>                                |                         |                         |
| Invested in capital assets, net of related debt  | 558,107                 | 591,080                 |
| Unrestricted                                     | 697,319                 | 561,585                 |
| <br>Total Net Assets                             | <br><u>1,255,426</u>    | <br><u>1,152,665</u>    |
| <br>Total Liabilities and Net Assets             | <br><u>\$ 1,488,609</u> | <br><u>\$ 1,361,598</u> |

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 years ended June 30, 2012 and 2011

|                                    | <u>2012</u>         | <u>2011</u>         |
|------------------------------------|---------------------|---------------------|
| <b>Operating Revenue</b>           |                     |                     |
| Ambulance billings                 | \$ 715,929          | \$ 753,270          |
| Other operating income             | 4,882               | 2,814               |
| Total Operating Revenues           | <u>720,811</u>      | <u>756,084</u>      |
| <br><b>Operating Expenses</b>      |                     |                     |
| <i>Ambulance services</i>          |                     |                     |
| Salaries                           | 745,546             | 701,359             |
| Employee benefits                  | 253,539             | 211,292             |
| Insurance                          | 10,941              | 14,200              |
| Office expense                     | 5,487               | 5,607               |
| Professional expenses              | 56,766              | 57,412              |
| Dispatch services                  | 15,709              | 15,672              |
| Travel                             | 83                  | 1,158               |
| Vehicle expense                    | 52,446              | 62,483              |
| Crew housing expenses              | 25,100              | 21,439              |
| Training expense                   | 13,292              | 14,667              |
| Uncollectible accounts             | 146,863             | 151,676             |
| Election expense                   | 17,768              | --                  |
| Other                              | 4,297               | 6,040               |
| Depreciation                       | 70,091              | 66,453              |
| Total Ambulance Services           | <u>1,417,928</u>    | <u>1,329,458</u>    |
| <br><i>After hours urgent care</i> |                     |                     |
| Salaries and benefits              | 31,741              | 26,193              |
| Election expense                   | 17,768              | --                  |
| Other services and supplies        | 34,086              | 32,562              |
| Total After hours urgent care      | <u>83,595</u>       | <u>58,755</u>       |
| <br>Total Operating Expenses       | <u>1,501,523</u>    | <u>1,388,213</u>    |
| <br>Operating Income (Loss)        | <u>(780,712)</u>    | <u>(632,129)</u>    |
| <br><b>Other Income (Expense)</b>  |                     |                     |
| Special and ad valorem taxes       | 884,351             | 874,594             |
| Grant revenue                      | --                  | 4,250               |
| Interest income                    | 3,423               | 1,462               |
| Interest expense                   | (5,031)             | (8,069)             |
| Donations                          | 730                 | 3,238               |
| Total Other Income (Expense)       | <u>883,473</u>      | <u>875,475</u>      |
| <br>Change in net assets           | 102,761             | 243,346             |
| Net Assets, Beginning of Year      | <u>1,152,665</u>    | <u>909,319</u>      |
| <br>Net Assets, End of Year        | <u>\$ 1,255,426</u> | <u>\$ 1,152,665</u> |

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

**COAST LIFE SUPPORT DISTRICT**

Statement of Cash Flows  
For the years ended June 30, 2012 and 2011

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                            |                   |                   |
| Cash received from ambulance services                                  | \$ 513,618        | \$ 602,361        |
| Cash received from other services                                      | 4,882             | 2,814             |
| Cash payments to suppliers for goods and services                      | (231,675)         | (224,307)         |
| Cash payments to employees for services                                | (738,063)         | (709,784)         |
| Cash payments for payroll taxes and employee benefits                  | (253,539)         | (211,292)         |
| Net Cash Provided (Used) by Operating Activities                       | <u>(704,777)</u>  | <u>(540,208)</u>  |
| <b>Cash Flows from Non-Capital Financing Activities</b>                |                   |                   |
| Property taxes and special assessments received                        | 885,443           | 870,756           |
| Grant Revenue  | --                | 4,250             |
| Donation received  | 730               | 3,238             |
| Cash collected for (paid to) other entities                            | --                | 2,593             |
| Net Cash Provided by Noncapital Financing Activities                   | <u>886,173</u>    | <u>880,837</u>    |
| <b>Cash Flows from Capital and Related Financing Activities</b>        |                   |                   |
| Acquisition / disposition of capital assets                            | --                | (6,421)           |
| Interest paid - long-term debt   | (4,848)           | (8,069)           |
| Principal paid - long-term debt  | (37,118)          | (72,044)          |
| Net Cash Provided (Used) from Capital and Related Financing Activities | <u>(41,966)</u>   | <u>(86,534)</u>   |
| <b>Cash Flows from Investing Activities</b>                            |                   |                   |
| Interest received  | <u>3,423</u>      | <u>1,462</u>      |
| Net Increase (Decrease) in Cash and Cash Equivalents                   | 142,853           | 255,557           |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                   | <u>495,565</u>    | <u>240,008</u>    |
| <b>Cash and Cash Equivalents - End of Year</b>                         | <u>\$ 638,418</u> | <u>\$ 495,565</u> |

(continued)

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, 2012 and 2011

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities</b> |                     |                     |
| Operating income (loss)   | \$ (780,712)        | \$ (632,129)        |
| Adjustment to reconcile operating loss to net cash provided by operating activities:          |                     |                     |
| Depreciation and amortization   | 70,091              | 66,453              |
| Change in assets and liabilities:   |                     |                     |
| (Increase) decrease in accounts receivable  | (55,448)            | 767                 |
| (Increase) decrease in other current assets   | 107                 | (19,701)            |
| Increase (decrease) in accounts payable   | 21,961              | 26,634              |
| Increase (decrease) in accrued wages & benefits   | 39,224              | 17,768              |
| Net Cash Provided by Operating Activities   | <u>\$ (704,777)</u> | <u>\$ (540,208)</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, 2012 and 2011

### 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.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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's 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

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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.

#### *Receivable – special and ad valorem taxes*

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

#### *Prepaid Expenses and Other Current Assets*

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

#### *Capital Assets*

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

|                           |               |
|---------------------------|---------------|
| Building and Improvements | 30 years      |
| Equipment                 | 5 to 10 years |

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

#### *Cash Collected for Other Entities*

The District collects cash donations for the maintenance and operation of the Automated Weather Observation System (AWOS) at the Sea Ranch airport. The District

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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 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. Balances as of June 30, 2011 have been reclassified to conform to this presentation.

#### 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.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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.

#### 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.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### **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<br>Second installment – February 1 |
| Delinquent date: | First installment – December 10<br>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 and submitted to the District three times per 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. On April 10, 2012, the voters approved, with immediate effect, a measure repealing the existing tax of \$32 per unit of benefit per year and replacing it with a new tax of \$44 per unit of benefit per year for the same purpose. In June 1997 the voters in the District also approved a special tax to fund after hour urgent care availability for the residents of the District. On April 10, 2012, the votes approved a measure broadening the purpose of this tax by dropping the “after hours” restriction, but with no change to the tax rate. The special tax for urgent care is assessed at the rate of \$18 for undeveloped parcels, and \$36 for developed parcels.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### 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:

|                  | <u>2012</u>       | <u>2011</u>       |
|------------------|-------------------|-------------------|
| Mendocino County | \$ 520,959        | \$ 518,569        |
| Sonoma County    | <u>363,392</u>    | <u>356,025</u>    |
| Total            | <u>\$ 884,351</u> | <u>\$ 874,594</u> |

#### 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, 2012 and 2011:

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| <b>Cash on hand and in checking accounts</b> | \$ 93,380         | \$ 43,356         |
| <b>Investments</b>                           |                   |                   |
| Cash in Sonoma County Treasury               | <u>545,038</u>    | <u>452,209</u>    |
| <b>Total Cash and Investments</b>            | <u>\$ 638,418</u> | <u>\$ 495,565</u> |

#### **Deposits**

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

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### 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, 2012, approximately 26% of the investment pool consisted of securities issued by federal agency issuers such as Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank. The extent of involuntary participation in the Sonoma County Treasurer's pool is estimated at 23%. The fair value of the District's position in the Sonoma County Treasurer's pool is approximately equivalent to the value of the pool shares.

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

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

**Note 3. CAPITAL ASSETS**

A summary of changes in property and equipment and the related accumulated depreciation for the years ended June 30, 2012 and 2011 is as follows:

|                           | <u>Balance</u><br><u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u><br><u>June 30, 2012</u> |
|---------------------------|--|------------------|--------------------|--|
| Land                      | 76,500                                 | -                | -                  | 76,500                                 |
| Building and Improvements | 679,524                                | -                | -                  | 679,524                                |
| Less Accumulated          |  |                  |                    |  |
| Depreciation              | (237,863)                              | (22,651)         | -                  | (260,514)                              |
| Equipment                 | 629,213                                | -                | (19,884)           | 609,329                                |
| Less Accumulated          |  |                  |                    |  |
| Depreciation              | <u>(442,735)</u>                       | <u>(47,440)</u>  | <u>19,884</u>      | <u>(470,291)</u>                       |
| Totals                    | <u>704,639</u>                         | <u>(70,091)</u>  | <u>-</u>           | <u>634,548</u>                         |

|                           | <u>Balance</u><br><u>June 30, 2010</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u><br><u>June 30, 2011</u> |
|---------------------------|--|------------------|--------------------|--|
| 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              | <u>(398,932)</u>                       | <u>(43,803)</u>  | <u>-</u>           | <u>(442,735)</u>                       |
| Totals                    | <u>764,671</u>                         | <u>(60,032)</u>  | <u>-</u>           | <u>704,639</u>                         |

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### 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, 2012 were \$13,057 and interest paid was \$1,500. Principal payments during the fiscal year ended June 30, 2011 were \$11,900 and interest paid was \$2,657. 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, 2012 were \$1,642 and interest paid was \$183. Principal payments during the fiscal year ended June 30, 2011 were \$1,692 and interest paid was \$290. 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<br>at June 30, 2011 | (80,527)         | (4,806)       | (85,333)     |
| Remaining Book Value at<br>June 30, 2011          | 34,512           | 3,676         | 38,188       |
| Less 2012 Depreciation                            | (11,504)         | (1,696)       | (13,200)     |
| Remaining Book Value at<br>June 30, 2012          | \$ 23,008        | \$ 1,980      | \$ 24,988    |

**COAST LIFE SUPPORT DISTRICT**

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

**Note 4. CAPITAL LEASES (continued)**

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

| Year Ended June 30: | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|---------------------|------------------|-----------------|------------------|
| 2013                | \$ 15,079        | \$ 1,460        | \$ 16,539        |
| 2014                | <u>13,452</u>    | <u>1,060</u>    | <u>14,512</u>    |
| Totals              | <u>\$ 28,531</u> | <u>\$ 2,520</u> | <u>\$ 31,051</u> |

**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 | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2013               | \$ 23,428        | \$ 2,156        |
| 2014               | <u>24,482</u>    | <u>1,102</u>    |
| Totals             | <u>\$ 47,910</u> | <u>\$ 3,258</u> |

## COAST LIFE SUPPORT DISTRICT

### Notes to the Basic Financial Statements For the Years Ended June 30, 2012 and 2011

#### Note 5. LONG-TERM LIABILITIES (continued)

Changes in the District's long-term obligations during the years ended June 30, 2012 and 2011 were as follows:

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

|                      | Balance<br>June 30,<br>2010 | Additions   | Reductions       | Balance<br>June 30,<br>2011 | Amount<br>Due in<br>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                        |
|                      | <u>\$ 185,603</u>           | <u>\$ -</u> | <u>\$ 72,044</u> | <u>\$ 113,559</u>           | <u>\$ 36,735</u>             |

#### 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.

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### Note 6. OPERATING LEASE (continued)

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

| <u>Year</u>                    | <u>Total Lease Payments</u> |
|--------------------------------|-----------------------------|
| 2013                           | \$ 2,690                    |
| 2014                           | 2,719                       |
| 2015                           | <u>2,751</u>                |
| Total remaining lease payments | <u>\$ 8,160</u>             |

### 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 two members (one as of June 30, 2011) 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, 2012 and 2011

### **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, 2010 to June 30, 2012. The District contributed 15.716 percent of reportable earnings for the miscellaneous plan from July 1, 2011 to June 30, 2012 and 13.616 percent from July 1, 2010 to June 30, 2011. The District contributed 18.618 percent for the reportable earnings for the safety plan from July 1, 2011 to June 30, 2012 and 15.164 percent from July 1, 2010 to June 30, 2011. The annual pension cost to the District was \$104,861 and \$71,400 for the years ended June 30, 2012 and 2011, respectively, and is equal to the required contributions for each year. There is no pension obligation at June 30, 2012 and June 30, 2011.

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, 2012 and 2011

**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 2012 and the three preceding fiscal years are presented below:

|   | June 30,         |                 |                 |                 |
|---|------------------|-----------------|-----------------|-----------------|
|   | 2012             | 2011            | 2010            | 2009            |
| Annual required contribution                          | \$ 104,861       | \$ 71,400       | \$ 77,615       | \$ 84,880       |
| Interest on net pension obligation (asset)            | --               | --              | --              | --              |
| Adjustment to annual required contribution            | --               | --              | --              | --              |
| Annual pension cost                                   | 104,861          | 71,400          | 77,615          | 84,880          |
| Contributions made                                    | <u>(104,861)</u> | <u>(71,400)</u> | <u>(77,615)</u> | <u>(84,880)</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, 2009 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, 2009  |
| Actuarial Cost Method      | Entry age normal cost method   |
| Amortization Method        | Level percent of payroll   |
| Average Remaining Period   | 17-18 Years as of the valuation date   |
| Asset Valuation Method     | 15 Year smoothed market  |
| Actuarial Assumptions      |  |
| Investment Rate of Return  | 7.75% (net of administrative expenses)   |
| Projected Salary Increases | 3.55% to 14.45% depending on age, service and type of employment   |
| Inflation                  | 3.00%  |
| Payroll Growth             | 3.25%  |
| Individual Salary Growth   | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%. |

## COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011

### 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, 2012 and 2011 are as follows:

| <u>Fiscal Year</u> | <u>Base Limit</u> | <u>Cost-of-living<br/>Factor</u> | <u>Population<br/>Factor</u> | <u>Appropriations<br/>Limit For Year</u> |
|--------------------|-------------------|----------------------------------|------------------------------|--|
| 2010-11            | \$ 1,031,461      | 0.9746                           | 1.0174                       | \$ 1,022,753                             |
| 2011-12            | 1,022,753         | 1.0097                           | 1.0251                       | 1,058,594                                |

The appropriations limit for both years ended June 30, 2012 and 2011 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, 2012 and 2011

### **Note 9. 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 10. AFTER HOURS URGENT CARE SERVICE**

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

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.

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

### **Note 11. CONTRACTUAL COMMITMENTS.**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2012

**Funding Progress of Pension Plan**

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

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

| 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>        |                               |   |                           |                    |                     |   |
| 6/30/2008                       | \$ 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%   |
| 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%   |
| <u>Miscellaneous Plan Pool:</u> |                               |   |                           |                    |                     |   |
| 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%   |
| 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%   |

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2012

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 Pool Administered by CalPERS**

| Actuarial<br>Valuation<br>Date  | Actuarial Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL) -<br>Entry Age<br>(b) | Unfunded AAL<br>(UAAL)<br>(b-a) | Funded Ratio<br>(a/b) | Covered Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>((b-a)/c) |
|---------------------------------|-------------------------------------|--|---------------------------------|-----------------------|------------------------|---|
| <u>Safety Plan Pool:</u>        |                                     |  |                                 |                       |                        |   |
| 6/30/2011                       | \$ 1,373,864                        | \$ 1,608,351   | \$ 234,487                      | 85.4%                 | \$ 438,692             | 53.5%   |
| <u>Miscellaneous Plan Pool:</u> |                                     |  |                                 |                       |                        |   |
| 6/30/2011                       | \$ 138,707                          | \$ 180,988   | \$ 42,281                       | 76.6%                 | \$ 49,949              | 84.6%   |

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

| Year Ended | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|------------|------------------------------------|---------------------------|
| 6/30/2009  | \$ 84,880                          | 100%                      |
| 6/30/2010  | 77,615                             | 100%                      |
| 6/30/2011  | 71,400                             | 100%                      |
| 6/30/2012  | 104,861                            | 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, 2011   |
| Actuarial Cost Method      | Entry age normal cost method  |
| Amortization Method        | Level percent of payroll  |
| Average Remaining Period   | 20 Years as of the valuation date                                   |
| Asset Valuation Method     | 15 Year smoothed market   |
| Investment Rate of Return  | 7.50% (net of administrative expenses)                              |
| Projected Salary Increases | 3.55% to 14.45% depending on age,<br>service and type of employment |

**COAST LIFE SUPPORT DISTRICT**

Required Supplementary Information--Unaudited  
For the Year Ended June 30, 2012

**Actuarial Assumptions** (continued)

|                          |  |
|--------------------------|--|
| 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*

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### **Reissued 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 the accompanying basic financial statements of the Coast Life Support District (the "District"), as of June 30, 2012 and for the year then ended and have issued our report thereon dated March 15, 2013. 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 previously. However, we identified a certain deficiency in internal control over financial reporting, described in the

The Board of Directors of the  
Coast Life Support District

accompanying Schedule of Findings and Responses as item 2012-1, that we consider to be a significant deficiency 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.

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

March 15, 2013 except for the Schedule of Findings and Responses and the identification of no material weaknesses, as to which the date is April 11, 2013

## **COAST LIFE SUPPORT DISTRICT**

### Schedule of Findings and Responses For the Year Ended June 30, 2012

#### **Finding 2012-1: Verification of Online Billpay Transactions**

##### **Criteria**

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

##### **Condition**

The District implemented an online billpay procedure at the beginning of the current audit period. Under the procedure, the Business Manager enters the payment orders in the online billpay system and then furnishes both a list of bills paid from the billpay system and a list of bills entered into the QuickBooks accounting software to the Operations Manager. The Operations Manager then reconciles the two lists.

##### **Cause**

The procedure implemented is new for this audit period. It is efficient for the business manager to provide both lists at the end of the billpay process.

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

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

##### **Recommendation**

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

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

Concur. The Operations Manager will obtain the list of bills paid online directly from the billpay service and use this list to reconcile to the QuickBooks list provided by the Business Manager.