

**COAST LIFE SUPPORT DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2017

COAST LIFE SUPPORT DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

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LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business activities and fund information which comprise the basic financial statements of Coast Life Support District as of and for the fiscal year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities and fund information of the Coast Life Support District as of June 30, 2017, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8, and the District's Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 22-23; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

We have also issued our report dated December 19, 2017 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

A handwritten signature in black ink, appearing to read "Larry Bain".

Larry Bain, CPA
An Accounting Corporation

December 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Coast Life Support District ("the District", or "CLSD") offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Year ending June 30, 2017.

Financial Highlights

I. High level of ambulance transports over previous years continues.

During FY2006/07 through FY14/15, CLSD averaged 417 ambulance transports per year. In FY16 however, there were 489 transports and 508 in FY17. The volume of transports in these last two fiscal years has increased by 15% and 18% respectively over the previous averaged years.

	<u>FY2017</u>	<u>FY2016</u>	<u>FY07-15</u>
Number of ambulance transport	508	489	417

II. An additional revenue source was received in FY 17 but is likely to be phased out after 2018

CLSD was able to collect \$139,790 from the Intergovernmental Transfer (IGT) fund. These funds come from the Partnership Health Plan and pays public ambulance providers additional Medi-Cal revenues to offset previously unreimbursed costs for serving Medi-Cal plan members. It is reported that this revenue source will be phasing out after a reduced reimbursement in FY18, but details of the phase out have not been announced.

III. Ambulance billings now are timely and the agency is able to monitor Accounts Receivables appropriately.

In FY17 ambulance billings are timely and remain current. We have been able to reduce our accounts receivables as well as track our accounts receivables on a regular basis.

FY16 Financial management of CLSD was impacted by a number of key changes that delayed the billings of patient charges due to staff retirements; an irreversible billing software malfunction; and outsourcing of the billing process. Further delay was encountered (3 months) for Medicare to process the reassignment of the CLSD National Provider Identifier (NPI) to the outsourced billing services. These changes resulted in a seven-month delay in billing for ambulance transports. All of these financial management challenges were resolved.

MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. Operating Costs for FY 17 increased slightly over those for FY 16 but were expected with the increased volume of 911-dispatched calls and increased ambulance transports.

During FY17, there was a 6% increase in 911-dispatched calls to the District (FY16 there were 976 dispatched calls compared to 1037 in FY17 and resulted in an additional 19 transports). The costs for ambulance services understandably increased the same percentage from \$1,401,744 in FY16 to \$1,515,072 in FY17. Urgent Care expenses remained consistent from previous FYs at \$647,437.

V. Net position has increased.

The total net position as presented in the Statement of Net Position at the conclusion of FY17 is \$2,063,291, or an increase of \$435,988 from the beginning of the year's net position of \$1,627,303. This change comes primarily from the cumulative effect of pension accounting rules related to future pension liabilities. Our net position consists of the net investment in capital assets and our unrestricted reserves. Last year our unrestricted reserves were significantly reduced because of future pension liabilities. This year our unrestricted reserves rose due to how pension liabilities were calculated. CLSD is unable to predict how those calculations will impact its Net Position in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

1. *Basic Financial Statements*: the basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.
 - a. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets and equity. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
 - b. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only 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 9-11 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 12-21 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 22-23 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	FY2017	FY2016	FY2015
<u>Assets and Deferred Outflows</u>			
Assets			
Current assets	\$ 1,956,802	\$ 1,375,457	\$ 1,345,601
Capital assets	718,718	732,090	655,215
Other noncurrent assets		133,154	136,946
Total Assets	\$ 2,675,520	\$ 2,240,701	\$ 2,137,762
Deferred Outflows of Resources	246,085	142,431	106,965
Total Assets and Deferred Outflows	\$ 2,921,605	\$ 2,383,132	\$ 2,244,727
<u>Liabilities and Deferred Inflows</u>			
Liabilities			
Current liabilities	\$ 167,936	\$ 188,563	\$ 287,362
Long-term liabilities	670,814	524,566	507,883
Total liabilities	\$ 838,750	\$ 713,129	\$ 795,245
Deferred Inflows of Resources	19,564	42,700	157,158
Total Liabilities and Deferred Inflows	\$858,314	\$755,829	\$952,403
<u>Net position</u>			
Net investment in capital assets	\$ 625,318	\$ 613,533	\$ 655,215
Unrestricted	1,437,973	1,013,770	637,109
Total net position	\$ 2,063,291	\$ 1,627,303	\$ 1,292,324

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	FY2017	FY2016	FY2015
<u>Revenues and other income</u>			
Property taxes	\$ 1,581,144	\$ 1,572,100	\$ 1,548,678
Ambulance transports, net of uncollectible accounts	985,023	619,933	863,823
Other income	42,735	4,874	11,450
Total revenues and other income	\$ 2,608,902	\$ 2,196,907	\$ 2,423,951
<u>Expenses</u>			
Ambulance operations, excluding uncollectible accounts	\$ 1,515,072	\$ 1,401,744	\$ 1,410,013
Urgent care	647,437	640,072	651,305
Interest expense	4,008	3,138	465
Total expenses	\$ 2,166,517	\$ 2,044,954	\$ 2,061,783
Change in net position	\$ 442,385	\$ 151,953	\$ 362,168
Net position, beginning of year, original	1,627,303	1,292,324	1,497,151
Cumulative effect of prior year adjustments	(6,397)	183,026	(566,995)
Net position, beginning of year, restated	1,620,906	1,475,350	930,156
Net position, end of year	\$ 2,063,291	\$ 1,627,303	\$ 1,292,324

- At the close of FY2017, the District's single proprietary fund reported combined ending net position of \$2,063,291, an increase of \$435,988 in comparison with the prior year. Unrestricted net position (\$1,437,973) is comprised of all District assets less District liabilities, except for the capital assets owned by the District which are used in operations and unavailable for spending.
- The District's total liabilities increased \$125,621 to \$838,750 during FY2017, primarily as a result of a change in the accounting method used for calculating the District's proportionate share of the net pension liability and related deferred items.
- At the close of FY2016, the District's single proprietary fund reported combined ending net position of \$1,627,303, an increase of \$334,979 in comparison with the prior year. Unrestricted net position at June 30, 2016 (\$1,013,770) was comprised of all District assets less District liabilities, except for the capital assets owned by the District which are used in operations and unavailable for spending.
- The District's total liabilities decreased \$82,116 to \$713,129 during FY2016, primarily as a result of a reduction in accounts payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

- **Capital Assets.** During FY2017, the District acquired three power gurneys at a capitalized cost of \$41,872 and a CPR defibrillator/monitor for a capitalized cost of \$21,514. During FY2016, the District acquired a new ambulance at a capitalized cost of \$136,609.
- **Long-term debt.** The District financed its new ambulance purchase in FY2016 with a capital lease, which increased long-term liabilities outstanding as of the end of FY2016 by \$93,401. However, this was offset by a decrease in the net pension obligation of \$76,718 due to a change in the calculation of the District's proportion of the total pool liability. During the FY 2017 the District paid off \$25,157 of the capital lease, however the net pension liability increased \$142,350 during FY2017.

REQUEST FOR INFORMATION

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

COAST LIFE SUPPORT DISTRICT

STATEMENT OF NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Current Assets:	2017
Cash and investments	\$ 1,282,231
Accounts receivable	478,582
Less allowance for doubtful accounts	(219,254)
Receivable - special and ad valorem taxes	11,401
Due from other governments	349,914
Prepaid expenses and other current assets	53,928
Total Current Assets	1,956,802
Property and Equipment:	
Land	76,500
Buildings, improvements, and equipment	1,445,926
Less accumulated depreciation	(803,708)
Total Property and Equipment, net	718,718
Total Assets	2,675,520
Deferred Outflows of Resources	
Deferred outflows related to pensions	246,085
Total Assets and Deferred Outflows of Resources	\$ 2,921,605
Liabilities	
Current Liabilities:	
Accounts payable	\$ 102,190
Accrued wages and benefits	39,632
Cash collected for other entities	
Compensated absences	14,805
Capital lease, current portion	26,114
Total Current Liabilities	182,741
Long-term Liabilities:	
Compensated absences	15,209
Capital lease, long-term portion	67,286
Net pension liability, long-term portion	573,515
Total Liabilities	838,750
Deferred Inflows of Resources	
Deferred inflows related to pensions	19,564
Net Position	
Net investment in capital assets	625,318
Unrestricted	1,437,973
Total Net Position	2,063,291
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,921,605

The notes to financial statements are an integral part of this statement

COAST LIFE SUPPORT DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue	2017
Ambulance billings	\$ 806,753
IGT ambulance transports	139,790
GEMT ambulance transports	38,480
Other operating income	42,586
Total Operating Revenues	<u>1,027,609</u>
Operating Expenses	
<i>Ambulance services</i>	
Salaries	812,611
Employee benefits	275,390
Insurance	16,259
Office expense	5,398
Professional expenses	148,580
Dispatch services	32,216
Travel	2,438
Vehicle expense	70,476
Crew housing expenses	46,856
Training expense	15,563
Other	12,526
Depreciation	76,759
Total Ambulance Services	<u>1,515,072</u>
<i>Urgent care</i>	
Salaries and benefits	22,681
UC Contract	624,756
Total Urgent care	<u>647,437</u>
Total Operating Expenses	<u>2,162,509</u>
Operating Income (Loss)	<u>(1,134,900)</u>
Other Income (Expense)	
Special and ad valorem taxes	1,581,144
Interest income	149
Interest expense	(4,008)
Total Other Income (Expense)	<u>1,577,285</u>
Change in net position	<u>442,385</u>
Net Position, Beginning of Year	1,627,303
Prior period adjustment	(6,397)
Net Position, Beginning of Year, as Restated	<u>1,620,906</u>
Net Position, End of Year	<u><u>\$ 2,063,291</u></u>

The notes to financial statements are an integral part of this statement

COAST LIFE SUPPORT DISTRICT

STATEMENT OF CASH FLOWS JUNE 30, 2017

Cash flows from operating activities:	2017
Cash receipts from customers	\$ 810,476
Cash payments to suppliers for goods and services	(1,026,613)
Cash payments to employees for services and benefits	(1,090,756)
Net cash provided by (used in) operating activities	<u>(1,306,893)</u>
Cash flows from noncapital and related financing activities:	
Proceeds from property tax and assessments	1,668,955
Net cash provided by noncapital financing activities	<u>1,668,955</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(25,157)
Interest paid	(4,008)
Additions to capital assets	(63,386)
Net cash used in capital and related financing activities	<u>(92,551)</u>
Cash flows from investing activities:	
Interest received on investments	150
Net increase (decrease) in cash and cash equivalents	269,661
Cash and cash equivalents, beginning of year	997,765
Cash and cash equivalents, end of year	<u>\$ 1,267,426</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents	\$ 1,282,231
Cash and cash equivalents, June 30	<u><u>\$ 1,282,231</u></u>
Reconciliation of operating income (loss) to	
net cash provided by operating activities	
Operating Income (Loss)	\$(1,134,900)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	76,759
Changes in assets and liabilities:	
Accounts receivable	171,997
Allowance for doubtful accounts	(273,415)
Due from other governments	(115,715)
Prepaid expenses	(51,237)
Accounts payable	(308)
Accrued wages and benefits	13,404
GASB 68-pension adjustments	15,560
Compensated absences	(9,038)
Net Cash Provided By Operating Activities	<u><u>\$(1,306,893)</u></u>

The notes to financial statements are an integral part of this statement

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 1: Summary of Significant Accounting Policies

The District was established in 1986 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. In 1997, the District's scope was increased to fill the need to financially support local health care facilities. The District now collects tax revenue and provides urgent care through a contract with Redwood Coast Medical Services (RCMS). It is operated under the direction of a seven-member board duly elected and empowered by the electorate with sole authority over the District operations.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with U.S. generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB. Based upon the aforementioned oversight criteria, the District will report no component units.

B. Proprietary Fund Accounting

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund.

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

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied. This is a basis of accounting that conforms to accounting principles generally accepted in the United States of America.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net investment in capital assets-This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted-This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of "restricted" or "investment in capital assets."

F. Account Receivables

A provision for doubtful accounts has been established because the District incurs significant write-offs of billed Receivables. The District accepts payments by Medicare and Medi-Cal as required by law. Such acceptances 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 receivable billed directly to the ambulance customers are deemed uncollectible, they are submitted to a collection agency and written off as bad debt at that time. The District reviews actual collections of its ambulance receivables after the end of the year. The allowance for doubtful accounts is based on the amounts written off after year-end, plus estimates of future write-offs, for items that were included in the receivable balance as of June 30.

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements

June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

G. 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.

H. Due from Other Governments

The receivables represents amounts owed to the District under the Ground Emergency Medical Transport (GEMT) and Intergovernmental Transfer (IGT) programs, for supplemental reimbursement under California's state MediCal program.

I. Compensated Absences

Compensated absences represent the vested portion of accumulated paid time off (PTO). The maximum an accumulated balance an employee may carry is the most recent twenty-four month period. Upon the termination of employment, employees will be paid any unused PTO benefits.

J. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available. Capital assets include land, buildings, water system, equipment, office furniture and vehicles. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and the expected useful life exceeds 3 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Building and improvements	30 years
Equipment and Infrastructure	5-10 years

K. Property Tax

The District receives property taxes and special taxes from Sonoma and Mendocino Counties, which have been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two instalments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on delinquent taxes. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

The special tax is a type of flat charge applied to each parcel of property within the District, regardless of the property value. A special tax approved by the voters in the District on April 10, 2012 established the current tax of \$44 per unit of benefit per year for emergency services. In June 1997 the voters in the District also approved a special tax to fund after hour urgent care availability for the residents of the District at the rate of \$18 for undeveloped parcels, and \$36 for developed parcels. On April 10, 2013, the voters approved a measure broadening the purpose of this tax by dropping the "after hours" restriction with the intention that the tax also be used to provide daytime urgent care services, but with no change to the tax rate. In April 2014, voters in the District passed Measure J authorizing an increase in the special tax for urgent care up to a maximum of \$74 per unit of benefit.

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 2: Cash and Investments

Cash and investments are reported on the balance sheet as follows:

Cash and investments	\$ 1,282,231
Total cash and investments	<u>\$ 1,282,231</u>

Cash and investments at June 30, 2017, consisted of the following:

Checking	\$ 1,250,968
Petty cash	12
County Cash	31,251
Total cash and investments	<u>\$ 1,282,231</u>

The District maintains investments with the Sonoma County Treasurer in an investment pool. The District's funds are managed in accordance with the investment policy of the County Treasury. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and investment risk can be found in the County's financial statements. The Solano County's financial statements may be obtained by contacting the County of Sonoma Auditor-Controller's office at 585 Fiscal Drive Room 100, Santa Rosa, California 95403.

Required disclosures for the District's investment in Sonoma County Investment Pool at June 30, 2017 are:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Solano County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Property, Plant and Equipment

Activity for general fixed assets capitalized by the District for the year ended June 30, 2017 is summarized below:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017
Capital assets not being depreciated				
Land	\$ 76,500	\$ -	\$ -	\$ 76,500
Total capital assets, not being depreciated	76,500	-	-	76,500
Capital assets, being depreciated				
Buildings	744,099			744,099
Equipment	638,441	63,386		701,827
Total capital assets, being depreciated	1,382,540	63,386		1,445,926
Less accumulated depreciation:	(726,949)	(76,759)	-	(803,708)
Total capital assets, being depreciated, net	655,591	(13,373)	-	642,218
Total capital assets, net	<u>\$ 732,091</u>	<u>\$ (13,373)</u>	<u>\$ -</u>	<u>\$ 718,718</u>

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 4: Long-Term Liabilities

A summary of the changes in the District's long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2017.

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due Within One Year
Compensated absences	\$ 28,106	\$ 31,516	\$ (29,609)	\$ 30,013	\$ 14,805
Net pension liability	431,165	142,350		573,515	-
Capital Lease	118,557	-	(25,157)	93,400	26,114
Total	<u>\$ 577,828</u>	<u>\$ 173,866</u>	<u>\$ (54,766)</u>	<u>\$ 696,928</u>	<u>\$ 40,919</u>

Capital Lease

On November 2, 2015, the District entered into a lease agreement with the Government Capital Corporation the purpose of acquiring an ambulance. The District capitalized \$142,529, of which \$132,431 was financed with a capital lease. The effective annual interest rate per year on the capital lease is 3.742 %. The cost of the leased asset and the accumulated depreciation attributable to it is as follows:

	Ambulance
Cost	\$ 142,529
Less Accumulated Depreciation	(22,567)
Remaining Book Value at June 30, 2017	<u>\$ 119,962</u>

The future minimum lease payments until expiration of the lease are presented below:

Minimum Lease Payments	
2017-2018	\$ 29,164
2018-2019	29,164
2019-2020	29,164
2020-2021	14,582
Less interest	(8,674)
Present Value of Remaining Payments	<u>\$ 93,400</u>

Note 5: Line of Credit

The District had a line of credit of up to \$250,000 with a current interest rate of 5% available at Exchange Bank. As of June 30, 2017 the line of credit balance was \$0.

Note 6: 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 purchases commercial insurance to cover the risk of loss. The District pays an annual premium for its general insurance coverage

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits and new employees are eligible to retire at age 57. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Safety Classic Plan</u>	<u>Safety Pepra Plan</u>	<u>Miscellaneous-Pepra</u>
	Prior to	On or after	On or after
	January 1, 2013	January 1, 2013	January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.7% @ 57	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	52-57	57-62
Monthly benefits, as a % of eligible compensation	1.5% to 2.0%	2.2% to 2.7%	1% to 2%
Required employee contribution rates	7.0%	9.500%	6.25%
Required employer contribution rates	12.055%	9.418%	6.25%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	98,660
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COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Safety Fire and Miscellaneous Plans	\$ 573,515

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

Safety and Misc Plans

Proportion - June 30, 2015	0.00628%
Proportion - June 30, 2016	0.00662%
Change - Increase (Decrease)	0.00035%

For the year ended June 30, 2017, the District recognized pension expense of \$31,897. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,730)
Changes of assumptions		(17,834)
Net difference between projected and actual earnings on pension plan investments	73,269	
Changes in proportion	22,658	
Changes in contributions and proportionate share of contributions	51,498	
District contributions subsequent to the measurement date	98,660	-
Total	<u>\$ 246,085</u>	<u>\$ (19,564)</u>

\$98,660 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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

Measurement Period	
Ended June 30:	
2018	\$ 36,232
2019	31,410
2020	41,383
2021	18,836
2022	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.50%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Allocation	Years 1-10 (1)	Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43
Inflation Sensitive	6%	0.45%	3.36
Private Equity	10%	6.83%	6.95
Real Estate	10%	4.50%	5.13
Infrastructure and Forestland	2%	4.50%	5.09
Liquidity	2%	-0.55%	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% PERS 6.65%	Current Discount Rate PERS 7.65%	Discount Rate +1% PERS 8.65%
Safety and Misc Plans	\$ 742,321	\$ 573,515	\$ 218,031

Note 8: Gann Limit

Proceeds subject to the limit for 2016-17	\$ 1,581,293
Amount of limit for 2016-17	1,983,632
Amount (under)/over the limit	<u>\$ (402,339)</u>

Per Capita Percentage Change	5.37%
Population Change*	0.53%

* Net of exclusions for correctional institution

COAST LIFE SUPPORT DISTRICT

Notes to the Financial Statements June 30, 2017

Note 9: Contractual Commitments/Urgent Care Service

In April 2014, voters in the District passed Measure J authorizing a special tax for urgent care at a maximum of \$74 per unit of benefit. In May 2014, the District entered into a contract with Redwood Coast Medical Services (RCMS) to provide urgent care services to the community for 10 hours each day, seven days per weeks for a five-year period beginning July 1, 2015 and ending June 30, 2019. The total contract amount is \$624,739 for the first year, with amounts for successive years to be negotiated by the parties. Equal payments to RCMS will be made monthly as the contract period progresses.

Note 10: Prior Year Adjustments

A prior period adjustment was recorded reducing beginning net position \$17,111 to account for changes in the prior year receivables balance. A prior period adjustment was made increasing beginning net position \$10,714 for 2015/16 dispatch services received from Sonoma County for in 2016/17 that should have been recognized as accounts receivable at June 30, 2016.

Note 11: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 12: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

COAST LIFE SUPPORT DISTRICT

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Actuarial Valuation Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>Safety and Miscellaneous Plans</u>					
6/30/2014	0.00816%	\$507,883	\$612,277	82.95%	79.82%
6/30/2015	0.00628%	\$431,165	\$600,632	71.79%	78.40%
6/30/2016	0.00662%	\$573,515	\$543,343	105.55%	84.32%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

COAST LIFE SUPPORT DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
<u>Safety and Miscellaneous Plans</u>					
6/30/2014	\$98,046	(\$98,046)	\$0	\$612,277	16.01%
6/30/2015	\$92,913	(\$92,913)	\$0	\$600,632	15.47%
6/30/2016	\$98,660	(\$98,660)	\$0	\$543,343	18.16%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To: Board of Directors
Coast Life Support District

We have audited the financial statements of Coast Life Support District as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 19, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coast Life Support District's (District) 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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider findings 17-1 and 17-2 in the following schedule of findings to be deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider finding 17-3 and 17-4 in the following schedule of findings to be significant deficiencies in the District's internal control:

Coast Life Support District's Response to Findings

The Coast Life Support District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, Sonoma County Auditor Controllers Office, Mendocino County Auditor Controllers Office and the Controller's Office of the State of California.

A handwritten signature in black ink, appearing to read "Larry Bain".

Larry Bain, CPA,
An Accounting Corporation

December 19, 2017

COAST LIFE SUPPORT DISTRICT

Schedule of Findings
June 30, 2017

INTERNAL CONTROL FINDINGS

Deemed to be Significant Deficiency and Material Weakness

Finding 17-1

During our audit we noted many material adjustments were required to correctly fairly present the District's trial balance. The District did not record all prior year's audit entries which accounted for the difference between the prior year's trial balance and the prior years audited financial statement. We also made material entries to agree the trial balance to the underlying support.

Recommendation: We recommend the District post audit entries to properly reflect that the audited financial statements agree to the general ledger. We also recommend, prior to the start of the audit, the District agree the amounts in the general ledger to the underlying support. We recommend the District consider using a CPA or accountant that has a strong knowledge of GAAP for the year-end closing process and audit preparation.

Management Response: Bookkeeping services transitioned from out-sourced services to in-house during the last FY that resulted in incorrect recording of the FY16 adjustments. Moving forward, management will procure CPA services to assure that 1) FY audit adjustments are properly recorded, and 2) oversee closing the FY prior to the annual audit.

Finding 17-2

During our testing of cash we noted the District had \$48,896 in outstanding checks on the bank reconciliation which were not outstanding at June 30, 2017. The District had since corrected the general ledger, but had not corrected the bank reconciliation. Included in the outstanding check balance, was a check for \$6,414 which the District had held and not released to the payee as of the date of the audit.

Additionally, there was a deposit in transit for \$176,489 which had not been included in the June 2017 bank reconciliation or recognized as cash in the general ledger as of June 30, 2017. As a result of all the changes to both deposits in transit and outstanding checks, the bank reconciliation was understated by \$225,386 when compared to the general ledger balance at June 30, 2017.

We also noted that the QuickBooks software assigned a number for checks that did not agree to the actual check number. This made tracing sequential checks to the general ledger difficult, and presented problems for the District to properly reconcile the bank account during the year. This condition can be attributed to a change in QuickBooks software and staff turnover during the fiscal year under audit.

Recommendation: We recommend the District review the bank reconciliation to determine that all checks listed under the uncleared transactions are outstanding, should be cleared or voided. We also recommend the District void checks which have not been provided to the vendor/payee in a timely manner. The District should also record deposits that have been received as of the end of the month, but deposited after month end, as deposits in transit. The District should also agree that the trial balance agrees to the underlying reconciled bank balance prior to the audit. We also recommend ensuring that the check sequence recoded in the general ledger agrees to the physical check number.

Management Response: \$42,482 were journal entries from prior year audits erroneously marked as bills to pay and corrected in the General Ledger but did not properly process through the monthly bank reconciliation process and resulted in the accounting discrepancy during the audit. The delayed processing of the check cut in the amount of \$6,414 was held in limbo due to account changes with CalFire for fuel purchased but they could not process our check from a third party.

COAST LIFE SUPPORT DISTRICT

Schedule of Findings
June 30, 2017

Deemed to be Significant Deficiency and Material Weakness (Continued)

Deposits in Transit: CLSD's own internal auditing of Mendocino County parcel tax revenue (underpayment received in May 2017) resulted in an adjustment check of \$176,489 paid on last day of the FY but deposited in the new FY.

During the 2016/17 fiscal year, CLSD was forced to purchase new QuickBooks software as the previous version in use would no longer be supported. During this transition, data did not merge as expected and required significant hours to trace. Old software reports were compared to new software reports and all items were reconciled.

CLSD will incorporate the recommendations going forward.

Significant Deficiencies Not Deemed Material Weaknesses

Finding 17-3

We noted the District had a lack of segregation of duties, as one person, or related persons are capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This is a common condition for entities of this size. This comment was noted in previous audits.

Management Response: While significant improvements have been made in segregation of duties in FY17 compared to previous years, management will continue to analyze workflows and implement further checks and balances.

Finding 17-4

The District relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 122c external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence. We have noted these conditions in the prior audit.

Recommendation: The District should consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action if it considers the cost will outweigh the benefit.

Management Response: The District will contract with CPA services to 1) assure annual audit adjustments are correctly recorded and 2) close the books at the end of the FY to prepare for annual audits.