

EXETER DISTRICT AMBULANCE
Exeter, California

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
Years Ended June 30, 2016 and 2015

EXETER DISTRICT AMBULANCE
Exeter, California

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EXETER DISTRICT AMBLULANCE

Exeter, California

JUNE 30, 2016

BOARD OF DIRECTORS

Wesley Grim

President

Alan Sherer

Vice President

Stacey Walter

Treasurer

Robb Hubbard

Secretary

Mike Sherer

Member

ADMINISTRATION

Kim Damico

District Manager

Visalia Office

KEITH M. ...
Certified Public ...
Partner

GREG D. ...
Certified Public ...
Partner

Lindsay Office

D. CHEN ...
Enrolled Agent ...
Partner

GARY L. ...
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MORRIS, SPRAGUE, GROEN & NEESE
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Exeter District Ambulance
Exeter, California

We have audited the accompanying financial statements of Exeter District Ambulance (the District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Exeter District Ambulance, as of June 30, 2016 and 2015, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in

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Partner

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the United States of America, as well as accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Emphasis of Matter

As described in Note 1 to the financial statements, Exeter District Ambulance adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and *GASB Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73* for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

As discussed in Note 11 to the financial statements, during the current year, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. Accordingly, the 2015 financial statements have been restated and an adjustment has been made to net position as of June 30, 2015. Our opinion is not modified with respect to this matter.

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 4 through 8 and Schedule of Proportionate Share of the Net Pension Liability of California Public Employees' Retirement System - Last Ten Years and Schedule of Contributions to California Public Employees' Retirement System - Last Ten Years on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Exeter District Ambulance's basic financial statements. The supplementary information schedules of Budgetary Comparison and Insurance Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules of Budgetary Comparison and Insurance Coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marino Sprague Groen & Neese

October 11, 2016
Lindsay, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Exeter District Ambulance (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$609,654 at June 30, 2016. This represents an increase of \$20,447, from the previous year. This includes \$20,447 of net income from current year operations.
- During the year, the District's total expenses were \$1,373,293. The District's total revenues were \$1,393,740. The District revenues were \$20,447 more than expenses.
- The District issued no new debt during the year ended June 30, 2016.

USING THIS ANNUAL REPORT

Governments that are engaged only in business-type activities should present only the financial statements required for enterprise funds. Since the District meets this criterion, its basic financial statements consist only of Enterprise fund financial statements, not Government-wide financial statements, which begin on page 9.

OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. In addition, we have included other supplementary information pertinent to these basic financial statements. The basic financial statements also include notes that further explain some of the information presented in the financial statements and provide more detailed data.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Fund Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2016 and 2015. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the changes in cash and cash equivalents balance for the last fiscal year.

See Independent Auditor's Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position Assets report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the District, however, one needs to consider additional non-financial factors such as changes in the District's user base, the ability to adjust rates and the availability of funding from outside sources.

See Independent Auditor's Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED COMPARATIVE FINANCIAL STATEMENT INFORMATION

A presentation of condensed financial information, as compared to the previous year, is as follows:

Statements of Net Position

	2016	2015	Increase (Decrease)	Percentage of Change
Assets				
Current and other assets	\$ 684,687	\$ 792,787	\$ (108,100)	-13.64%
Capital assets	390,060	427,406	(37,346)	-8.74%
Total deferred outflows of resources	<u>226,318</u>	<u>88,282</u>	<u>138,036</u>	156.36%
Total assets and deferred outflows of resources	<u>\$ 1,301,065</u>	<u>\$ 1,308,475</u>	<u>\$ (7,410)</u>	-0.57%
Liabilities				
Current liabilities	\$ 44,206	\$ 71,432	\$ (27,226)	-38.11%
Noncurrent liabilities	569,452	602,934	(33,482)	-5.55%
Total deferred inflows of resources	<u>77,753</u>	<u>44,902</u>	<u>32,851</u>	73.16%
Total liabilities and deferred inflows of resources	<u>691,411</u>	<u>719,268</u>	<u>(27,857)</u>	-3.87%
Net Position				
Net investment in capital assets	390,060	427,406	(37,346)	-8.74%
Restricted	-	-	-	0.00%
Unrestricted	<u>219,594</u>	<u>161,801</u>	<u>57,793</u>	35.72%
Total net position	<u>609,654</u>	<u>589,207</u>	<u>20,447</u>	3.47%
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,301,065</u>	<u>\$ 1,308,475</u>	<u>\$ (7,410)</u>	-0.57%

Explanation of changes in selected line items:

- Net capital assets had a net decrease of \$37,346 which consisted of \$36,572 of net asset additions, reduction due to asset abandonment consisting of cost less accumulated depreciation of \$3,214, and a reduction for depreciation expense of \$70,704.
- Current assets decreased mainly due to less cash and cash investments offset by accounts receivable balances over prior year.
- Current liabilities decreased due to accrued expenses and accounts payable.
- Noncurrent liabilities decreased due to the prior period adjustment made for pension liability from GASB 68 requirements.

See Independent Auditor's Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED COMPARATIVE FINANCIAL STATEMENT INFORMATION (continued)

Statements of Revenues, Expenses and Changes in Fund Net Position

Revenues	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage of Change</u>
Service revenues	\$ 3,254,973	\$ 3,302,553	\$ (47,580)	-1.44%
Contractual write downs	(2,053,543)	(2,226,719)	173,176	7.78%
Other charge write downs	(118,571)	(102,819)	(15,752)	-15.32%
Bad debt recovery	28,521	42,975	(14,454)	-33.63%
Other	13,148	17,955	(4,807)	-26.77%
Total operating revenues	<u>1,124,528</u>	<u>1,033,945</u>	<u>90,583</u>	<u>8.76%</u>
Non-Operating Revenues				
Interest income	2,026	503	1,523	302.78%
Property taxes	267,186	251,292	15,894	6.32%
Total non-operating revenues	<u>269,212</u>	<u>251,795</u>	<u>17,417</u>	<u>6.92%</u>
Total Revenues	<u>1,393,740</u>	<u>1,285,740</u>	<u>108,000</u>	<u>8.40%</u>
Expenses				
Wages and benefits	808,836	921,863	(113,027)	-12.26%
Bad debt	81,386	124,077	(42,691)	-34.41%
Depreciation	70,704	74,613	(3,909)	-5.24%
Maintenance and operations	412,367	470,833	(58,466)	-12.42%
Total operating expenses	<u>1,373,293</u>	<u>1,591,386</u>	<u>(218,093)</u>	<u>-13.70%</u>
Non-Operating Expenses				
Interest expense	-	-	-	0.00%
Total Expenses	<u>1,373,293</u>	<u>1,591,386</u>	<u>(218,093)</u>	<u>-13.70%</u>
Increase (decrease) in net position	20,447	(305,646)	326,093	106.69%
Total net position, beginning of year	589,207	1,405,203	(815,996)	-58.07%
Prior period adjustment June 30, 2015	-	(510,350)	510,350	
Total net position, end of year	<u>\$ 609,654</u>	<u>\$ 589,207</u>	<u>\$ 20,447</u>	<u>3.47%</u>

Explanation of changes in selected line items:

- Revenues increased mainly due to contractual write downs decreasing from prior year.
- The District experienced increases of \$15,894 in tax revenue and interest income of \$1,523 in the current year.
- Operating expenses decreased mainly due to decreased bad debt write offs, professional fees, communications and fuel.

See Independent Auditor's Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2016, the District had invested \$1,351,213 in a broad range of capital assets, including land, equipment, buildings and vehicles. Details of capital assets are as follows:

Capital Assets

	2016	2015	Increase (Decrease)
Land	\$ 141,820	\$ 141,820	-
Buildings and improvements	511,457	508,320	3,137
Vehicles and equipment	621,885	635,688	(13,803)
Office equipment	76,051	102,960	(26,909)
Total capital assets	1,351,213	1,388,788	(37,575)
Accumulated depreciation	(961,153)	(961,382)	229
Net capital assets	<u>\$ 390,060</u>	<u>\$ 427,406</u>	<u>\$ (37,346)</u>

- Capital asset additions included office furniture and equipment.

Long-Term Debt

At June 30, 2016, the District had \$569,452 in long-term debt outstanding from pension liability.

ECONOMIC FACTORS RELATIVE TO FUTURE PERIODS

- Change in the number of total service calls and area of service.
- Change in reimbursement factors from Medicare and Medi-Cal.
- Employee and staffing changes.
- Changes in employee Memorandum of Understanding.
- Vehicle maintenance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at (559) 594-5250, or by mail at: Exeter District Ambulance, 302 East Palm, Exeter, CA 93221.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

STATEMENTS OF NET POSITION
JUNE 30, 2016 and 2015
ASSETS AND DEFERRED OUTFLOWS OF
RESOURCES

	2016	2015
CURRENT ASSETS		
Cash and cash investments	\$ 463,497	\$ 626,333
Accounts receivable, net of \$60,000 and 68,000 allowance	178,780	121,405
Property taxes accrued	16,197	13,336
Interest receivable	942	607
Prepaid expenses	20,126	21,106
Deposits	-	10,000
Other assets	5,145	-
Total current assets	684,687	792,787
CAPITAL ASSETS		
Land	141,820	141,820
Other capital assets, net of depreciation	248,240	285,586
Total capital assets	390,060	427,406
DEFERRED OUTFLOWS OF RESOURCES	226,318	88,282
Total assets and deferred outflows of resources	\$ 1,301,065	\$ 1,308,475

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 8,861	\$ 27,538
Accrued wages and payroll taxes	22,741	34,875
Accumulated compensated absences	12,604	9,019
Total current liabilities	44,206	71,432
LONG-TERM LIABILITIES		
Pension liability	569,452	602,934
Total long-term liabilities	569,452	602,934
Total liabilities	613,658	674,366
DEFERRED INFLOWS OF RESOURCES	77,753	44,902
Total liabilities and deferred inflows of resources	691,411	719,268
NET POSITION		
Net investment in capital assets	390,060	427,406
Restricted	-	-
Unrestricted	219,594	161,801
Total net position	609,654	589,207
Total liabilities, deferred inflows of resources, and net position	\$ 1,301,065	\$ 1,308,475

See Independent Auditor's Report and Accompanying Notes.

EXETER DISTRICT AMBULANCE
Exeter, California

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
THE YEARS ENDED JUNE 30, 2016 and 2015**

OPERATING REVENUES	<u>2016</u>	<u>2015</u>
Service revenues	\$ 3,254,973	\$ 3,302,553
Contractual write downs	(2,053,543)	(2,226,719)
Other charge write downs	(118,571)	(102,819)
Bad debt recovery	28,521	42,975
Other	13,148	17,955
Total operating revenues	<u>1,124,528</u>	<u>1,033,945</u>
OPERATING EXPENSES		
Salaries, employee benefits and payroll taxes	808,836	921,863
Bad debts	81,386	124,077
Legal and professional	74,875	123,618
Communications	80,506	91,375
Depreciation	70,704	74,613
Repairs and maintenance	88,607	60,560
Supplies	45,806	52,963
Fuel and oil	29,719	39,689
Insurance	28,366	28,829
Special district expense	5,534	24,792
Office expense	24,129	17,829
Utilities	9,134	12,193
Uniforms	7,006	8,466
Asset abandonment	3,214	-
Miscellaneous	12,143	5,823
Director fees	-	2,147
Bank service charges	1,455	1,594
Memberships	1,873	955
Total operating expenses	<u>1,373,293</u>	<u>1,591,386</u>
Operating loss	<u>(248,765)</u>	<u>(557,441)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,026	503
Property taxes	267,186	251,292
Total non-operating revenues (expenses)	<u>269,212</u>	<u>251,795</u>
Increase (decrease) in net position	20,447	(305,646)
Total net position, July 1, 2015	589,207	1,405,203
Prior period adjustment June 30, 2015 (GASB 68 See note 11)	-	(510,350)
Total net position, July 1, 2015 - Restated	<u>\$ 589,207</u>	<u>894,853</u>
Total net position, June 30, 2016	<u>\$ 609,654</u>	<u>\$ 589,207</u>

See Independent Auditor's Report and Accompanying Notes.

EXETER DISTRICT AMBULANCE
Exeter, California

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,058,809	\$ 1,109,598
Other cash receipts	13,148	17,955
Cash payments to suppliers for goods and services	(517,636)	(588,316)
Cash payments to employees for services	(864,391)	(890,247)
Net cash used by operating activities	(310,070)	(351,010)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Property taxes received	267,186	251,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on long-term debt	(85,408)	-
Interest paid on long-term debt	-	-
Net cash used in capital and related financing activities	(85,408)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital asset acquisition	(36,570)	(12,956)
Interest income	2,026	503
Net cash used by investing activities	(34,544)	(12,453)
Net (decrease) in cash and cash investments	(162,836)	(112,171)
Cash and cash investments, July 1, 2015 and 2014	626,333	738,504
Cash and cash investments, June 30, 2016 and 2015	\$ 463,497	\$ 626,333
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (38,267)	\$ (520,567)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	70,707	74,613
Decrease (Increase) in:		
Accounts receivable	(57,375)	93,608
Property taxes	(2,861)	(345)
Interest receivable	(335)	(75)
Deposits and other assets	4,855	(10,000)
Deferred outflows of resources	2,092	-
Prepaid expenses	980	6,130
Increase (decrease) in:		
Accounts payable	(18,677)	(6,541)
Accrued wages and payroll taxes	(12,134)	9,195
Accumulated compensated absences	3,585	2,765
Deferred inflows of resources	(8,345)	-
Pension liability	(254,295)	207
Net cash used by operating activities	\$ (310,070)	\$ (351,010)

See Independent Auditor's Report and Accompanying Notes.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 -Summary of Significant Accounting Policies

Exeter District Ambulance (the District) was organized in May 1977 under provisions of Section 32002.1 of the California Health and Safety Code to provide emergency medical assistance and transportation for the residents within the tax district and the surrounding areas.

The accounting policies of the District conform to generally accepted accounting principles as applicable to government agencies. The following is a summary of the more significant provisions:

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The operations of the District are accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed primarily through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenditures or expenses are recorded when incurred.

This report has been prepared in conformance with accounting principles generally accepted in the United States of America. The District follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Measurement Focus

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position is segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Operating and Non-Operating Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment earnings, result from non-exchange transactions or ancillary activity. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of less than one year when purchased to be cash equivalents. This includes bank accounts and deposits with the State of California Local Agency Investment Fund (LAIF). Investments in the District's cash and investments pools are stated at cost. Accrued interest on the District's investments is separately stated.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Budgetary Procedures

The District follows these procedures in establishing budgetary data reflected in these financial statements:

- a. The District operates under a budget prepared and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies)
- b. Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures or expenses.
- c. The Budgetary Comparison Schedule – budget and actual present comparisons of legally adopted budgets with actual data. Since both the actual data and the budget amounts are presented on a basis consistent with generally accepted accounting principles, no additional reconciliation is required.
- d. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Allowance for Doubtful Accounts

The District has provided for an allowance for doubtful accounts consisting of estimated write-offs based on historical experience. This is further adjusted based on review of aged accounts receivable as deemed necessary.

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

Office Equipment	5-8 years
Vehicles and Equipment	5-10 years
Buildings and Improvements	10-20 years

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District at June 30, 2016 and 2015, and are calculated using the employees current pay rate. Employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District, but are recorded as expenses in the year sick leave is taken.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 -Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Net Position

Governmental Accounting Standard Board Statement (GASBS) No. 63, requires the classification of net position into three components – net investment in capital assets; restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets- This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, unspent debt proceeds and deferred inflows of resources related to the acquisition, construction, or improvement of the capital assets.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to reserved assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the reserved assets reported.

Unrestricted- This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of “net investment in capital assets” or “restricted.”

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 -Summary of Significant Accounting Policies (continued)

Change in Accounting Principles

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement have been implemented in the financial statements for the year ended June 30, 2016.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP).

The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ended June 30, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to define covered payroll as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement also clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Lastly, this Statement clarifies that payments made by an employer to satisfy contribution requirements identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution was assessed and classified in the same manner as the employer classifies similar compensation other than pensions. The provisions of this Statement are effective for reporting periods beginning after June 30, 2016, with earlier application encouraged.

See Independent Auditor’s Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principles (continued)

The provisions of this Statement have been implemented in the financial statements for the year ended June 30, 2016. The Statements contained herein reflect the changes in financial reporting and presentation.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on November 1 and February 1 and are collected December 10 and April 10. Unsecured taxes are payable in one installment on or before August 31. The County of Tulare bills and collects the taxes for the District.

Income Taxes

The District is a governmental agency and is not subject to income or property taxes.

Reclassification

Several account balances were reclassified for the year ended June 30, 2015, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

NOTE 2 - Cash and Cash Investments

Cash and cash investments as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 150	\$ 150
Cash in bank - Business checking	(5,517)	46,500
Cash in bank - Money market	38,127	50,599
State Treasurer's Office		
Local Agency Investment Fund	<u>430,737</u>	<u>529,084</u>
Total cash and cash investments	<u>\$ 463,497</u>	<u>\$ 626,333</u>

The District's cash deposits are held at Bank of the Sierra and are insured under the Federal Deposit Insurance Corporation ("FDIC") guidelines. The District maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. Amounts in excess of certain limits are collateralized by the pledged securities in accordance with the local agency deposit and security law and California Government Code.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 - Cash and Cash Investments (continued)

Cash Investments at June 30, 2016, consisted of the following:

State Treasurer's Office		
Local Agency Investment Fund-County Investment Pool	<u>\$ 430,737</u>	242 days

1) The County Investment Pool funds are held by Tulare County and are pooled with other county agencies.

The District relies upon information from the County of Tulare to report the fair value of its funds held by the County. Any changes in the fair value of these funds are recorded as interest income in the District's financial statements. The pool's exposure to risk (credit, market, or legal) is not currently available. These investments are carried at the value reported by the County Investment Pool, net of warrants payable at June 30, 2016.

Investments Authorized by the California Government Code and the District's Investment Policy – The District's investment policy authorizes investments in the Local Agency Investment Fund (LAIF) pool administered by the State of California and in a bank or savings association account fully insured by the Federal Deposit Insurance Corporation (FDIC). In addition, the District also authorizes investments in the following investment instruments: banker's acceptances, treasury bills and notes, government agency securities, commercial paper and repurchase agreements. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 - Cash and Cash Investments (continued)

securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2016, all of the District's deposits in financial institutions were under the insured limits.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District limits its investment to those allowed by the California Government Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments

The District's investment policy is in accordance with the California Government Code. As of June 30, 2016, the District's investments were held in County investment pools, the majority in Tulare County. The credit ratings for the investments held in the investment pools are available in the investment reports issued by the investment pools. For Tulare County, the majority of assets are held in AA or AAA (Moody's ratings) investments.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 3 - Capital Assets

The following is a summary of changes in Capital Assets:

	Balance July 1, 2015	Additions	Transfers and Deletions	Balance June 30, 2016
Land	\$ 141,820	\$ -	\$ -	\$ 141,820
Other capital assets:				
Building and improvements	508,320	3,629	492	511,457
Vehicles and equipment	635,688	507	14,310	621,885
Office equipment	102,960	32,436	59,345	76,051
Total other capital assets	1,246,968	36,572	74,147	1,209,393
Accumulated Depreciation	(961,382)	(70,704)	70,933	(961,153)
Other capital assets, net	285,586	(34,132)	(3,214)	248,240

NOTE 4 – Defined Benefit Pension Plan

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

Qualified employees are covered under a multiple-employer, cost-sharing defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by state statute and Local Government resolution. The benefit terms of the CalPERS plan may be amended through legislation an Public Employers' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumption and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members who must be public employees and beneficiaries. To be eligible for retirement, the member must be at least 50 and have a minimum of five years of credited service. If you became a member on or after January 1, 2013, you must be at least age 52. Monthly benefits are based on three factors: Service credit, benefit factor and final compensation. Service credit is based on years of credited service, equal to one year of full time employment. The benefit factor, which is a percentage of pay to which the member is entitled for each year of service, is determined by their age at retirement and the retirement formula based on their membership date with each employer. There are two miscellaneous retirement formulas: 2 percent at age 55 for

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (continued)

General Information about the Pension Plan (continued)

Benefits Provided (continued)

those hired prior to January 1, 2013, with benefit factors ranging from 1.1 percent to 2.5 percent with retirement ages of 50 to 62; 2 percent of age 62 for those hired after January 1, 2013, with benefit factors ranging from 1 percent to 2.5 percent with retirement ages of 52 to 67. Final compensation is the highest average pay rate and special compensation during any consecutive one-year or three-year period, which period is used, depends on the members' retirement formula. All members are eligible for non-duty disability benefits after then years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit and the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

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 July 1 following notice of a change in the rate. The CalPERS board retains the authority to amend contribution rates. The total plan contributions are determined through the CalPERS' periodic actuarial valuation process or by state statute. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 7 percent of annual pay, and the average employer's contribution rate is 8.003 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the pension plan from the District for the fiscal year 2015/16 was \$106,340.

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported a net pension liability of \$569,452 for its proportionate share of the net pension liability for the Miscellaneous Plan.

The Authority's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an
See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (Continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The following represents the change in the proportionate share of net pension liability by year (the measurement date):

Proportionate share at June 30, 2014	0.024396%
Proportionate share at June 30, 2015	<u>0.020757%</u>
Change decrease	<u><u>0.003639%</u></u>

For the year ended June 30, 2016, the Authority recognized pension expense of \$961. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 106,340	\$ -
Differences between actual and expected experience	5,474	-
Changes in assumptions	-	(51,790)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	114,504	-
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(25,963)</u>
Totals	<u><u>\$ 226,318</u></u>	<u><u>\$ (77,753)</u></u>

\$106,340 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an increase to the net pension asset or reduction of the net pension liability in the year ended June 30, 2017.

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EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (Continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The 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	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	\$ 37,122	\$ (38,213)	\$ (1,091)
2018	40,330	(38,213)	2,117
2019	42,526	(34,514)	8,012
2020	-	33,187	33,187
Total	<u>\$ 119,978</u>	<u>\$ (77,753)</u>	<u>\$ 42,225</u>

Actuarial Assumptions

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies (1)
Experience Study	7/1/1996 - 6/30/2011
Investment Rate of Return	7.65% (2)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

CalPERS uses mortality tables developed based on CalPERS specific data for all funds. The mortality table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (Continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Change in Assumptions

The discount rate of 7.5 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability for CalPERS was 7.65 percent. CalPERS' projection of the expected benefits and contributions were performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at the CalPERS' website.

CalPERS utilized historical returns of all the Plan's asset classes to determine the expected compounded (geometric returns over the short-term (first 10 years) and the long-term (11-60 years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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 1 percent. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)

Discount Rate (continued)

The table below reflects long-term expected real rate of return by asset class, as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11 + (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	1.05%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 4 – Defined Benefit Pension Plan (continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate 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:

	<u>Miscellaneous Plan</u>
1.00% Decrease Net Pension Liability	6.65% \$ 955,011
Current Discount Rate Net Pension Liability	7.65% \$ 569,452
1.00% Increase Net Pension Liability	8.65% \$ 251,129

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports on their website. The plan's fiduciary net position has been determined on the same basis as that used by the plan.

NOTE 5 – Designations

At June 30, 2016, the District had designated \$52,500 for contingencies.

NOTE 6 - Concentration of Credit Risk

The Exeter District Ambulance serves the residents of Tulare County, California and extends credit to all of its customers.

See Independent Auditor's Report.

EXETER DISTRICT AMBULANCE
Exeter, California

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 7 - Policy of Administration by and between Exeter District Ambulance and Teamsters Local #517

On October 26, 2012, the Policy of Administration by and between Exeter District Ambulance and Teamsters Local #517 was signed. Pursuant to this agreement, the District recognizes the Union as the exclusive bargaining agent for all District field employees full-time and regular part-time, Paramedics and EMT-1's that work regular and consistent. The District agreed to meet and confer with the Union on matters relating to wages, hours, and other terms and conditions of employment. Specific rights and benefits of the employees covered were included in this agreement. The contract expired on May 31, 2015, which has since been extended for further contract negotiations.

NOTE 8 – Related Party Transactions

The following related party relationship existed as of June 30, 2015:

Don Schultz, District Manager, is the co-owner and President of *LifeStar Ambulance, Inc.*

Jackie Paull, District's Operations Manager, is the co-owner and Vice President of *LifeStar Ambulance, Inc.*

The District entered into the following transactions with the related party:

During June 30, 2015 the District paid \$56,365, respectively to *Lifestar Ambulance, Inc.* for management fees. The arrangement with *Lifestar Ambulance, Inc.* was terminated in April of 2015.

NOTE 9 - Risk Management

The District has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; wrongful acts; injuries to employees; and employee health and life. Payments of premiums for these policies are recorded as expenses of the District. Insurance settlements have not exceeded insurance coverage in any of the past three years. There are no significant reductions in coverage compared to the prior years. For insurance coverage policy limits, refer to the Supplementary Information – Schedule II for more information.

NOTE 10 – Contingent Liabilities CalPERS

The District during the June 30, 2016 year was in contact with CalPERS to determine the liability amount for multiple employees that were previously considered a non-covered employee by the District but worked in excess of 1,000 hours in the prior years. During the current year, the amounts were determined by CalPERS and paid accordingly.

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EXETER DISTRICT AMBULANCE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 11 – Prior Period Adjustment

An adjustment was made to the prior year net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position to reflect the impact of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This adjustment in the amount of \$510,350 represents an understatement of net pension liability of \$602,934, deferred inflows of \$44,902, deferred outflows of \$88,282, pension expense related adjustments of \$36,874 and the clearing of the net pension obligation of \$12,330 which is no longer accounted for under the new Statement.

NOTE 12 – Date of Management Evaluation

Management has evaluated subsequent events through October 11, 2016, which is the date the financial statements were available to be issued.

See Independent Auditor's Report.

**REQUIRED
SUPPLEMENTARY INFORMATION**

EXETER DISTRICT AMBULANCE
Exeter, California

**SCHEDULE OF PROPORATIONATE SHARE OF THE
NET PENSION LIABILITY OF CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM – LAST TEN YEARS**

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2014	0.024396%	\$ 602,934	\$ 161,635	373.02%	40.029%
June 30, 2015	0.020757%	\$ 569,452	\$ 222,410	256.04%	44.709%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. Only two years are presented because ten year data is not yet available.

Change in Assumptions

The discount rate of 7.5 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

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EXETER DISTRICT AMBULANCE
Exeter, California

**SCHEDULE OF CONTRIBUTIONS TO CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM – LAST TEN YEARS**

Fiscal Year End	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2015	\$ 88,282	\$ 88,282	\$ -	\$ 222,410	39.693%
June 30, 2016	\$ 106,340	\$ 106,340	\$ -	\$ 349,591	30.418%

Notes to the Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. Only two years are presented because ten year data is not yet available.

Change in Assumptions

The discount rate of 7.5 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

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SUPPLEMENTARY INFORMATION

EXETER DISTRICT AMBULANCE
Exeter, California

Supplementary Information
Schedule I – Budgetary Comparison Schedule for the Year Ended June 30, 2016

<u>OPERATING REVENUES</u>	Budget	Actual	Variance Favorable (Unfavorable)
Service revenues (Net of Refunds)	\$ 3,500,000	\$ 3,254,973	\$ (245,027)
Contractual write downs	(2,200,000)	(2,053,543)	146,457
Other charge write downs	(250,000)	(118,571)	131,429
Bad debt recovery	40,000	28,521	(11,479)
Other	25,000	13,148	(11,852)
Total operating revenues	<u>1,115,000</u>	<u>1,124,528</u>	<u>9,528</u>
 <u>OPERATING EXPENSES</u>			
Salaries, employee benefits and payroll taxes	1,054,000	808,836	245,164
Uniforms	15,500	7,006	8,494
Fuel and oil	52,000	29,719	22,281
Utilities	15,000	9,134	5,866
Communications	75,000	80,506	(5,506)
Memberships	1,550	1,873	(323)
Legal and professional	45,000	74,875	(29,875)
Insurance	34,000	28,366	5,634
Repairs and maintenance	73,100	88,607	(15,507)
Office	32,700	24,129	8,571
Supplies	56,000	45,806	10,194
Special district expense	3,500	5,534	(2,034)
Director fees	-	-	-
Bad debts	-	81,386	(81,386)
Bank service charges	-	1,455	(1,455)
Asset abandonment	-	3,212	(3,212)
Miscellaneous	15,000	12,145	2,855
Total operating expenses	<u>1,472,350</u>	<u>1,302,589</u>	<u>169,761</u>
Operating loss	<u>(357,350)</u>	<u>(178,061)</u>	<u>179,289</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	-	2,026	2,026
Property taxes	250,000	267,186	17,186
Total non-operating revenues (expenses)	<u>250,000</u>	<u>269,212</u>	<u>19,212</u>
Capital outlay	(17,000)	-	17,000
Increase(Decrease) in net position, budgetary basis	<u>\$ (124,350)</u>	<u>91,151</u>	<u>\$ 215,501</u>
Depreciation		<u>(70,704)</u>	
INCREASE IN NET POSITION, FINANCIAL STATEMENT BASIS		<u>\$ 20,447</u>	

See Independent Auditor's Report and Accompanying Notes.

EXETER DISTRICT AMBULANCE
Exeter, California

Supplementary Information
Schedule II – Insurance Coverage for the Year Ended June 30, 2016

Workers Compensation insurance coverage of the District in force at June 30, 2016 is summarized as follows, coverage period extends from 7/1/15 to 7/1/2016:

Workers Compensation	
Each Accident / Employee / Policy Limit	\$ 1,000,000

Insurance coverage of the District in force at June 30, 2016 is summarized as follows, Coverage period extends from 11/19/15 to 11/19/16:

Commercial General Liability / Professional Liability	
Each Occurrence	\$ 1,000,000
Damage to Rented Premises / Each Occurrence	\$ 1,000,000
Medical Expense (any one person)	\$ 10,000
Personal and Advertising Injury	\$ 1,000,000
General Aggregate	\$ 10,000,000
Products and Completed Operations	\$ 10,000,000

Automobile	
Any Auto / Each Accident / Policy Limit	\$ 1,000,000

See Independent Auditor's Report and Accompanying Notes.