Exeter District Ambulance

Audited Financial Statements and
Supplementary Information
June 30, 2019 and 2018

Exeter District Ambulance
Exeter, California
June 30, 2019 and 2018

BOARD OF DIRECTORS

Adam Pfenning	President
Tony Miller	Vice President
Diana Mendez	Secretary
Vacant	Member
Vacant	Member

ADMINISTRATION

Peter Sodhy	District Manager

Exeter District Ambulance
Exeter, California
June 30, 2019 and 2018

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an Accountancy Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Exeter District Ambulance
Exeter, California

We have audited the accompanying financial statements of Exeter District Ambulance (the District) as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and for the years then ended. The financial statements of the District as of June 30, 2018 were audited by other auditors whose report dated November 9, 2018, expressed an unqualified opinion on those statements.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial Position of the Exeter District Ambulance, as of June 30, 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in 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

Substantial Doubt about the District's Ability to Continue as a Going Concern

The accompanying financial statement has been prepared assuming that Exeter District Ambulance will continue as a going concern. The District has experienced as loss from operations as well as an overall decrease in net position for the year ended June 30, 2019, and has experienced losses from operations for the past four years. This as well as other factors, as discussed in the financial statements, indicate that the District may not be able to continue as a going concern. Management's evaluation of the events and factors and management's plans regarding those matters also are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 Exeter District Ambulance's 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 18 and 19 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.

Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information contained on Schedules I as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. These Activity Summaries have been subjected to the auditing procedures applied in the audit of the basic financial statements and, statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Adair & Evans

Tulare, California
December 12, 2019

Exeter District Ambulance

Statements of Net Position

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 267,626	$ 392,992
Accounts receivable, net of $94,000 allowance	187,643	178,000
Property taxes accrued	12,225	13,715
Interest receivable	513	800
Other current receivables	272,655	0
Prepaid expenses	15,634	7,268
Total current assets	756,296	592,775
CAPITAL ASSETS		
Land	141,820	141,820
Other capital assets, net of accumulated depreciation	155,042	224,756
Total capital assets	296,862	366,576
TOTAL ASSETS	1,053,158	959,351
DEFERRED OUTFLOWS OF RESOURCES	308,007	294,804
Total assets and deferred outflows of resources	$ 1,361,165	$ 1,254,155

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES	2019	2018
Current Liabilities		
Accounts payable	$ 86,009	$ 47,048
Accrued wages and payroll taxes	24,944	31,097
Accumulated compensated absences, current portion	31,435	33,059
Total current liabilities	142,388	111,204
Long-Term Liabilities		
Pension liabililty	505,067	488,739
Total long-term liabilities	505,067	488,739
TOTAL LIABILITIES	647,455	599,943
DEFERRED INFLOWS OF RESOURCES	103,766	6,626
NET POSITION		
Invested in capital assets, net of related debt	296,862	366,576
Unrestricted	313,082	281,010
TOTAL NET POSITION	609,944	647,586
Total liabilities, deferred inflows of resources, and net position	$ 1,361,165	$ 1,254,155

Exeter District Ambulance

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Service revenues	$ 7,577,076	$ 7,034,815
Contractual write downs	(5,509,867)	(4,971,093)
Other charge write downs	(301,255)	(370,507)
Bad debt recovery	8,497	14,805
Government Emergency Transportation Program	145,289	0
Other	136,989	72,273
Total operating revenues	2,056,729	1,780,293
OPERATING EXPENSES		
Salaries, employee benefits and payroll taxes	1,580,601	1,206,375
Bad debts	188,247	229,200
Bank service charges	4,156	3,163
Communications	108,932	104,911
Fines and assessment	22,395	1,285
Fuel and oil	69,740	63,422
Insurance	50,616	47,420
Legal and professional	76,914	115,631
Memberships	1,024	1,241
Office expense	35,700	27,002
Repairs and maintenance	92,587	163,034
Special district expense	1,066	0
Supplies	65,563	70,607
Travel, training and seminars	4,872	0
Uniforms	10,529	8,236
Utilities	10,722	9,142
Miscellaneous	1,710	1,806
Depreciation	69,714	84,239
Total operating expenses	2,395,088	2,136,714
OPERATING LOSS	(338,359)	(356,421)
NON-OPERATING REVENUES		
Interest income	3,094	2,925
Property taxes	297,623	285,333
Total non-operating revenues	300,717	288,258
NET DECREASE IN NET POSITION	(37,642)	(68,163)
NET POSITION, BEGINNING OF YEAR	647,586	715,749
NET POSITION, END OF YEAR	$ 609,944	$ 647,586

Exeter District Ambulance

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,764,808	$ 1,828,982
Other cash receipts	136,989	72,273
Cash payments to suppliers for goods and services	(738,728)	(917,607)
Cash payments to employees for services	(1,589,152)	(1,203,012)
Net cash used by operating activities	(426,083)	(219,364)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes received	297,623	284,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	3,094	2,925
Net cash provided by investing activities	3,094	2,925
Net (decrease) increase in cash and cash equivalents	(125,366)	67,791
Cash and cash equivalents, beginning of year	392,992	325,201
Cash and cash equivalents, end of year	$ 267,626	$ 392,992

RECONCILATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

	2019	2018
Operating loss	$ (338,359)	$ (356,421)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	69,714	84,238
Decrease (increase) in:		
Accounts receivable	(9,643)	120,962
Property taxes accrued	1,490	0
Interest receivable	287	0
Other current receivables	(272,655)	0
Prepaid expenses	(8,366)	5,487
Increase (decrease) in:		
Accounts payable	38,961	13,058
Accrued wages and payroll taxes	(6,153)	(4,040)
Accumulated compensated absences	(1,624)	3,363
Deferred inflows and outflows of resources	83,937	13,550
Pension liablity	16,328	(99,561)
Net cash used by operating activities	$ (426,083)	$ (219,364)

See independent auditors' report and accompanying notes

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:

1. The Reporting Entity

The District's basis 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 with the District's reporting 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.

2. 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.

3. 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 related to the timing of measurement made, regardless of the measurement focus applied.

The accrual basis 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 Statements and Interpretations issued after November 30, 1989.

4. 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.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

5. Budgetary Procedures

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 or expenses are budgeted by use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenue and expenditures or expenses.

6. Pensions

For the purposes of measuring the net pension asset/liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deduction 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 the CalPERS website under Forms and Publications.

7. Cash and Cash Equivalents

For the purposes of these financial statements, the District considers cash and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents.

8. Allowance for Doubtful Accounts

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

9. Capital Assets

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

Buildings and Improvements	10 – 20 Years
Vehicles and Equipment	5 – 10 Years
Office Equipment	5 – 8 Years

10. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District at June 30, 2019 and 2018, 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.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

11. Net Position

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

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

- Restricted – This component of net position consists of assets with external constraints placed on their use. Constraints included those imposed by debt indentures, grants or law and regulations of other governments, by law through constitutional provisions or enabling legislation.

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

12. Nature and Purpose of Restricted Net Position

Restricted net position is amounts which are legally segregated for specific usage or commitments to outside third parties. Resources of restricted net position are used to fund these commitments before unrestricted resources.

13. 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.

14. Deferred Outflows and Deferred 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, deferred outflow of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

15. Income Taxes

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain 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 or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

17. Reclassification

Certain 2018 balances have been reclassified to conform to the 2019 financial statement presentation. These reclassifications had no effect of total assets, liabilities, net position or change in net position.

18. Subsequent Events

Subsequent events have been evaluated through December 12, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – Cash and Cash Equivalents

The District's cash and cash equivalents as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Cash on Hand	$ 150	$ 150
Cash in Bank	94,948	224,142
Local Agency Investment fund	172,527	168,700
Total	$ 267,625	$ 392,992

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.

(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, 2019.

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

NOTE 2 – Cash and Cash Equivalents (Continued)

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 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 in are in 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 securities through the use of mutual funds or government investment pools (such as LAIF.) As of June 30, 2019, 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, 2019, the District's cash was 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 rating) 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.

NOTE 3 – Capital Assets

The following is a summary of the changes in Capital Assets:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land	$ 141,820	$ 0	$ 0	$ 141,820
Other capital assets:				
Buildings and Improvements	505,883	0	0	505,883
Vehicles and Equipment	738,304	0	0	738,304
Office Equipment	71,523	0	0	71,523
Total other capital assets	1,219,085	0	0	1,234,012
Accumulated depreciation	(1,095,575)	(69,714)	0	(1,165,289)
Other capital assets, net	224,756	(69,714)	0	155,042
Total Capital assets, net	$ 366,576	$ (69,714)	$ 0	$ 296,862

NOTE 4 – Defined Benefit Pension Plan

Plan Description

Qualified employees are covered under a multiple-employer, cost-sharing defined benefit pension plan administered by the California Public Employee's 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 and Public employers' Retirement Law. CalPERS issues publically 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 service 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 age 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 those hired prior to January 2013, with benefit factors ranging from 1.1. percent to 2.5 percent with retirement ages of 50 to 62; 2 percent at age 52 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 ten years of service.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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 rate. The CalPERS board retains the District to amend contribution rates. The total plan contributions are determined through 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 years ended June 30, 2019 and 2018, for employees hired prior to January 1, 2013 the active employee contribution rate is 7 percent of annual pay, and the employer's contribution rate is 8.892 percent. For employees hired after January 1, 2013, the active employee contributions rate is 6.25 percent of annual pay, and the employers' contribution rate is 6.842 percent. The District entered into an agreement with the District's employees regarding the percentages each party will contribute to CalPERS and PEPRA. The employee contribution rate for CalPERS is 13 percent of annual pay, and the employer's contribution rate is 2.418 percent. The Employee contribution rate for PEPRA is 12.25 percent of annual pay, and the employer's contribution rate is .53 percent of annual pay. The District's contributions to CalPERS for the fiscal years ended June 30, 2019 and 2018 were $96,953 and $99,354, respectively.

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

As of June 30, 2019 and 2018, the District reported net pension liabilities of $505,067 and $488,739, respectively, for its proportionate shares of the net pension liability for the Miscellaneous Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension ability is measure as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward for June 30, 2018, 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 contribution 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, 2017	0.012398%
Proportionate share at June 30, 2018	0.013402%
Change Increase/ (Decrease)	(0.001004)%

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)

For the years ended June 30, 2019 and 2018, the District recognized pension expense of $100,265 and $99,354, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 96,953	$ 0
Changes in assumptions	57,579	(14,112)
Differences between actual and expected experience	19,379	(6,594)
Differences between expected and actual investment earnings	2,497	
Differences between employer's contributions and Proportionate share of contributions	102,132	(83,060)
Change in employer's proportion	29,467	
Total	$ 308,007	$ (103,766)

The $96,953 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amounts
2020	$ 84,943
2021	50,874
2022	(23,987)
2023	(4,543)
2024	0
Thereafter	0

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 one percentage point lower or one percentage point higher than the current rate:

	Misc. Plan
1% Decrease	6.15%
Net Pension Liability	$ 730,128
Current Discount Rate	7.15%
Net Pension Liability	$ 505,067
1% Increase	8.15%
Net Pension Liability	$ 319,283

NOTE 4 – Defined Benefit Pension Plan (Continued)

The table below reflects 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**	
Global Equity	51	5.25	5.71	%
Global Fixed Income	19	0.99	2.43	
Inflation Sensitive	6	0.456	3.36	
Private Equity	10	6.83	6.95	
Real Estate	10	4.5	5.13	
Infrastructure and Forestland	2	4.5	5.09	
Liquidity	2	-0.55	-1.05	
Total	100			

Actuarial Methods and Assumptions

	Misc. Plan
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018

Actuarial Cost Method - Entry Age Normal in accordance with the requirements of GASB Statement No. 68.

Amortization Method/Period – For details, see June 30, 2017 Funding Valuation Report.

Asset Valuation Method – Actuarial Value of Assets. For details, see June 30, 2017 Funding Valuation Report.

Discount Rate – 7.15%

Inflation – 2.50%

Salary Increases – Varies by Entry Age and Service

Payroll Growth - 3.0%

Mortality Rate Table – The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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.

NOTE 4 – Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

Summary of Changes of Benefits or Assumptions Benefit Changes - There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Changes of Assumptions: There were no changes of assumptions.

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB Statement No. 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss as follows:

> Net difference between projected and actual earnings on pension plan investments – 5-year straight-line amortization.
>
> All other amounts – Straight line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period.

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining net difference between projected and actual investment earnings on pension plan investments at the measurement date is to amortized over the remaining four-year period. The net difference between projected and actual investment earnings on pension plan investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to differences between expected and actual experience, changes of assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for PERF C for the measurement date ending June 30, 2018 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

NOTE 5 – Contingency

A case involving a former district employee was settled in November 2018, with the total settlement amount of $253,500. The settlement amount was covered by insurance and no liability was incurred or recorded in the financial statements.

NOTE 6 – Going concern matters

As shown in the accompanying financial statements, the District incurred a loss from operations of $338,359 and an overall decrease in net position of $37,642 or the year ended June 30, 2019, and has experienced losses from operations for the past four years. This is a result of a decreased in the call coverage area and low call average, increased payroll and monthly expenses, and an overall increase in contractual write downs. These factors along with potential increase in wages and related expenses create an uncertainty about the District's ability to continue as a going concern.

Management's plan to address the going concern issue includes staffing additional units resulting in an increase in the number of patient transports and service revenue each month. The District is currently in negotiations to expand their current call area and working on boundary issues that will allow the District to have higher call volume with minimal capital outlay and expense. The District completed the necessary protocol and has been accepted back into the GEMT program and has been able to bill for patient transports for the year ended June 30, 2019. As of the date of the financial statements, an exact amount has not been determined. There has been an increase in grant activity in the recent months and management intends to dramatically increase grant applications in subsequent years. The grant monies will aid in offsetting operational costs and equipment purchases. The ability of the District to continue as a going concern is dependent on the success of management's plans, but management is confident that these plans will be successful and will allow the District to continue its operations. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule I - Budgetary Comparison Schedule

	** Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Service revenues	$ 0	$ 7,577,076	$ 7,577,076
Contractual write downs	0	(5,509,867)	(5,509,867)
Other charge write downs	0	(301,255)	(301,255)
Bad debt recovery	0	8,497	8,497
Government Emergency Transportation Program	0	145,289	145,289
Other		136,989	136,989
Total operating revenues	0	2,056,729	1,919,740
OPERATING EXPENSES			
Salaries, employee benefits and payroll taxes	0	1,580,601	(1,580,601)
Bad debts	0	188,247	(188,247)
Bank service charges	0	4,156	(4,156)
Communications	0	108,932	(108,932)
Fines and assessment	0	22,395	(22,395)
Fuel and oil	0	69,740	(69,740)
Insurance	0	50,616	(50,616)
Legal and professional	0	76,914	(76,914)
Government Emergency Transportation Program	0	0	0
Memberships	0	1,024	(1,024)
Office expense	0	35,700	(35,700)
Repairs and maintenance	0	92,587	(92,587)
Supplies	0	65,563	(65,563)
Travel, training and seminars	0	4,872	(4,872)
Uniforms	0	10,529	(10,529)
Utilities	0	10,722	(10,722)
Miscellaneous	0	1,710	(1,710)
Total operating expenses	0	2,325,374	(2,325,374)
OPERATING LOSS	0	(268,645)	(405,634)
NON-OPERATING REVENUES			
Interest income	0	3,094	3,094
Property taxes	0	297,623	297,623
Total non-operating revenues	0	300,717	300,717
DECREASE IN NET POSITION, BUDEGETARY BASIS	$ 0	32,072	$ (104,917)
Depreciation		(69,714)	
DECREASE IN NET POSITION, FINANCIAL STATEMENT BASIS		$ (37,642)	

** No formal budget was approved by the board for the 2018-2019 year.

Exeter District Ambulance

Supplementary Information (Unaudited)
For the year ended June 30, 2019

SCHEDULE V - Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal Year	2019	2018	2017	2016	2015
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the pension liability (asset)	0.013402 %	0.02440 %	0.02076 %	0.01694 %	0.01240 %
Proportionate share of the net pension liability (asset)	$ 505,067	$ 488,739	$ 588,299	$ 569,452	$ 602,934
Covered - employee payroll	$ 666,506	$ 558,692	$ 349,591	$ 222,410	$ 161,635
Proportionate Share of the net pensions liability (asset) as percentage of covered-employee payroll	75.78 %	87.48 %	168.28 %	256.04 %	373.02 %
Plan fiduciary net position as a percentage of the total pension liability	69.64 %	68.89 %	46.95 %	44.71 %	40.03 %

Change is Assumptions

Discount Rate (3)	7.15 %	7.15 %	7.65 %	7.65 %	7.50 %
Inflation	2.75 %	2.75 %	2.75 %	2.75 %	2.75 %
Payroll Growth	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %
Projected Salary Increase (1)	Varies	Varies	Varies	Varies	Varies
Experience Study	7/1/96 - 6/30/11 %	7/1/96 - 6/30/11	7/1/96 - 6/30/11	7/1/96 - 6/30/11	7/1/96 - 6/30/11
Investment Rate of Return (2)	7.15 %	7.50 %	7.50 %	7.50 %	7.50 %

1 Depending on age, service and type of employment
2 Net of pension plan investment expense; includes inflation
3 Excludes reduction of pension plan administrative expense

* Fiscal Year 2015 was the first year of implementation, therefore only five years are shown

SCHEDULE VI - Schedule of Contributions - Last 10 Years*

	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined)	$ 96,953	$ 99,354	$ 99,016	$ 106,340	$ 88,282
Contributions in relation to the actuarially determined contributions	(96,953)	(99,354)	(99,016)	(106,340)	(88,282)
Contribution deficiency (excess)	0	0	0	0	0
Covered-employee payroll	$ 666,506	$ 571,982	$ 558,692	$ 349,591	$ 222,410
Contributions as a percentage of covered-employee payroll	14.55 %	17.37 %	17.72 %	30.42 %	39.69 %

* Fiscal Year 2015 was the first year of implementation, therefore only five years are shown