

EXETER DISTRICT AMBULANCE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2018 and 2017

EXETER DISTRICT AMBULANCE

JUNE 30, 2018

BOARD OF DIRECTORS AND ADMINISTRATION

Adam Pfenning	President
Vacant	Vice-President
Diana Mendez	Secretary
Tony Miller	Director
Vacant	Director
Peter Sodhy	District Manager

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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 as of and for the years ended June 30, 2018 and 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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.

REBECCA AGREDANO, C.P.A.

MARLA D. BORGES, C.P.A.

NICOLE A. CENTOFANTI, C.P.A.

WM. KENT JENSEN, C.P.A.

KATHLEEN M. LAMPE, C.P.A.

LYNN M. LAMPE, C.P.A., C.F.E.

R. IAN PARKER, C.P.A.

ELAINE D. REULE, C.P.A., C.F.E.

GIUSEPPE SCALIA, C.P.A.

NATALIE H. SIEGEL, C.P.A.

LARRY W. AYERS, C.P.A.

JAMES G. DWYER, C.P.A.

KEVIN M. GREEN, C.P.A.

GREG GROEN, C.P.A.

ALAN S. MOORE, C.P.A.

D. CHRIS NEESE, E.A.

KENNETH B. NUNES, C.P.A.

KEITH M. SPRAGUE, C.P.A.

KENNETH W. WHITE, JR., C.P.A.

NORIKO A. AWBREY, C.P.A.

BRENDA A. DADDINO, C.P.A.

JASON A. FRY, C.P.A., M.S.A.

JASMAN S. KHOSA, C.P.A.

TRACY L. MCINTYRE, C.P.A.

KRYSTAL PARREIRA, C.P.A., M.S.A.

MARY L. QUILLIN, C.P.A.

RACHEL L. SCHROEDER, C.P.A.

GINILU VANDERWALL, C.P.A.

KRISTI WEAVER, C.P.A.

ROSALIND WONG, C.P.A.

*Dinuba
Hanford
Lindsay
Tulare
Visalia*

Emphasis of Matter

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

The accompanying financial statements have been prepared assuming that Exeter District Ambulance will continue as a going concern. The District has experienced a loss from operations as well as an overall decrease in net position for the year ended June 30, 2018, and has experienced losses from operations for the past three years. This as well as other factors, as discussed in Note 6 to 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 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 19 and 20 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 this 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 statements is not affected by this missing information.

M. Sheen and Company CP

Tulare, California
November 9, 2018

EXETER DISTRICT AMBULANCE

**STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017**

EXETER DISTRICT AMBULANCE

STATEMENTS OF NET POSITION JUNE 30, 2018 AND 2017

ASSETS

CURRENT ASSETS:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 392,992	\$ 325,201
Accounts receivable, net of allowance account	178,000	298,962
Property taxes accrued	13,715	12,470
Interest receivable	800	942
Prepaid expenses	7,268	12,755
	<hr/>	<hr/>
Total current assets	592,775	650,330

CAPITAL ASSETS:

Land	141,820	141,820
Other capital assets, net of depreciation	224,756	308,994
	<hr/>	<hr/>
Total capital assets	366,576	450,814

DEFERRED OUTFLOWS OF RESOURCES:

	<hr/>	<hr/>
	294,804	337,847
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 1,254,155	\$ 1,438,991

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES:</u>	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 47,048	\$ 33,990
Accrued wages and payroll taxes	31,097	35,137
Compensated absences payable	33,059	29,696
Total current liabilities	111,204	98,823
 <u>LONG-TERM LIABILITIES:</u>		
Pension liability	488,739	588,300
 <u>DEFERRED INFLOWS OF RESOURCES:</u>		
	6,626	36,119
Total liabilities and deferred inflows of resources	606,569	723,242
 <u>NET POSITION:</u>		
Net investment in capital assets	366,576	450,814
Unrestricted	281,010	264,935
Total net position	647,586	715,749
Total liabilities, deferred inflows of resources and net position	\$ 1,254,155	\$ 1,438,991

See notes to financial statements.

EXETER DISTRICT AMBULANCE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION YEARS ENDED JUNE 30, 2018 AND 2017

OPERATING REVENUES:

	<u>2018</u>	<u>2017</u>
Service revenues	\$ 7,034,815	\$ 6,455,452
Contractual write downs	(4,971,093)	(4,656,884)
Other charge write downs	(370,507)	(82,033)
Bad debt recovery	14,805	30,084
Miscellaneous	72,273	159,293
	<u>1,780,293</u>	<u>1,905,912</u>
Total operating revenues	<u>1,780,293</u>	<u>1,905,912</u>

OPERATING EXPENSES:

Salaries, wages, and benefits	1,206,375	1,419,479
Bad debts	229,200	70,115
Bank service charges	3,163	2,496
Communications	104,911	116,798
Fuel and oil	63,422	55,476
Insurance	47,420	53,259
Legal and professional	115,631	74,312
Memberships	1,241	1,965
Office expense	27,002	26,743
Repairs and maintenance	163,034	70,049
Special district expense	-	449
Supplies	70,607	62,187
Uniforms	8,236	8,444
Utilities	9,142	10,779
Miscellaneous	3,091	12,667
Depreciation	84,239	91,700
	<u>2,136,714</u>	<u>2,076,918</u>
Total operating expenses	<u>2,136,714</u>	<u>2,076,918</u>
Loss from operations	<u>(356,421)</u>	<u>(171,006)</u>

(continued)

EXETER DISTRICT AMBULANCE

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Loss from operations, from previous page	\$ (356,421)	\$ (171,006)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	2,925	1,472
Property taxes	285,333	275,729
Interest expense	-	(100)
	<u>288,258</u>	<u>277,101</u>
Total nonoperating revenues	288,258	277,101
Increase (decrease) in net position	(68,163)	106,095
Net position, at beginning of year	<u>715,749</u>	<u>609,654</u>
Net position, at end of year	<u>\$ 647,586</u>	<u>\$ 715,749</u>

See notes to financial statements.

EXETER DISTRICT AMBULANCE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2018</u>	<u>2017</u>
Cash received from customers	\$ 1,828,982	\$ 1,626,437
Other cash receipts	72,273	159,293
Cash payments to suppliers for goods and services	(917,607)	(655,158)
Cash payments to employees for services	<u>(1,203,012)</u>	<u>(1,402,387)</u>
Net cash used by operating activities	(219,364)	(271,815)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Property taxes received	284,230	279,456
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital asset acquisitions	-	(147,309)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	<u>2,925</u>	<u>1,372</u>
Net increase (decrease) in cash and cash equivalents	67,791	(138,296)
Cash and cash equivalents, at beginning of year	<u>325,201</u>	<u>463,497</u>
Cash and cash equivalents, at end of year	<u>\$ 392,992</u>	<u>\$ 325,201</u>

(continued)

EXETER DISTRICT AMBULANCE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

	<u>2018</u>	<u>2017</u>
Operating loss	\$ (356,421)	\$ (171,006)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	84,238	91,700
(Increase) decrease in:		
Accounts receivable	120,962	(120,182)
Deferred outflows of resources	43,043	(111,529)
Prepaid expenses	5,487	7,371
Increase (decrease) in:		
Accounts payable	13,058	37,525
Accrued wages and payroll taxes	(4,040)	
Accumulated compensated absences	3,363	17,092
Deferred inflows of resources	(29,493)	(41,634)
Pension liability	(99,561)	18,848
	<u>(99,561)</u>	<u>18,848</u>
Net cash used by operating activities	<u>\$ (219,364)</u>	<u>\$ (271,815)</u>

See notes to financial statements.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – Summary of Significant Accounting Policies

Organization

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.

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 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 expenditures or 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.

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.

Operating and Nonoperating 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. Nonoperating revenues, such as interest dividends and investment earnings, result from nonexchange transactions or ancillary activities.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – Summary of Significant Accounting Policies (continued)

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.

Pensions

For 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/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 the CalPERS website under Forms and Publications.

Cash Investments and Cash Equivalents

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

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. The allowance at June 30, 2018 and 2017, was \$100,000 and \$60,000, respectively.

Capital Assets

All capital assets are recorded at historical cost. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the District's statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful life for the District's capital assets is as follows:

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, 2018 and 2017, 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.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The District reports three categories of net position as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. The District did not have any restricted net position as of June 30, 2018 and 2017.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The District's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

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; 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.

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.

Income Taxes

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

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 assumptions 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.

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Cash on hand	\$ 150	\$ 150
Cash in bank	224,142	158,181
Local Agency Investment Fund	168,700	166,870
Total cash and cash investments	<u>\$ 392,992</u>	<u>\$ 325,201</u>

Statutes authorize districts to invest cash in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

The District maintains its cash accounts as authorized by the California Government Code (the code) and is further defined by the District's Investment Policy which is reviewed annually by the Board of Directors. District investments are limited to bank or savings and loan association accounts fully insured by the Federal Deposit Insurance Corporation, or collateralized with securities held by the pledging financial institution.

The California Government code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a district's total deposits. The district may waive collateral requirements for deposits which are fully insured by Federal Deposit Insurance.

At June 30, 2018 and 2017, the carrying amounts of the District's cash in Bank of the Sierra (including amounts in checking and money market) were \$224,142 and \$158,181, respectively, and the bank's balances were \$263,197 and \$188,627, respectively. The difference between the bank balances and the carrying amounts represent outstanding checks. The District maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the FDIC up to \$250,000.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 3 – Capital Assets

The following is a summary of changes in capital assets:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>Capital assets not being depreciated:</u>				
Land	\$ 141,820	\$ -	\$ -	\$ 141,820
<u>Other capital assets:</u>				
Building and improvements	505,359	-	-	505,359
Vehicles and equipment	738,304	-	-	738,304
Office equipment	71,523	-	-	71,523
Grant equipment	5,145	-	-	5,145
Total other capital assets at historical cost	1,320,331	-	-	1,320,331
Accumulated depreciation	(1,011,337)	(84,238)	-	(1,095,575)
Other capital assets, net	308,994	(84,238)	-	224,756
Capital assets, net	\$ 450,814	\$ (84,238)	\$ -	\$ 366,576

NOTE 4 – Pension Plan

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 and 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 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.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – Pension Plan (continued)

General Information about the Pension Plan (continued)

Benefits Provided (continued)

There are two miscellaneous retirement formulas: 2 percent at age 55 for 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 at 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 ten 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 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, 2018 and 2017, 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 7.2 percent. For employees hired after January 1, 2013, the active employee contribution rate is 6.25 percent of annual pay, and the employer's contribution rate is 6.533 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, 2018 and 2017, were \$99,354 and \$129,947, respectively.

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

As of June 30, 2018 and 2017, the District reported net pension liabilities of \$488,739 and \$588,300, 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 liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – Pension Plan (continued)

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

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

Proportionate share at June 30, 2015	0.041513%
Proportionate share at June 30, 2016	0.031385%
Proportionate share at June 30, 2017	<u>0.012398%</u>
 Change decrease	 <u><u>-0.002270%</u></u>

For the years ended June 30, 2018 and 2017, the District recognized pension expense of \$99,354 and \$129,946, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 99,354	\$ -	\$ 129,946	\$ -
Differences between actual and expected experience	-	(6,626)	2,943	-
Changes in assumptions	56,984	-	-	(36,119)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	124,514	-	16,972	-
Net differences between projected and actual earnings on plan investments	<u>13,952</u>	<u>-</u>	<u>187,986</u>	<u>-</u>
 Totals	 <u>\$ 294,804</u>	 <u>\$ (6,626)</u>	 <u>\$ 337,847</u>	 <u>\$ (36,119)</u>

\$99,354 and \$129,946, respectively, 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 years ended June 30, 2018 and 2017.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – 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
2019	\$ 78,203	\$ (2,084)	\$ 76,119
2020	66,905	(2,553)	64,352
2021	58,626	(1,989)	56,637
2022	(8,284)	-	(8,284)
Total	<u>\$ 195,450</u>	<u>\$ (6,626)</u>	<u>\$ 188,824</u>

Actuarial Assumptions

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies (1)
Experience Study	7/1/1996 - 6/30/2011
Investment Rate of Return	7.50% (2)
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter

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

(2) Net of pension plan investment expenses; includes 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.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – Pension Plan (continued)

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

Summary of Changes of Benefits or Assumptions

There were no changes to benefit terms or plan provisions that applied to members of CalPERS.

As of the June 30, 2017, measurement date, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

There were no changes in actuarial methods or assumptions used for the June 30, 2016, measurement date.

As of the June 30, 2015, measurement date, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Discount Rate

The discount rate used to measure the total pension liability for CalPERS was 7.15 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.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – 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	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

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

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

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

	<u>Miscellaneous Plan</u>
1.00% Decrease Net Pension Liability	6.15% \$761,872
Current Discount Rate Net Pension Liability	7.15% \$488,739
1.00% Increase Net Pension Liability	8.15% \$262,525

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separate issue 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.

EXETER DISTRICT AMBULANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 5 – Contingency

There was one pending litigation matter as of June 30, 2018, involving a former district employee. The case settled at the beginning of November 2018, with a total settlement amount of \$253,500. The settlement amount was covered by insurance and no liability has been 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 \$356,421 and an overall decrease in net position of \$68,163 for the year ended June 30, 2018, and has experienced losses from operations for the past three years. This is a result of a decrease in the call coverage area and low call average, loss of GEMT funds that supplement service revenue, increased payroll and monthly expenses, and an overall increase in write downs, both contractual and non-contractual. These factors along with potential increases in wages and related expenses for the union agreement that is expected to be ratified mid-November of 2018, 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 will be able to bill for patient transports for the year ended June 30, 2018. As of the date of the financial statements, an exact amount has not been determined; and the District will be able to resume quarterly billing for 2018-2019 year. 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.

NOTE 7 – Subsequent Events

Management has evaluated subsequent events through November 9, 2018, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as noted in Note 5.

REQUIRED SUPPLEMENTARY INFORMATION

EXETER DISTRICT AMBULANCE

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

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	0.024396%	\$ 602,934	\$ 161,635	373.02%	40.03%
June 30, 2015	0.020757%	\$ 569,452	\$ 222,410	256.04%	44.71%
June 30, 2016	0.016935%	\$ 588,299	\$ 349,591	168.28%	46.95%
June 30, 2017	0.012398%	\$ 488,739	\$ 558,692	87.48%	68.89%

Notes to the Schedule:

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

Change in Assumptions

<u>Measurement Date</u>	<u>Discount Rate</u>	<u>Inflation</u>	<u>Payroll Growth</u>	<u>Projected Salary Increase</u> ⁽¹⁾	<u>Experience Study</u>	<u>Investment Rate of Return</u> ⁽²⁾
June 30, 2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2015	7.65% ⁽³⁾	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2016	7.65% ⁽³⁾	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2017	7.15% ⁽³⁾	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%

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

(2) Net of pension plan investment expenses; includes inflation

(3) Excludes reduction of pension plan administrative expense

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.

See independent auditors' report.

EXETER DISTRICT AMBULANCE

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

Fiscal Year End	Statutorily Required Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll	
		Statutorily Required Contribution	Contribution Deficiency (Excess)			Miscellaneous	PEPRA
June 30, 2015	\$ 88,282	\$ 88,282	\$ -	\$ 222,410	48.410%	*	
June 30, 2016	\$ 106,340	\$ 106,340	\$ -	\$ 349,591	8.003%	*	
June 30, 2017	\$ 99,016	\$ 99,016	\$ -	\$ 558,692	8.377%	*	
June 30, 2018	\$ 99,354	\$ 99,354	\$ -	\$ 571,982	8.418%	6.533%	

Notes to the Schedule:

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

Change in Assumptions

Measurement Date	Discount Rate	Inflation	Payroll Growth	Projected Salary Increase (1)	Experience Study	Investment Rate of Return (2)
June 30, 2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2015	7.65% (3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2016	7.65% (3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2017	7.15% (3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%

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

(2) Net of pension plan investment expenses; includes inflation

(3) Excludes reduction of pension plan administrative expense

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.

See independent auditors' report.