

Southern Marin  
Emergency Medical Paramedic System  
Financial Statements  
June 30, 2015

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
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**June 30, 2015**

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**Terry E. Krieg, CPA**

Certified Public Accountant

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### **Independent Auditor's Report**

Board of Directors  
Southern Marin Emergency Medical Paramedic System  
Mill Valley, California

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Southern Marin Emergency Medical Paramedic System, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southern Marin Emergency Medical Paramedic System'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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with audited standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 System'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 System's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Marin Emergency Medical Paramedic System as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

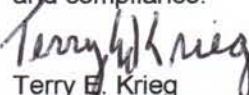
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements.

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.

I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report, dated November 10, 2015 on my consideration of the System's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Southern Marin Emergency Medical Paramedic System's internal control over financial reporting and compliance.

  
Terry E. Krieg  
Certified Public Accountant  
Santa Rosa, California  
November 10, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Southern Marin Emergency Medical Paramedic System's annual financial report presents our discussion and analysis of the System's financial performance during the year that ended on June 30, 2015.

### FINANCIAL HIGHLIGHTS

- The net position of the System's business-type activities increased \$64,400 or nearly 2.7% compared to the net position of the System at June 30, 2014. This was almost about the same amount of increase as the System reported in fiscal 2014.
- Total operating expenses for 2015 decreased by about a net \$35,000. Lower service delivery expenses were the main reason for the decrease in operating expenses.
- The System's business-type activities patient revenues increased by about 12 percent in fiscal 2015 to about \$1.56 million. The increase in patient service revenue was offset by a \$175,000 decline in GEMT grant revenues in fiscal 2015.
- The System in 2015 purchased a new ambulance for \$173,300 using the System's own cash reserves, and retired two older ambulances for a sale price of \$13,000. Because the two older ambulances were not fully depreciated, the System reported a \$6,770 loss for financial reporting purposes.
- The System ended the 2015 year with about \$ 2,623,114 in cash and investments available to the System to continue operations and to fund future capital asset replacements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the System:

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the System operates *like businesses*, such as the System's patient care and emergency transportation system

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the System's financial statements, including the portion of the System they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FIGURE A-1 Major Financial Statement Features**

<b>Financial Statement Features</b>	<b>Basic Financial Statements</b>
<b>Scope</b>	Activities the System operates similar to private businesses; the patient care and transportation system
<b>Required financial statements</b>	Statement of net position Statement of revenues, expenses, and changes in net position. Statement of cash flows.
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic measurement focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term focus
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received

**Basic Financial Statements**

The basic financial statements report information about the System as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the System's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report the System's *net position* and how it has changed. Net position – the difference between the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the System's financial health, or *position*.

- Over time, increases or decreases in the System's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the System consist of one category:

- *Business-type activities* – The System charges fees to patients to help it cover the costs of certain services it provides. All of the System's operations are accounted for in this category. *The System uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

**Net Position.** The System's *combined* net position increased by about \$64,400 between years 2014 and 2015. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE SYSTEM (Rounded to the Nearest Hundred Dollars)**

	2015	2014	Percentage Change 2014-2015
<b>Assets:</b>			
Current and other assets	\$ 2,871,400	\$ 2,872,500	0.0%
Capital assets being depreciated	611,800	650,000	-5.9%
<b>Total assets</b>	<b>\$ 3,483,200</b>	<b>\$ 3,522,500</b>	-1.1%
<b>Liabilities:</b>			
Accounts and accrued liabilities	\$ 75,300	\$ 28,800	-161.5%
Payable to member agencies	849,200	914,400	-7.1%
Installment agreement	70,000	155,000	-54.8%
<b>Total liabilities</b>	<b>994,500</b>	<b>1,098,200</b>	-1.3%
<b>Net position:</b>			
Net investment in capital assets	541,800	494,900	9.5%
Unrestricted	1,946,900	1,929,400	0.9%
<b>Total net position</b>	<b>\$ 2,488,700</b>	<b>\$ 2,424,300</b>	2.7%

Net position of the System in 2015 increased by about 2.7% to a total of \$2,488,700. About 78% of the net position of the System is represented by cash, investments and patient receivables. The System's investment in capital assets at year end represents 22 % of total net position.

The 9.5% increase in the amount invested in capital assets in 2015 results primarily from a net change with a reduction of \$192,000 for the charges to depreciation expense, plus an additional \$19,800 decrease for the surplus disposal of two older ambulances, the addition of about \$173,000 for the purchase of a new ambulance and the retirement of about \$70,000 in vehicle debt financing. The System did realize \$13,000 in cash proceeds from the sale of the surplus vehicles.

There was no new long-term debt issued in fiscal 2015.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE**

**Changes in net position.** The System's total revenues in fiscal 2015, on a net basis, were about .2 percent less than in fiscal 2014. (See Table A-2.) Virtually all, 96 percent of the System's revenue comes from charges for services in the form of patient service fees. The remaining 4 percent comes primarily from investment earnings and a small amount from other operating revenues.

The total cost of all programs and services decreased in 2015 to about \$1,562,000 about a 2.2 percent decrease over fiscal 2014 expenses.

**TABLE A-2 System Revenues, Expenses and Changes in Net Position (Rounded to the Nearest Hundred Dollars)**

	Years Ended June 30		Total Percent Change
	2015	2014	2014-2015
Revenues:			
Patient fees	\$1,564,500	\$1,401,000	11.7%
Investment revenue	16,400	13,800	18.8%
GEMT supplemental reimbursements	52,400	227,500	-77.0%
Gain (loss) on disposal capital assets	(6,800)	17,500	-138.9%
<b>Total revenues</b>	<b>1,626,500</b>	<b>1,659,800</b>	<b>-0.2%</b>
Expenses:			
Service delivery	1,149,900	1,234,900	-6.9%
Maintenance and repair	78,900	56,100	40.1%
Customer accounting	92,600	89,900	3.0%
General and administration	45,500	44,100	3.2%
Depreciation	191,800	166,000	15.5%
Interest	3,400	5,700	-40.3%
<b>Total expenses</b>	<b>1,562,100</b>	<b>1,596,700</b>	<b>-2.2%</b>
Increase (decrease) in net position	64,400	63,100	2.0%
Net position, beginning of year	2,424,300	2,361,200	
Net position, end of year	\$2,488,700	\$2,424,300	2.7%

The system's 2015 net patient revenues increased by about \$164,000, and about 70 percent of the increase was caused by a reduction of the allowance for doubtful accounts (as opposed to an increase in fiscal 2014) and a lower reduction to accounts receivable at year end.

This was offset by about a \$175,000 reduction in revenue from the Ground Emergency Medical Transportation Program which program provided supplemental reimbursements to the System.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

Table A-2 presents the cost of each of the System's largest functions from an expense perspective— operating expenses, and depreciation on capital assets.

- The cost of all *System* functional categories in 2015 was about \$35,000 less than was reported in fiscal 2014

The System paid for these costs by using the \$ 1,564,000 in Patient fees which amount included covering all operating expenses plus depreciation. The System's net cash flows in fiscal 2015 after all activities were positive with a net increase of \$28,000 in cash and investments. The major cost decrease in fiscal 2015 was in the service delivery category as a result of lower member reimbursements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Asset**

At the end of 2015 the System had invested \$ 612,000 (net of accumulated depreciation) in capital assets including vehicles and small equipment. (See Table A-3.) This amount represents a net decrease of about of \$38,200 which was primarily from depreciation charges in fiscal 2015 and ambulance disposals

**TABLE A-3 System Investment in Capital Assets, Net of Accumulated Depreciation (Rounded to the Nearest Hundred Dollars)**

	Business-Type Activities		Total Percentage Change
	2015	2014	2014-2015
Vehicles	\$1,156,900	\$1,310,100	-11.7%
Equipment	578,700	578,700	0.0%
Less accumulated depreciation	(1,123,800)	(1,238,800)	-9.3%
 Net capital assets	 <u>\$611,800</u>	 <u>\$650,000</u>	 <u>-5.9%</u>

**This year's major capital assets additions included:**

Depreciation expense additions of \$192,000 which was about 15.6% more than fiscal 2014 caused by a full year's depreciation on 2014 vehicle purchases.

Vehicle purchase for \$173,300 for a Ford unit.

The disposal and declaring as surplus two almost fully depreciated ambulances.

Additional information about the System's capital assets can be found on page 15 of the notes to the financial statements.

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## Management's Discussion and Analysis

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### **Long-Term Debt**

No new debt was issued in fiscal 2015. Additional information about long-term debt can be found on page 16.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES**

For the 2016 year, revenue projections show that 2016 revenues are expected to increase slightly compared to fiscal 2015. The System expects to be allocated higher amounts of GEMT revenues in fiscal 2016.

- The System has not anticipated any increases in 2016 to patient service fee rates.
- Operating expenses in 2016 are expected to increase slightly compared to fiscal 2015.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, patients, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fire Chief, Tiburon Fire Department, 1679 Tiburon Blvd., Tiburon, California, 94920.

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Proprietary Fund Type**  
**Statement of Net Position**  
**June 30, 2015**

(With Comparative Totals at June 30, 2014)

	June 30	
<b>Assets</b>	2015	2014
<b>Current assets:</b>		
Cash and investments pooled with the City of Mill Valley	\$ 2,623,114	\$ 2,594,577
Patient accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$254,500 and \$300,384	248,167	277,834
Deposits	100	100
Total current assets	2,871,381	2,872,511
<b>Capital assets:</b>		
Emergency vehicles	1,156,930	1,310,133
Paramedical equipment	578,686	578,686
Total capital assets	1,735,616	1,888,819
Accumulated depreciation	(1,123,831)	(1,238,777)
Net capital assets	611,785	650,042
<b>Total assets</b>	\$ 3,483,166	\$ 3,522,553
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 74,554	\$ 27,402
Accrued interest payable	811	1,421
Payable to member agencies	849,192	914,363
Installment agreement due in one year	69,980	85,108
Total current liabilities	994,537	1,028,294
<b>Long-term debt:</b>		
Installment agreement due in more than one year	-	69,980
<b>Total liabilities</b>	994,537	1,098,274
<b>Net position</b>		
Net investment in capital assets	541,805	494,954
Unrestricted	1,946,824	1,929,325
Total net position	2,488,629	2,424,279

See notes to financial statements



**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Statements of Revenues, Expenses, and**  
**Changes in Net Position**  
**Proprietary Fund Type**  
**For The Fiscal Year Ended June 30, 2015**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	For the Fiscal Years Ended June 30	
	2015	2014
Operating revenues:		
Net patient service revenue	\$1,555,059	\$1,401,035
Net patient service revenue	9,396	-
Total operating revenues	\$1,564,455	\$1,401,035
Operating expenses:		
Service delivery	1,149,917	1,234,870
Maintenance and repairs	78,911	56,183
Customer accounting	92,617	89,936
General and administrative	45,533	44,165
Depreciation	191,803	165,960
Total operating expenses	1,558,781	1,591,114
Operating income	5,674	(190,079)
Nonoperating revenues (expenses):		
Investment income	16,411	13,825
Ground emergency medical transportation (GEMT) supplemental reimbursements	52,444	227,528
Interest expense	(3,409)	(5,731)
Gain (loss) on disposal capital assets	(6,770)	17,500
Total nonoperating revenues	58,676	253,122
Increase in net position	64,350	63,043
Net position, July 1	2,424,279	2,361,236
Net position, June 30	\$ 2,488,629	\$ 2,424,279

See notes to financial statements

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Statements of Cash Flows**  
**Proprietary Fund Type**  
**For The Fiscal Year Ended June 30, 2015**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	For the Fiscal Years Ended June 30	
	2015	2014
Cash flows from operating activities:		
Cash received from patients and third-party payers	\$ 1,594,122	\$ 1,542,723
Cash payments for employee salaries and benefits	(21,856)	(21,702)
Cash paid to suppliers and service providers	(1,363,142)	(1,233,378)
Net cash provided by operating activities	209,124	287,643
Cash flows from capital financing activities:		
Principal payments	(85,108)	(82,611)
Interest paid	(4,019)	(6,516)
Proceeds from sale capital assets	13,000	17,500
Purchase of equipment	(173,315)	(105,285)
Net cash used in capital financing activities	(249,442)	(176,912)
Cash flows from noncapital financing activities:		
Supplemental receipts from GEMT program	52,444	227,528
Cash flows from investing activities:		
Interest earnings	16,411	13,825
Net increase in cash and cash equivalents	28,537	352,084
Cash and cash equivalents, July 1	2,594,577	2,242,493
Cash and cash equivalents, June 30	\$ 2,623,114	\$ 2,594,577
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)		
Adjustments to reconcile operating income to net cash provided by operation activities:	\$ 5,674	\$ (190,079)
Depreciation	191,803	165,960
Changes in assets and liabilities:		
Decrease(increase) in customer accounts receivable	29,666	141,688
Increase (decrease) in accounts payable for services	47,152	(33,373)
Increase (decrease) in accrued liabilities	-	(98)
Increase (decrease) in payable to member agencies	(65,171)	203,545
	\$ 209,124	\$ 287,643

There were no noncash investing, capital, and financing activities not reflected above.

See notes to financial statements



**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Southern Marin Emergency Medical Paramedic System was organized under a Joint Powers Agreement in December 1979 between the City of Belvedere, City of Mill Valley, City of Sausalito, Alto-Richardson Bay Fire Protection District, Tamalpais Fire Protection District, Tiburon Fire Protection District and the County of Marin for the purpose of establishing, operating, and maintaining an emergency medical care-paramedic program in Southern Marin County. The System's service delivery is provided by personnel of member agencies using System emergency vehicles, paramedical equipment, and supplies. Accordingly the System reports no expenses for salaries, benefits, compensated absences or retirement costs other than for one part-time administrative employee.

The System is governed by a Board of Directors consisting of one appointed member from each of the member governmental entities. The System is therefore considered to be a stand alone financial reporting entity.

**B. Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the System.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Patient service revenues are recognized as the service is provided to patients of the System, and is reported net of all allowances for uncollectible accounts and disallowances.

The System is engaged in only business-type activities and the System's basic financial statements consist of only the financial statements required for enterprise funds. These include the management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, these notes to the basic financial statements.

The System applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for proprietary operations, and the provisions of GASB Statement Number 62, Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements.

Proprietary enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to individuals and organizations for the delivery of emergency medical care and related transportation services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Such operating expenses also include payments to member agencies for personnel and other services provided during each fiscal year. The amount of compensation payable to member agencies is annually determined by the System's Board of Directors. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position**

**1. Deposits and Investments**

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the System to invest in public deposits, time certificates of deposit, the State Treasurer's Local Agency Investment Fund (LAIF) and other permitted investments.

The System follows the practice of pooling all cash and investments with the City of Mill Valley, and therefore the System's investment policy conforms with the investment policy of the City of Mill Valley. The City of Mill Valley's investment practice is to invest all idle cash in either time certificates of deposit or the State Treasurer's Local Agency Investment Fund (LAIF).

**2. Receivables and Patient Revenues**

All trade receivables are shown net of allowances for uncollectibles and disallowances. The System bills patients without insurance, private insurance companies where patients are privately insured, and Medicare/MediCal for patients with that type of insurance. The insurance companies typically do not pay the full amounts billed by the System. After processing of the billings, insurance companies pay the System amounts deemed as allowable under current insurance practices. Therefore, patient service revenue is reported by the System at the net estimated realizable amounts due from patients, third party payers, and others for services rendered by the System.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**4. Capital Assets**

Capital assets, which include equipment and vehicles, are reported in the financial statements. Capital assets are defined by the System as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the System are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	6
Equipment	7-10

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position**

**5. Long-term Obligations**

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**6. Net Position**

In the financial statements, fund net position is reported in two categories as follows:

- Net investment in capital assets - This category of net position reports the net book value of capital assets (costs of vehicles and equipment less accumulated depreciation) less also any outstanding long-term debt principal issued for the specific purpose of providing funding for the purchase of capital assets.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the System and not restricted for a specific purpose use by parties external to the System.

**2. Detailed Notes**

**A. Cash and Investments**

Deposits and investments at June 30, 2015 consisted of \$2,623,114 all invested in the Investment Pool of the City of Mill Valley. The City is authorized to invest System funds in conformance with the City's investment policy.

**Custodial Credit Risk-Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits of its or the System's funds is that deposits will be made only in institutions in California, they will be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2015, all of the monies invested in time deposits in the City's pool were fully insured by FDIC insurance. The only deposits not fully covered by FDIC Insurance were monies on deposit in the City's checking account, and these monies were collateralized by the federal securities held by the pledging bank's agent but not in the City or the Agency's name.

Investments - At June 30, 2015, the System's funds with the City of Mill Valley Investment Pool were invested as follows:

Investment Type	Fair Value
Local Agency Investment Fund	\$2,623,114

**Interest Rate Risk-** As a means of limiting its exposure to fair value losses arising from interest rates, the City has limited its investment of System funds to investment in the State of California Local Agency Investment Fund.

**Credit Risk -** State law limits investments in various securities to certain levels of risk issued by nationally recognized statistical rating organizations. It is the City's policy to comply with state law as regards security ratings. The LAIF also complies with those limitations prescribed by State Law. The LAIF is unrated by such statistical rating organizations.



**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**2. Detailed Notes (Continued)**

**A. Cash and Investments (Continued)**

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the System's funds were invested in specific securities. All monies were invested in the City's pool of investments (primarily the LAIF) with such investment not being evidenced by specific securities; and therefore not subject to custodial credit risk.

**B. Receivables**

Receivables as of year-end in the aggregate, net of the applicable allowances for disallowed amounts and uncollectible accounts, are as follows:

	Amounts
Receivables:	
Patient accounts	\$ 502,667
Less allowance for bad debts	(254,500)
Net patient receivables	\$ 248,167

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Vehicles	\$ 1,310,133	\$ 173,315	\$(326,518)	\$ 1,156,930
Paramedical equipment	578,686	-	-	578,686
Total capital assets, being depreciated	1,888,819	173,315	(326,518)	1,735,616
Less accumulated depreciation for:				
Vehicles	(849,968)	(144,318)	306,749	(687,537)
Paramedical equipment	(388,809)	(47,485)	-	(436,294)
Total accumulated depreciation	(1,238,777)	(191,803)	306,749	(1,123,831)
Business-type activities capital assets, net	\$ 650,042	\$ (18,488)	\$ (19,769)	\$ 611,785



**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**2. Detailed Notes (Continued)**

**D. Long-Term Debt**

On May 1, 2012 the System entered into an installment sale agreement with Municipal Finance Corporation to obtain \$100,840 in financing for the purchase of five monitors/defibrillators. The agreement is payable in semiannual installments through July 24, 2015 and bears interest at 3 percent. The agreement is secured by a security interest in the purchased equipment.

Future debt service is:

Fiscal Year	Principal	Interest	Totals
2016	\$ 17,438	\$ 262	\$ 17,700
	<u>\$ 17,438</u>	<u>\$ 262</u>	<u>\$ 17,700</u>

On March 1, 2013 the System entered into an installment sale agreement with Municipal Finance Corporation to obtain \$153,047 in financing for the purchase of two ambulances. The agreement is payable in semiannual installments through March 21, 2016 and bears interest at 3 percent. The agreement is secured by a security interest in the purchased vehicles.

Future debt service is:

Fiscal Year	Principal	Interest	Totals
2016	\$ 52,542	\$ 1,185	\$ 53,727
	<u>\$ 52,542</u>	<u>\$ 1,185</u>	<u>\$ 53,727</u>

**Changes in Long-Term Debt Obligations:**

Changes in the long-term debt obligations of the system for the fiscal year ended June 30, 2015 were as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due in One Year
Installment agreements:					
Equipment	\$ 51,546	\$ -	\$ 34,108	\$ 17,438	\$ 17,438
Vehicles	103,542	-	51,000	52,542	52,542
Totals	<u>\$ 155,088</u>	<u>\$ -</u>	<u>\$ 85,108</u>	<u>\$ 69,980</u>	<u>\$ 69,980</u>

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**3. Other Information**

**A. Risk Management**

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the System carries insurance. The System purchases commercial insurance coverage which provides for business property coverage including equipment and supplies with a deductible of \$250, general liability coverage including medical malpractice with a \$3 million general aggregate limit, automobile coverage for bodily injury and property damage for \$1 million, and excess umbrella liability coverage for \$2 million each occurrence with a \$4 million general aggregate. There have been no significant reductions in insurance coverages as compared to the 2014 fiscal year, and the amounts of settlements have not exceeded insurance coverages for each of the past three fiscal years. There are no claim liabilities in the accompanying financial statements as the risk of loss has been transferred to the commercial insurance companies.

Liabilities of the System are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2014 or 2015.

**B. Contingencies**

*Litigation.* The System is not involved in any litigation that might have a financial impact upon the System. The funding provided under the GEMT Program is subject to audit by the provider and may involve federal financial assistance. The System expects that disallowed reimbursements, if any, will not be material to the System's financial position.

**C Related Party Transactions**

Service delivery expenses include \$849,192 payable to member agencies for reimbursement and or payment for services provided in connection with the System's operations, \$40,321 in expenses paid to Marin County Fire for training, and \$28,249 in fuel expenses paid to the City of Mill Valley.