

**Southern Marin
Emergency Medical Paramedic System
Financial Statements
June 30, 2017**

<p>SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM Table of Contents June 30, 2017</p>
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Terry E. Krieg, CPA
Certified Public Accountant

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, 2017, 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 qualified opinion.

Basis for Qualified Opinion

The System's patient accounts receivable carried at a net amount of \$588,920 (\$1,514,307 before contractual disallowances and doubtful account allowances) and for services rendered between February 1, 2017 and June 30, 2017 were not billed until subsequent to June 30, 2017. I was unable to obtain sufficient appropriate audit evidence about the carrying value of the System's patient receivables, disallowances and allowances for doubtful accounts because of the System's delay in billing its revenue and the delayed collection of the patient receivables.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 5D, the System changed its method of accounting for grant revenues and receivables in fiscal 2017. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 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 January 4, 2018 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
January 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017.

FINANCIAL HIGHLIGHTS

- The net position of the System's business-type activities increased \$326,900 or nearly 11% compared to the net position of the System at June 30, 2016 (as restated for a change in accounting principle). This increase was the result of about a \$350,000 reduction in the reimbursement to members in fiscal 2017 because of delayed collections on patient accounts.
- Total operating expenses for 2017 decreased by about a net \$237,700. Lower service delivery expenses were the main reason for the increase in operating expenses.
- The System's business-type activities patient revenues were relatively stable at about \$1.6 million in fiscal 2017 (only a slight decrease compared to fiscal 2016). The System also changed medical billing services in fiscal 2017 and this change delayed significantly the billing of patient revenues for 2017.
- The System in 2017 purchased a new ambulance for \$195,800 using the System's own cash reserves. In addition, the System purchased power equipment for \$117,700.
- The System ended the 2017 year with about \$ 2,313,680 in cash and investments available to the System to continue operations and to fund future capital asset replacements. This was about \$408,000 less than at the end of fiscal 2016 and was caused by the use of cash to purchase equipment and the delay in the billing of patient revenues.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIGURE A-1 Major Financial Statement Features

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net Position. The System's *combined* net position increased by about \$327,000 between years 2017 and 2016. (See Table A-1.)

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

	2017	2016	Percentage Change 2016-2017
Assets:			
Current and other assets	\$ 3,399,700	\$ 3,495,200	-2.7%
Capital assets being depreciated	699,600	600,700	16.5%
Total assets	\$ 4,099,300	\$ 4,095,900	0.0%
Liabilities:			
Accounts and accrued liabilities	\$ 66,500	\$ 32,500	204.6%
Payable to member agencies	650,800	1,008,300	-35.5%
Total liabilities	717,300	1,040,800	-31.1%
Net position:			
Net investment in capital assets	699,600	600,700	16.5%
Unrestricted	2,682,400	2,454,400	9.3%
Total net position	\$ 3,382,000	\$ 3,055,100	10.7%

Net position of the System in 2017 increased by about 11% to a total of \$3,382,000. About 79% 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 21 % of total net position.

The 16.5% increase in the amount invested in capital assets in 2017 results primarily from a net change with a reduction of \$214,600 for the charges to depreciation expense, plus an additional \$196,000 for the purchase of a new ambulance and \$118,000 for the purchase of equipment.

There was no new long-term debt issued in fiscal 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Changes in net position. The System's total revenues in fiscal 2017, on a net basis, were about 2.8 percent less than in fiscal 2016. (See Table A-2.) About 87 of the System's revenue was from charges for services in the form of patient service fees. The remaining 13 percent comes primarily from investment earnings and grant subsidy programs.

The total cost of all programs and services decreased in 2017 to about \$1,483,100 about a 14 percent decrease over fiscal 2016 expenses.

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

	Years Ended June 30		Total
	2017	2016	Percent Change
Revenues:			
Patient fees	\$1,577,300	\$1,602,700	-1.5%
Investment revenue	22,000	19,500	12.8%
GEMT supplemental reimbursements	51,800	76,100	-32.0%
DHCS health plan reimbursements	158,900	163,200	-2.6%
Total revenues	1,810,000	1,861,500	-2.8%
Expenses:			
Service delivery	1,005,400	1,322,900	-24.0%
Maintenance and repair	81,900	58,200	40.7%
Customer accounting	93,900	91,000	3.2%
General and administration	59,400	33,400	77.8%
DHCS administrative costs	27,900	20,300	37.4%
Depreciation	214,600	195,000	0.0%
Interest	-	700	-100.0%
Total expenses	1,483,100	1,721,500	-13.8%
Increase (decrease) in net position	326,900	140,000	133.5%
Net position, beginning of year (as restated)	3,055,100	2,915,100	
Net position, end of year	\$3,382,000	\$3,055,100	10.7%

The system's 2017 net patient revenues decreased by about \$25,400, and most the decrease was caused by the estimation of write-offs, contractual disallowances and doubtful account allowances as the System has no previous collection experience with its new billing system.

The System reported \$210,700 in additional revenues in fiscal 2017 from participation in the Department of Health Care Services Partnership Health Plan whereby the System is reimbursed for previously incurred and unsubsidized costs for serving Medi - Cal plan members and the GEMT reimbursement program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SYSTEM 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 2017 was about \$238,400 less than was reported in fiscal 2016 and this was mainly the result of lower member reimbursements.

The System paid for these costs by using the \$ 1,577,300 in patient revenues which amount was more than what was needed to cover all operating expenses plus depreciation resulting in a \$326,900 increase in net position as a result of grants and subsidies. The System's net cash flows in fiscal 2017 after all activities was negative with a net decrease of \$408,000 in cash and investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of 2017 the System had invested \$ 699,600 (net of accumulated depreciation) in capital assets including vehicles and small equipment. (See Table A-3.) This amount represents a net increase of about of \$98,900 which was primarily from depreciation charges in fiscal 2017 being less than the additions for an emergency vehicle and equipment.

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

	<u>Business-Type Activities</u>		<u>Total Percentage Change</u>
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Vehicles	\$1,536,600	\$1,340,800	14.6%
Equipment	696,400	578,700	20.3%
Less accumulated depreciation	<u>(1,533,400)</u>	<u>(1,318,800)</u>	<u>16.2%</u>
Net capital assets	<u>\$699,600</u>	<u>\$600,700</u>	<u>16.4%</u>

This year's major capital assets additions included:

Depreciation expense additions of \$214,600 which was about 10% more than fiscal 2016.

Vehicle purchase for \$195,800 for a Ford unit.

Power load equipment costing \$117,700.

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

Management's Discussion and Analysis

Long-Term Debt

No new debt was issued in fiscal 2017, and all the remaining debt related to vehicle purchases was fully retired and paid off in fiscal 2016.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

For the 2018 year, revenue projections show that 2018 revenues are expected to increase slightly compared to fiscal 2017. The System expects to be allocated some amounts of GEMT and DHCS revenues in fiscal 2018; but the exact amounts are unknown at present.

The System's focus in fiscal 2018 will be to complete a successful conversion to the new billing service provider, get patient billings billed on a regular monthly basis, develop some collection experience with the new provider and improve the realization of revenues from patient services.

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, 2017

(With Comparative Totals at June 30, 2016)

	June 30	
Assets	2017	2016
Current assets:		
Cash and investments pooled with the City of Mill Valley	\$ 2,313,680	\$ 2,721,344
Patient accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$925,387 and \$281,964	588,920	295,769
Due from other governments	496,981	477,960
Deposits	100	100
Total current assets	3,399,681	3,495,173
Capital assets:		
Emergency vehicles	1,536,560	1,340,772
Paramedical equipment	696,371	578,686
Total capital assets	2,232,931	1,919,458
Accumulated depreciation	(1,533,372)	(1,318,774)
Net capital assets	699,559	600,684
Total assets	\$ 4,099,240	\$ 4,095,857
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 66,480	\$ 32,473
Payable to member agencies	650,818	1,008,325
Total current liabilities	717,298	1,040,798
Net position		
Net investment in capital assets	699,559	600,684
Unrestricted	2,682,383	2,454,375
Total net position	3,381,942	3,055,059

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, 2017
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)

	<u>For the Fiscal Years Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Operating revenues:		
Net patient service revenue	\$1,577,334	\$1,596,761
Other operating revenues	-	5,929
Total operating revenues	<u>\$1,577,334</u>	<u>\$1,602,690</u>
Operating expenses:		
Service delivery	1,005,403	1,322,931
Maintenance and repairs	81,868	58,229
Customer accounting	93,882	90,988
General and administrative	59,439	33,405
DHCS administrative fee	27,922	20,301
Depreciation	214,598	194,943
Total operating expenses	<u>1,483,112</u>	<u>1,720,797</u>
Operating income	<u>94,222</u>	<u>(118,107)</u>
Nonoperating revenues (expenses):		
Investment income	21,993	19,478
Ground emergency medical transportation (GEMT) supplemental reimbursements	51,792	76,018
Partnership for health care subsidy	158,876	163,188
Interest expense	-	(636)
Total nonoperating revenues	<u>232,661</u>	<u>258,048</u>
Increase in net position	326,883	139,941
Net position, July 1	<u>3,055,059</u>	<u>2,915,118</u>
Net position, June 30	<u>\$ 3,381,942</u>	<u>\$ 3,055,059</u>

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, 2017
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)

	For the Fiscal Years Ended June 30	
	2017	2016
Cash flows from operating activities:		
Cash received from patients and third-party payers	\$ 1,284,183	\$ 1,555,088
Cash payments for employee salaries and benefits	(22,025)	(22,278)
Cash paid to suppliers and service providers	(1,569,989)	(1,386,524)
Net cash provided by operating activities	(307,831)	146,286
Cash flows from capital financing activities:		
Principal payments	-	(69,980)
Interest paid	-	(1,447)
Purchase of equipment	(313,475)	(183,842)
Net cash used in capital financing activities	(313,475)	(255,269)
Cash flows from noncapital financing activities:		
Supplemental receipts from DHCS program	154,565	125,430
Supplemental receipts from GEMT program	37,084	62,305
Net cash provided by noncapital financing activities	191,649	187,735
Cash flows from investing activities:		
Interest earnings	21,993	19,478
Net increase (decrease) in cash and cash equivalents	(407,664)	98,230
Cash and cash equivalents, July 1	2,721,344	2,623,114
Cash and cash equivalents, June 30	\$ 2,313,680	\$ 2,721,344
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 94,222	\$ (118,107)
Adjustments to reconcile operating income to net cash provided by operation activities:		
Depreciation	214,598	194,943
Changes in assets and liabilities:		
Decrease(increase) in customer accounts receivable	(293,151)	(47,602)
Increase (decrease) in accounts payable for services	34,007	(42,081)
Increase (decrease) in payable to member agencies	(357,507)	159,133
	\$ (307,831)	\$ 146,286

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, 2017

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, 2017

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. Grant revenues are recognized in the year in which eligible expenses have been incurred and estimated amounts are recorded for delayed reimbursements.

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, 2017

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, 2017 consisted of \$2,313,680 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, 2016, 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, 2017, the System's funds with the City of Mill Valley Investment Pool were invested as follows:

Investment Type	Average Maturity	Fair Value
Local Agency Investment Fund	194 Days	\$2,313,680

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, 2017

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
Patient accounts:	
Patient accounts	\$ 1,514,307
Less allowance for bad debts	(925,387)
Net patient receivables	\$ 588,920
Intergovernmental grants:	
DHCS Intergovernmental transfer (IGT) program fiscal 2016	\$163,188
DHCS Intergovernmental transfer (IGT) program fiscal 2017	158,876
DHCS GEMT program fiscal 2016 & 2015	123,125
DHCS GEMT program fiscal 2017	51,792
Total intergovernmental receivables	\$496,981

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 1,340,772	\$ 195,788	\$ -	\$ 1,536,560
Paramedical equipment	578,686	117,685	-	696,371
Total capital assets, being depreciated	1,919,458	313,473	-	2,232,931
Less accumulated depreciation for:				
Vehicles	(839,982)	(164,356)	-	(1,004,338)
Paramedical equipment	(478,792)	(50,242)	-	(529,034)
Total accumulated depreciation	(1,318,774)	(214,598)	-	(1,533,372)
Business-type activities capital assets, net	\$ 600,684	\$ 98,875	\$ -	\$ 699,559

SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM
Notes to the Basic Financial Statements
June 30, 2017

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 2016 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, 2016 or 2017.

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 and DHCS Partnership Programs are 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 \$650,818 payable to member agencies for reimbursement and or payment for services provided in connection with the System's operations, \$48,820 in expenses paid to Marin County Fire for training, and \$33,915 in fuel expenses paid to the City of Mill Valley.

D. Change in Accounting Principle

In fiscal 2017, the System changed its method of accounting for grant revenues and receivables. The grant programs commenced covering eligible 2014 fiscal year expenses, however, the implementation was delayed until the 2016 fiscal year and recognition of revenue on an accrual basis was deferred until the System had adequate experience with the delayed billing and collection of revenues under these programs. The impact of on the fiscal 2017 opening net position was as follows:

Net position June 30, 2016 as originally reported	\$2,577,099
Change in accounting principle:	
Record accrued grant receivables	477,960
	<hr/>
Net position, June 30, 2016, as restated	<u>\$3,055,059</u>