

Southern Marin  
Emergency Medical Paramedic System  
Financial Statements  
June 30, 2018

<p>SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM Table of Contents June 30, 2018</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, 2018, 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.

#### **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, 2018, 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 30, 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  
November 30, 2018

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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, 2018.

### FINANCIAL HIGHLIGHTS

- The net position of the System's business-type activities increased \$1,106,050 or nearly 33% compared to the net position of the System at June 30, 2017. This increase was the result of the significant patient billing rate increases of about 100 percent for BLS patient trips, 54 percent for ALS patient trips, and about a 96 percent increase in GEMT and IGT revenues.
- Total operating expenses for 2018 increased by about a net \$334,000 or about 23 percent more than in fiscal 2017. Higher service delivery expenses were the main reason for the increase in operating expenses.
- The System in 2018 purchased a new ambulance for \$746,221 using the System's own cash reserves. In addition, the System purchased power equipment for \$237,500.
- The System ended the 2018 year with about \$ 1,777,474 in cash and investments available to the System to continue operations and to fund future capital asset replacements. This was about \$536,000 less than at the end of fiscal 2017 and was caused by the use of cash to purchase equipment and rescue units.

### 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**

<u>Financial Statement Features</u>	<u>Basic Financial Statements</u>
<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 \$1,106,000 between years 2017 and 2018. (See Table A-1.)

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

	2018	2017	Percentage Change 2017-2018
<b>Assets:</b>			
Current and other assets	\$ 4,264,200	\$ 3,399,700	25%
Capital assets being depreciated	1,346,000	699,600	92%
<b>Total assets</b>	<b>\$ 5,610,200</b>	<b>\$ 4,099,300</b>	<b>37%</b>
<b>Liabilities:</b>			
Accounts and accrued liabilities	\$ 48,000	\$ 66,500	-28%
Payable to other governments (DHCS)	194,000	-	100%
Payable to member agencies	880,200	650,800	35%
<b>Total liabilities</b>	<b>1,122,200</b>	<b>717,300</b>	<b>56%</b>
<b>Net position:</b>			
Net investment in capital assets	1,346,000	699,600	92%
Unrestricted	3,142,000	2,682,400	17%
<b>Total net position</b>	<b>\$4,488,000</b>	<b>\$ 3,382,000</b>	<b>33%</b>

Net position of the System in 2018 increased by about 33% to a total of \$4,488,000. About 70% of the net position of the System is represented by cash, investments, patient and grant receivables. The System's investment in capital assets at year-end represents 30 % of total net position.

The 92% increase in the amount invested in capital assets in 2018 results primarily from a net change with a reduction of \$317,300 for the charges to depreciation expense, plus an additional \$746,200 for the purchase of a new heavy rescue unit and \$237,500 for the purchase of equipment.

There was no new long-term debt issued in fiscal 2018.

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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 2018, on a net basis, were about 62 percent more than in fiscal 2017. (See Table A-2.) About 85 of the System's revenue was from charges for services in the form of patient service fees. The remaining 15 percent comes primarily from investment earnings and grant subsidy programs.

The total cost of all programs and services increased in 2018 to about \$1,835,000 about a 24 percent increase over fiscal 2017 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
	2018	2017	2017-2018
Revenues:			
Patient fees	\$2,505,500	\$1,577,300	59%
Investment revenue	22,200	22,000	-
GEMT supplemental reimbursements	118,300	51,800	128%
DHCS health plan reimbursements	295,000	158,900	86%
<b>Total revenues</b>	<b>2,941,000</b>	<b>1,810,000</b>	<b>62%</b>
Expenses:			
Service delivery	1,254,600	1,005,400	25%
Maintenance and repair	56,300	81,900	-31%
Customer accounting	72,700	93,900	-24%
General and administration	54,800	59,400	-8%
DHCS administrative costs	61,200	27,900	19%
Refunds and loss on capital assets	18,100	-	100%
Depreciation	317,300	214,600	48%
<b>Total expenses</b>	<b>1,835,000</b>	<b>1,483,100</b>	<b>24%</b>
Increase (decrease) in net position	1,106,000	326,900	238%
Net position, beginning of year	3,382,000	3,055,100	
<b>Net position, end of year</b>	<b>\$4,488,000</b>	<b>\$3,382,000</b>	<b>33%</b>

The system's 2018 net patient revenues increased by about \$928,200, and most the increase was caused by the increases in patient billing rates ( a100% increase for BLS trips going from \$931 to \$1,881 and a 54% increase in ALS trips going from \$1,219 to \$1,882 per trip).

The System reported additional \$202,600 in revenues in fiscal 2018 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.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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 2018 was about \$351,900 more than was reported in fiscal 2017 and this was mainly the higher member reimbursements (\$229,300) and higher depreciation expense.

The System paid for these costs by using the \$ 2,505,500 in patient revenues which amount was more than what was needed to cover all operating expenses plus depreciation resulting in a increase in net position. The System's net cash flows in fiscal 2018 after all activities was negative with a net decrease of \$536,200 in cash and investments (mainly from the purchase of rescue vehicles and medical equipment).

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Asset

At the end of 2018 the System had invested \$ 1,346,000 (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 \$646,400 which was net of \$317,300 in depreciation charges in fiscal 2018. The System disposed of two ambulances in fiscal 2018 with one being donated to the Marin Community Clinic and one being sold for \$5,000. In addition, the System inventoried its vehicles and equipment and adjusted its records for obsolete items.

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

	<u>Business-Type Activities</u>		<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
Vehicles	\$1,750,500	\$1,536,600	14%
Equipment	775,300	696,400	11%
Less accumulated depreciation	<u>(1,179,800)</u>	<u>(1,533,400)</u>	13%
Net capital assets	<u>\$1,346,000</u>	<u>\$699,600</u>	<u>92%</u>

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

Depreciation expense additions of \$317,300 which was about 48% more than fiscal 2017.

Purchase of a heavy duty rescue unit for \$746,221

Purchase of equipment for \$237,500 (mainly cardiac monitors)

The System also paid a deposit of \$210,931 for another rescue vehicle being built, but not yet delivered or placed in service

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 2018. The System financed the new rescue vehicles with its own financial resources instead of using external financing instruments.

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

For the 2019 year, revenue projections show that 2019 revenues are expected to increase slightly compared to fiscal 2018. The System expects to be allocated some amounts of GEMT and DHCS revenues in fiscal 2019; but the exact amounts are unknown at present.

The System's focus in fiscal 2019 will be to monitor its successful conversion to the new billing service provider, get patient billings billed on a regular monthly basis, 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, 2018**

(With Comparative Totals at June 30, 2017)

	June 30	
<b>Assets</b>	2018	2017
<b>Current assets:</b>		
Cash and investments pooled with the City of Mill Valley	\$ 1,777,474	\$ 2,313,680
Patient accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$937,637 and \$925,387	1,350,000	588,920
Due from other governments	925,803	496,981
Deposits	210,931	100
Total current assets	4,264,208	3,399,681
<b>Capital assets:</b>		
Emergency vehicles	1,750,485	1,536,560
Paramedical equipment	775,322	696,371
Total capital assets	2,525,807	2,232,931
Accumulated depreciation	(1,179,811)	(1,533,372)
Net capital assets	1,345,996	699,559
<b>Total assets</b>	\$ 5,610,204	\$ 4,099,240
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 47,996	\$ 66,480
Payable to other governments	194,050	-
Payable to member agencies	880,166	650,818
Total current liabilities	1,122,212	717,298
<b>Net position</b>		
Net investment in capital assets	1,345,996	699,559
Unrestricted	3,141,996	2,682,383
Total net position	4,487,992	3,381,942

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, 2018**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	For the Fiscal Years Ended June 30	
	2018	2017
Operating revenues:		
Net patient service revenue	\$2,505,469	\$1,577,334
Total operating revenues	\$2,505,469	\$1,577,334
Operating expenses:		
Service delivery	1,254,509	1,005,403
Maintenance and repairs	56,333	81,868
Customer accounting	72,697	93,882
General and administrative	54,824	59,439
DHCS administrative fee	61,186	27,922
Depreciation	317,333	214,598
Total operating expenses	1,816,882	1,483,112
Operating income	688,587	94,222
Nonoperating revenues (expenses):		
Investment income	22,230	21,993
Ground emergency medical transportation (GEMT) supplemental reimbursements	118,274	51,792
Partnership for health care subsidy	295,010	158,876
Subsidy refunds	(3,140)	-
Loss on disposal capital assets	(14,911)	-
Total nonoperating revenues	417,463	232,661
Increase in net position	1,106,050	326,883
Net position, July 1	3,381,942	3,055,059
Net position, June 30	\$ 4,487,992	\$ 3,381,942

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, 2018**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	For the Fiscal Years Ended June 30	
	2018	2017
Cash flows from operating activities:		
Cash received from patients and third-party payers	\$ 1,744,389	\$ 1,284,183
Cash payments for employee salaries and benefits	(22,600)	(22,025)
Cash paid to suppliers and service providers	(1,266,085)	(1,569,989)
Net cash provided by operating activities	455,704	(307,831)
Cash flows from capital financing activities:		
Proceeds from sale of capital asset	5,000	-
Deposits on ambulance	(210,831)	-
Purchase of equipment	(983,681)	(313,475)
Net cash used in capital financing activities	(1,189,512)	(313,475)
Cash flows from noncapital financing activities:		
Supplemental receipts from DHCS program	299,082	294,176
DHCS transfer payments	(295,487)	(139,611)
Refunds of GEMT receipts	(3,140)	-
Supplemental receipts from GEMT program	174,917	37,084
Net cash provided by noncapital financing activities	175,372	191,649
Cash flows from investing activities:		
Interest earnings	22,230	21,993
Net increase (decrease) in cash and cash equivalents	(536,206)	(407,664)
Cash and cash equivalents, July 1	2,313,680	2,721,344
Cash and cash equivalents, June 30	\$ 1,777,474	\$ 2,313,680
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 688,587	\$ 94,222
Adjustments to reconcile operating income to net cash provided by operation activities:		
Depreciation	317,333	214,598
Changes in assets and liabilities:		
Decrease(increase) in customer accounts receivable	(761,080)	(293,151)
Increase (decrease) in accounts payable for services	(18,484)	34,007
Increase (decrease) in payable to member agencies	229,348	(357,507)
	\$ 455,704	\$ (307,831)

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, 2018**

**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, 2018**

**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, 2018**

**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, 2018 consisted of \$1,777,474 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, 2018, 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, 2018, 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	193 Days	\$1,777,474

**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, 2018**

**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	\$ 2,287,637
Less allowance for bad debts	(937,637)
Net patient receivables	\$ 1,350,000

The \$925,803 due from other governments represent the estimated reimbursement under the DCHS agreement which amount includes the return of the System's 194,050 transfer payment applicable to the June 30, 2018 fiscal year.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 1,536,560	\$ 746,221	\$(532,296)	\$ 1,750,485
Paramedical equipment	696,371	237,460	(158,509)	775,322
Total capital assets, being depreciated	2,232,931	983,681	(690,805)	2,525,807
Less accumulated depreciation for:				
Vehicles	(1,004,338)	(246,868)	503,640	(1,004,338)
Paramedical equipment	(529,034)	(70,465)	167,254	(529,034)
Total accumulated depreciation	(1,533,372)	(317,333)	670,894	(1,179,811)
Business-type activities capital assets, net	\$ 699,559	\$ 666,348	\$ (19,911)	\$ 1,345,996

**SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**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 2017 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, 2017 or 2018.

**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 \$1,074,218 payable to member agencies for reimbursement and or payment for services provided in connection with the System's operations, \$49,500 in expenses paid to Marin County Fire for training, and \$40,990 in fuel expenses paid to the City of Mill Valley.