

**Southern Marin
Emergency Medical Paramedic System
Financial Statements
June 30, 2016**

SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM
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June 30, 2016

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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, 2016, 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, 2016, 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 September 12, 2016 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
September 12, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- The net position of the System's business-type activities increased \$88,500 or nearly 3.5% compared to the net position of the System at June 30, 2015. This was almost about \$24,000 more than the amount of increase as the System reported in fiscal 2015.
- Total operating expenses for 2016 increased by about a net \$162,000. Higher 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 2016 (only a slight increase over fiscal 2015). However, the System received an additional \$125,400 in reimbursement revenue from the Department of Health Care Services for the purpose of subsidizing out of pocket costs related to Medi - Cal patient services.
- The System in 2016 purchased a new ambulance for \$183,840 using the System's own cash reserves. In addition, the System paid off all remaining installment agreement debt by the end of fiscal 2016 leaving the System with no long-term debt obligations.
- The System ended the 2016 year with about \$ 2,721,344 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIGURE A-1 Major Financial Statement Features

Financial Statement Features	Basic Financial Statements
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 \$88,400 between years 2015 and 2016. (See Table A-1.)

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

	2016	2015	Percentage Change 2015-2016
Assets:			
Current and other assets	\$ 3,017,200	\$ 2,871,400	5.1%
Capital assets being depreciated	600,700	611,800	-1.8%
Total assets	\$ 3,617,900	\$ 3,483,200	3.9%
Liabilities:			
Accounts and accrued liabilities	\$ 32,500	\$ 75,300	-56.9%
Payable to member agencies	1,008,300	849,200	18.7%
Installment agreement	-	70,000	-100.0%
Total liabilities	1,040,800	994,500	4.7%
Net position:			
Net investment in capital assets	600,700	541,800	10.9%
Unrestricted	1,976,400	1,946,900	1.4%
Total net position	\$ 2,577,100	\$ 2,488,700	3.5%

Net position of the System in 2016 increased by about 3.5% to a total of \$2,577,100. About 77% 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 23 % of total net position.

The 10.9% increase in the amount invested in capital assets in 2016 results primarily from a net change with a reduction of \$195,000 for the charges to depreciation expense, plus an additional the addition of about \$184,000 for the purchase of a new ambulance and the retirement of about \$70,000 in vehicle debt financing.

There was no new long-term debt issued in fiscal 2016; and the System retired the remaining principal on two installment agreements issued to finance equipment and vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Changes in net position. The System's total revenues in fiscal 2016, on a net basis, were about 11.3 percent more than in fiscal 2015. (See Table A-2.) Virtually all, 89 percent of the System's revenue comes from charges for services in the form of patient service fees. The remaining 11 percent comes primarily from investment earnings and a small amount from other operating revenues and reimbursement programs.

The total cost of all programs and services increased in 2016 to about \$1,721,500 about a 10.2 percent increase over fiscal 2015 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
	2016	2015	2015-2016
Revenues:			
Patient fees	\$1,602,700	\$1,564,500	2.4%
Investment revenue	19,500	16,400	18.9%
GEMT supplemental reimbursements	62,300	52,400	18.9%
DHCS health plan reimbursements	125,400	-	100.0%
Gain (loss) on disposal capital assets	-	(6,800)	100.0%
Total revenues	1,809,900	1,626,500	11.3%
Expenses:			
Service delivery	1,322,900	1,149,900	15.0%
Maintenance and repair	58,200	78,900	-26.2%
Customer accounting	91,000	92,600	-1.7%
General and administration	33,400	45,500	-26.6%
DHCS administrative costs	20,300	-	100.0%
Depreciation	195,000	191,800	1.7%
Interest	700	3,400	-79.4%
Total expenses	1,721,500	1,562,100	10.2%
Increase (decrease) in net position	88,400	64,400	37.3%
Net position, beginning of year	2,488,700	2,424,300	
Net position, end of year	\$2,577,100	\$2,488,700	3.5%

The system's 2016 net patient revenues increased by about \$38,200, and most the increase was caused by more patient revenues in accounts receivable at year end.

The System reported \$125,400 in additional revenues in fiscal 2016 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.

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 2016 was about \$159,400 more than was reported in fiscal 2015 and this was mainly the result of higher member reimbursements.

The System paid for these costs by using the \$ 1,602,700 in patient revenues which amount was less than what was needed to cover all operating expenses plus depreciation resulting in a \$118,107 operating deficit. The operating deficit was funded by grants and subsidies. The System's net cash flows in fiscal 2016 after all activities were positive with a net increase of \$98,000 in cash and investments. The major cost increase in fiscal 2016 was in the service delivery category as a result of higher member reimbursements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of 2016 the System had invested \$ 601,000 (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 \$11,100 which was primarily from depreciation charges in fiscal 2016 exceeding additions for emergency vehicle replacements.

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

	Business-Type Activities		Total Percentage Change
	2016	2015	2015-2016
Vehicles	\$1,340,800	\$1,156,900	15.9%
Equipment	578,700	578,700	0.0%
Less accumulated depreciation	<u>(1,318,800)</u>	<u>(1,123,800)</u>	<u>17.4%</u>
 Net capital assets	 <u>\$600,700</u>	 <u>\$611,800</u>	 <u>-1.8%</u>

This year's major capital assets additions included:

Depreciation expense additions of \$195,000 which was about 1.7% more than fiscal 2015.

Vehicle purchase for \$183,900 for a Ford unit.

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 2016, and all the remaining debt related to vehicle purchases was fully retired and paid off in fiscal 2016. Additional information about long-term debt can be found on page 16.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

For the 2017 year, revenue projections show that 2017 revenues are expected to increase slightly compared to fiscal 2016. The System expects to be allocated some amounts of GEMT and DHCS revenues in fiscal 2017; but the exact amounts are unknown at present.

- The System has not anticipated any increases in 2017 to patient service fee rates.
- Operating expenses in 2017 are expected to increase slightly compared to fiscal 20156

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, 2016

(With Comparative Totals at June 30, 2015)

	June 30	
Assets	2016	2015
Current assets:		
Cash and investments pooled with the City of Mill Valley	\$ 2,721,344	\$ 2,623,114
Patient accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$281,964 and \$254,500	295,769	248,167
Deposits	100	100
Total current assets	3,017,213	2,871,381
Capital assets:		
Emergency vehicles	1,340,772	1,156,930
Paramedical equipment	578,686	578,686
Total capital assets	1,919,458	1,735,616
Accumulated depreciation	(1,318,774)	(1,123,831)
Net capital assets	600,684	611,785
Total assets	\$ 3,617,897	\$ 3,483,166
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 32,473	\$ 74,554
Accrued interest payable	-	811
Payable to member agencies	1,008,325	849,192
Installment agreement due in one year	-	69,980
Total current liabilities	1,040,798	994,537
Net position		
Net investment in capital assets	600,684	541,805
Unrestricted	1,976,415	1,946,824
Total net position	2,577,099	2,488,629

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, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	For the Fiscal Years Ended June 30	
	2016	2015
Operating revenues:		
Net patient service revenue	\$1,596,761	\$1,555,059
Other operating revenues	5,929	9,396
Total operating revenues	\$1,602,690	\$1,564,455
Operating expenses:		
Service delivery	1,322,931	1,149,917
Maintenance and repairs	58,229	78,911
Customer accounting	90,988	92,617
General and administrative	33,405	45,533
DHCS administrative fee	20,301	-
Depreciation	194,943	191,803
Total operating expenses	1,720,797	1,558,781
Operating income	(118,107)	5,674
Nonoperating revenues (expenses):		
Investment income	19,478	16,411
Ground emergency medical transportation (GEMT) supplemental reimbursements	62,305	52,444
Partnership for health care subsidy	125,430	-
Interest expense	(636)	(3,409)
Gain (loss) on disposal capital assets	-	(6,770)
Total nonoperating revenues	206,577	58,676
Increase in net position	88,470	64,350
Net position, July 1	2,488,629	2,424,279
Net position, June 30	\$ 2,577,099	\$ 2,488,629

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, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	For the Fiscal Years Ended June 30	
	2016	2015
Cash flows from operating activities:		
Cash received from patients and third-party payers	\$ 1,555,088	\$ 1,594,122
Cash payments for employee salaries and benefits	(22,278)	(21,856)
Cash paid to suppliers and service providers	(1,386,524)	(1,363,142)
Net cash provided by operating activities	146,286	209,124
Cash flows from capital financing activities:		
Principal payments	(69,980)	(85,108)
Interest paid	(1,447)	(4,019)
Proceeds from sale capital assets	-	13,000
Purchase of equipment	(183,842)	(173,315)
Net cash used in capital financing activities	(255,269)	(249,442)
Cash flows from noncapital financing activities:		
Supplemental receipts from DHCS program	125,430	-
Supplemental receipts from GEMT program	62,305	52,444
Net cash provided by noncapital financing activities	187,735	52,444
Cash flows from investing activities:		
Interest earnings	19,478	16,411
Net increase in cash and cash equivalents	98,230	28,537
Cash and cash equivalents, July 1	2,623,114	2,594,577
Cash and cash equivalents, June 30	\$ 2,721,344	\$ 2,623,114
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (118,107)	\$ 5,674
Adjustments to reconcile operating income to net cash provided by operation activities:		
Depreciation	194,943	191,803
Changes in assets and liabilities:		
Decrease(increase) in customer accounts receivable	(47,602)	29,666
Increase (decrease) in accounts payable for services	(42,081)	47,152
Increase (decrease) in payable to member agencies	159,133	(65,171)
	\$ 146,286	\$ 209,124

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, 2016

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, 2016

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, 2016

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, 2016 consisted of \$2,721,344 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, 2016, the System's funds with the City of Mill Valley Investment Pool were invested as follows:

Investment Type	Fair Value
Local Agency Investment Fund	\$2,721,344

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, 2016

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	\$ 577,733
Less allowance for bad debts	(281,964)
Net patient receivables	\$ 295,769

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 1,156,930	\$ 183,842	\$ -	\$ 1,340,772
Paramedical equipment	578,686	-	-	578,686
Total capital assets, being depreciated	1,735,616	183,842	-	1,919,458
Less accumulated depreciation for:				
Vehicles	(687,537)	(152,445)	-	(839,982)
Paramedical equipment	(436,294)	(42,498)	-	(478,792)
Total accumulated depreciation	(1,123,831)	(194,943)	-	(1,318,774)
Business-type activities capital assets, net	\$ 611,785	\$ (11,101)	\$ -	\$ 600,684

SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM
Notes to the Basic Financial Statements
June 30, 2016

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. 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. Both agreements were paid off in full in fiscal 2016. 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	\$ 17,438	\$ -	\$ 17,438	\$ -	\$ -
Vehicles	52,542	-	52,542	-	-
Totals	\$ 69,980	\$ -	\$ 69,980	\$ -	\$ -

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, 2015 or 2016.

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.

SOUTHERN MARIN EMERGENCY MEDICAL PARAMEDIC SYSTEM
Notes to the Basic Financial Statements
June 30, 2016

C Related Party Transactions

Service delivery expenses include \$1,008,325 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 \$30,159 in fuel expenses paid to the City of Mill Valley.

**SOUTHERN MARIN
EMERGENCY MEDICAL PARAMEDIC SYSTEM**

**OPERATING BUDGET: DETAIL
'FISCAL YEAR 2015/16**

<u>Acct. #</u>	<u>Account Description</u>	<u>Final Budget 2014/15</u>	<u>FINAL Budget 2015/16</u>
511000	<u>Office Expense</u>	500	500
	Office Supplies & Forms	500	500
512000	<u>Postage</u>	250	250
513000	<u>Special System Expenses</u>	24,000	24,000
	Misc. Supplies	770	770
	PO Box Rental	180	180
	EMC Expense Acct	800	800
	Bridge Tolls	250	250
	Study and Development	10,000	10,000
	Small Tools & Equipment	12,000	12,000
513910	<u>Disposable Medical Supplies</u>	165,000	165,000
	This account includes oxygen, medical supplies, replacement drugs, and supplies for EMT-D, PPE/OSHA, and expanded scope of practice items such as CPAP, 12 lead EKG, epinephrine pens and nebulizers.		
513920	<u>Disposable Linens</u>	16,000	16,000
517000	<u>Communications/Telephones</u>	3,500	3,500
	Cellular Phone/Pagers	3,500	3,500
521000	<u>Equipment Maintenance</u>	25,550	25,550
	Defibrillator Service Contract	18,000	18,000
	EMSAR (gurney contract)	1,050	1,050
	Misc. Equipment Repair	5,000	5,000
	Gurney Batteries	1,500	1,500
521910	<u>Vehicle Maintenance</u>	40,000	40,000
	General Repairs	26,000	26,000
	Routine/Preventive	6,000	6,000
	Tires	8,000	8,000
521920	<u>Vehicle Fuel</u>	40,000	40,000
523000	<u>Specialized Services</u>	23,500	23,500
	M.V. Financial Services	6,000	6,000
	Annual Fiscal Audit	5,500	5,500
	Professional Services	12,000	12,000
	(attorney, consultants, web site maintenance)		

<u>Acct. #</u>	<u>Account Description</u>	<u>2014/15</u>	<u>2015/16</u>
	<u>Intergovernmental Transfer - IGT</u>	0	101,503
	Intergovernmental Fund transfer to fund DHCS - Department of Health Care Services processing of unreimbursed transport fees.		
	<u>Administrative Fee - DHCS</u>	0	20,301
	Department of Health Care Services requires that each agency participating in the Intergovernmental transfer pay a 20% administrative fee to cover state administrative costs and to support the Medi-Cal program.		
523910	<u>Continuous Quality Improvement</u>	46,000	52,500
	CQI Contract	43,000	49,500
	Paramedic Liaison	2,000	2,000
	Public Education	1,000	1,000
	The budget category for the Continuous Quality Improvement Program required by the State and County EMS offices and adopted by S MEMPS in 1998 includes a Medical Director, CQI Coordinator, Paramedic Liaison and associated costs. Medical Direction is currently being provided free of charge by Marin General Hospital. Increase hourly rate and additional hours for CQI coordination and education.		
523920	<u>Administrative Support</u>	121,630	121,630
	Billing Service	100,000	100,000
	Administrative Assistant	21,630	21,630
	Contract rate for billing services is 5.9% of receivables.		
523940	<u>Contract Emergency Services</u>	5,000	5,000
	Gives the Operations Chiefs the ability to hire as many as four off-duty personnel to staff S MEMPS units during major storms or fires to cover shortages of personnel.		
524000	<u>Insurance</u>	47,500	53,000
	Additional adjustment due to rate increases & newer fleet		
526000	<u>Training</u>	5,000	5,000
	Includes training for mandated skills certification of EMTs and Paramedics in the system, medical training and specialized expanded scope training. These monies are reserved for programs identified by the Operations Chiefs as appropriate.		
529000	<u>Care Taker Program</u>	3,000	3,000
	We have been unable to find a referral program to assist seniors. Because our senior population is expanding we will continue the search and attempt to coordinate with agencies in Marin County.		
	TOTAL MAINTENANCE CATEGORY		700,234

<u>Acct. #</u>	<u>Account Description</u>	<u>2014/15</u>	<u>2015/16</u>
CAPITAL			
	<u>INSTALLMENT PURCHASE EXPENSE</u>	89,127	71,427
580010	<u>Principal Payment - Installment Sale</u>	85,107	69,980
	Defibrillators	34,107	17,438
	Ambulances	51,000	52,542
580020	<u>Interest Expense - Installment Sale</u>	4,020	1,447
	Defibrillators	1,293	262
	Ambulances	2727	1,185
583000	<u>OPERATING CAPITAL ACQUISITIONS</u>	5,500	5,929
	Replacement for destroyed MERA radio offset by insurance reimbursement	5,500	5,929
	<u>TOTAL CAPITAL</u>	94,627	77,356
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598000	<u>Equipment Replacement Expense</u>	235,000	235,000
	Apparatus	200,000	200,000
	Equipment	35,000	35,000
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<u>BUDGET CATEGORY TOTALS</u>		<u>2014-15</u>	<u>2015-16</u>
TOTAL MAINTENANCE		566,430	700,234
CAPITAL ACQUISITIONS		94,627	77,356
EQUIPMENT REPLACEMENT EXPENSE		235,000	235,000
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TOTAL OPERATING BUDGET		896,057	1,012,590
(SMEMPS Core Functions)			
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<u>ACQUISITIONS USING EQUIPMENT REPLACEMENT RESERVE</u>			
583010	<u>Apparatus Replacement</u>	175,000	300,000
	(From Apparatus Replacement Reserve)		
	Remount one ambulance - Medic 1	175,000	125,000
	Purchase one new ambulance - Medic 10		175,000
583020	<u>ALS Equipment Replacement</u>	0	0
	(From Equip, Replacement Reserve)		
		0	0
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TOTAL ACQUISITIONS FROM RESERVE		175,000	300,000

**SOUTHERN MARIN
EMERGENCY MEDICAL PARAMEDIC SYSTEM**

REVISED BUDGET 2016-17

MAINTENANCE	2015-16 Final Budget	2016-17 REVISED Budget	% Change
Office	500	500	0%
Postage	250	250	0%
Special System Expense	24,000	39,000	63%
Disposable Medical Supplies	165,000	165,000	0%
Linen Service	16,000	16,000	0%
Communications/Telephones	3,500	6,050	73%
Equipment Maintenance	25,550	25,550	0%
Vehicle Maintenance	40,000	40,000	0%
Fuel	40,000	40,000	0%
Specialized Services	23,500	23,500	0%
Intergovernmental Transfer	101,503	139,611	38%
DHCS Administrative Fee	20,301	27,922	38%
Continuous Quality Improvement	52,500	52,500	0%
Administrative Support	121,630	121,630	0%
Contract Emergency Services	5,000	5,000	0%
Insurance	53,000	53,000	0%
Training	5,000	10,000	100%
Care Taker Program	3,000	3,000	0%
	\$700,234	\$768,513	10%
CAPITAL ACQUISITIONS			
Capital Equipment Purchases	5,929	0	
Installment Purchase Payments	71,427	0	
	\$77,356	\$0	-100%
EQUIPMENT REPLACEMENT EXPENSE	\$235,000	\$235,000	0%
TOTAL OPERATING BUDGET (SMEMPS' Core Functions)	\$1,012,590	\$1,003,513	-1%
EQUIPMENT REPLACEMENT FUND - CAPITAL OUTLAY	\$300,000	\$340,000	
FROM APPARATUS REPLACEMENT RESERVE			
Ambulance Replacement	300,000	200,000	
FROM ALS EQUIPMENT REPLACEMENT RESERVE	0	140,000	

**SOUTHERN MARIN
EMERGENCY MEDICAL PARAMEDIC SYSTEM**

FISCAL YEAR 2016/17

	BUDGETED 2015/16	ACTUAL 6/30/16	REVISED 2016/17
<u>REVENUE</u>			
Investment Earnings	15,000	14,914	15,000
Fire Department Service Revenue	1,600,000	1,549,396	1,600,000
Federal GEMT Reimbursement	172,007	62,305	54,565
Partnership Healthcare Payment	199,982	226,933	271,161
Sale of Surplus Property	0	0	0
Other - Insurance reimbursement	5,929	5,929	0
TOTAL REVENUE	1,992,918	1,859,477	1,940,726
<u>ESTIMATED EXPENSES</u>			
Maintenance	700,234	481,069	768,513
Capital	77,356	77,306	0
Equipment Repl. Expense	235,000	176,250	235,000
TOTAL OPERATING EXPENSE	1,012,590	734,625	1,003,513
NET SURPLUS (DEFICIT)	980,328	1,124,852	937,213
<u>SMEMPS BALANCES</u>			
	2015-16 Year Beginning	2015-16 Year End	2016-17 Year End
Operating Reserve	50,000	50,000	50,000
Apparatus Reserve*	1,156,490	1,172,648	1,172,648
Equipment Reserve**	287,898	357,898	252,898
General Reserve	100,000	100,000	100,000
* 2016-17 Apparatus Replacement Reserve + \$200,000 -\$200,000 New Ambulance Equipment Replacement Reserve + \$35,000 - \$140,000			