

**SOUTHERN MARIN EMERGENCY
MEDICAL PARAMEDIC SYSTEM**

TIBURON, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Marin Emergency Medical Paramedic System
Tiburon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Southern Marin Emergency Medical Paramedic System, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to Southern Marin Emergency Medical Paramedic 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 Southern Marin Emergency Medical Paramedic System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the carrying value of the amounts due from other governments of \$1,153,224. See Note 2D for additional information.

Qualified Opinion

In our 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 respective financial position of the business-type activities and the major fund of Southern Marin Emergency Medical Paramedic System, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Systems.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
October 21, 2020

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

This section of Southern Marin Emergency Medical Paramedic System's (the System's) annual financial report presents our analysis of the System's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the System's business-type activities increased \$1,021,057. This increase was the result of improved patient billings and collections and increasing subsidy revenues from the IGT and GEMT State programs.
- Total operating expenses for 2020 increased by about a net \$150,476, due to payments to member agencies in 2019 that did not occur in 2020.
- The System ended the 2020 year with about \$7.7 million in cash and investments available to the System to continue operations and to fund future capital asset replacements. This was about \$1.3 million more than at the end of fiscal 2019 and was caused by improved collections on patient accounts and subsidy receipts from the State Department of Health Care Services (DHCS).

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.

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.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net Position. The System's *combined* net position increased by about \$1,021,057 between years 2019 and 2020. (See Table A-1.)

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

	Year Ended June 30	
	2020	2019
Assets:		
Current and other assets	\$ 7,753,819	\$ 6,446,973
Capital assets being depreciated	1,147,098	1,300,390
Total assets	8,900,917	7,747,363
Liabilities:		
Current liabilities	1,929,534	1,797,037
Long-term liabilities	-	-
Total liabilities	1,929,534	1,797,037
Net position:		
Net investment in capital assets	1,147,098	1,300,390
Unrestricted	5,824,285	4,649,963
Total net position	\$ 6,971,383	\$ 5,950,326

Net position of the System in 2020 increased to a total of \$6,971,383. About 94% 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 16% of total net position.

There was no new long-term debt issued in fiscal 2020.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Changes in net position. The System's total revenues in fiscal 2020, on a net basis, were about 37 percent more than in fiscal 2019. (See Table A-2.) About 79% of the System's revenue was from charges for services in the form of patient service fees. The remaining 21% comes primarily from investment earnings and grant subsidy programs.

The total cost of all programs and services increased in 2020 to about \$2,700,876 or about a 6% increase over fiscal 2019 expenses.

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

	Year Ended June 30	
	2020	2019
Operating revenues	\$ 2,627,671	\$ 3,188,570
Operating expenses	2,700,876	2,550,400
Net operating income (loss)	\$ (73,205)	\$ 638,170
Investment and other income	\$ 1,113,167	\$ 824,164
Interest and other expenses	-	-
Non-operating net income	\$ 1,113,167	\$ 824,164

The System's 2020 net patient revenues decreased by about \$560,899, and most of the decrease was caused by less timely billing and collections and a significant increase in the allowances for doubtful accounts as past due accounts were either collected or written down.

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of 2020 the System had invested \$1,147,098 (net of accumulated depreciation) in capital assets including vehicles and small equipment. (See Table A-3.)

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

	Business-Type Activities	
	2020	2019
Vehicle	\$ 1,783,633	\$ 1,961,316
Equipment	839,974	735,807
Less accumulated depreciation	(1,476,509)	(1,396,733)
Net capital assets	\$ 1,147,098	\$ 1,300,390

This year's major capital assets additions included:

Depreciation expense additions of \$261,197.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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

LONG-TERM DEBT

No new debt was issued in fiscal 2020. The System financed the new vehicles and equipment with its own financial resources instead of using external financing instruments.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

For the 2021 year, revenue projections show that 2021 revenues are expected to increase slightly compared to fiscal 2020. The System expects to be allocated some amounts of GEMT and DHCS revenues in fiscal 2021 but the exact amounts are unknown at present time.

The System's focus in fiscal 2021 will be to monitor its successful conversion to the new billing service provider, get patient billings billed on a regular monthly basis, and continue to 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 Liaison Chief, Tiburon Fire Protection District, 1679 Tiburon Blvd., Tiburon, California, 94920.

Southern Marin Emergency Medical Paramedic System

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Current assets:	
Cash and investments	\$ 5,617,796
Patient accounts receivable, net of allowance for doubtful accounts of \$190,856	952,162
Interest receivable	18,231
Due from other governments	1,153,244
Prepayments	<u>12,386</u>
Total current assets	<u>7,753,819</u>
Capital assets:	
Emergency vehicles	1,783,633
Paramedical equipment	839,974
Accumulated depreciation	<u>(1,476,509)</u>
Net capital assets	<u>1,147,098</u>
Total assets	<u>8,900,917</u>

LIABILITIES

Current liabilities:	
Accounts payable	132,807
Payable to member agencies	1,241,837
Payable to other governments	<u>554,890</u>
Total current liabilities	<u>1,929,534</u>
Net position:	
Net investment in capital assets	1,147,098
Unrestricted	<u>5,824,285</u>
Total net position	<u>\$ 6,971,383</u>

The accompanying notes are an integral part of these financial statements.

Southern Marin Emergency Medical Paramedic System
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2020

Operating revenues:	
Net patient service revenue	\$ 2,627,671
Total operating revenues	<u>2,627,671</u>
Operating expenses:	
Service delivery	1,505,141
Maintenance and repairs	57,535
Customer accounting	108,953
General and administrative	130,466
DHCS administrative fee	637,584
Depreciation	<u>261,197</u>
Total operating expenses	<u>2,700,876</u>
Operating income (loss)	<u>(73,205)</u>
Non-operating revenues (expenses):	
Investment income	89,827
Ground emergency medical transportation (GEMT) supplemental reimbursements	74,000
Partnership for health care subsidy	912,454
Intergovernmental	36,886
	-
Total non-operating revenues (expenses)	<u>1,113,167</u>
Changes in net position	<u>1,039,962</u>
Net position, beginning of period	5,950,326
Prior period adjustment	<u>(18,905)</u>
Net position, beginning of period restated	<u>5,931,421</u>
Net position, end of period	<u>\$ 6,971,383</u>

The accompanying notes are an integral part of these financial statements.

Southern Marin Emergency Medical Paramedic System
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from patients and third-party payers	\$ 2,773,676
Cash paid to suppliers and service providers	<u>(2,307,908)</u>
Net cash provided (used) by operating activities	<u>465,768</u>
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(107,905)</u>
Net cash provided (used) by capital and related financing activities	<u>(107,905)</u>
Cash flows from noncapital and related financing activities:	
DHCS transfer payments	
Intergovernmental	(302,073)
Partnership for health care subsidy	912,454
Supplemental receipts from GEMT program	<u>74,000</u>
Net cash provided by noncapital financing activities	<u>684,381</u>
Cash flows from investing activities:	
Investment income	<u>71,596</u>
Net cash provided by investing activities	
Net increase (decrease) in cash and cash equivalents	1,113,840
Cash and cash equivalents - beginning of period	<u>4,503,956</u>
Cash and cash equivalents - end of period	<u>\$ 5,617,796</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	<u>\$ (73,205)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	261,197
Changes in certain assets and liabilities:	
Decrease (increase) in customer accounts receivable	146,005
Decrease (increase) in prepayments	(726)
Increase (decrease) in accounts payable for services	390,660
Increase (decrease) in payable to member agencies	<u>(258,163)</u>
Net cash provided (used) by operating activities	<u>\$ 465,768</u>

The accompanying notes are an integral part of these financial statements.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Southern Marin Emergency Medical Paramedic System (the 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. Current members include the City of Mill Valley, City of Belvedere, County of Marin, Southern Marin Fire Protection District, and Tiburon Fire Protection District. 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 revenues, expenses and 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 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, and these notes to the basic financial statements.

Proprietary enterprise funds distinguish *operating* revenues and expenses with *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 operation 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position

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'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). All investments are considered level 1 under the GAAP fair value framework. Under level 1, inputs are quoted market prices for identical assets and liabilities in markets at the measurement date.

Receivables and Patient Revenues

All trade receivables are not shown net of an allowance 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.

Prepaid Items

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

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 the 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	4-10
Equipment	5-10

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.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position (concluded)

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 (cost of vehicles and equipment less accumulated depreciation) less 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.

NOTE 2 - DETAILED NOTES

A. Cash Equivalents and Investments

Deposits and investments at June 30, 2020 consisted of \$5,617,796.

Custodial Credit Risk - Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Systems' deposits may not be returned to it. The Systems' 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, 2020, all of the monies invested in time deposits in the Systems' pool were fully insured by FDIC insurance. The only deposits not fully covered by FDIC Insurance were monies on deposit in the Systems' checking account, and these monies were collateralized by the federal securities held by the pledging bank's agent but not in the Systems or the System's name.

Investments:

At June 30, 2020, the System's funds were invested as follows:

<u>Investment Type</u>	<u>Average Maturity</u>	<u>Fair Value</u>
Local Agency Investment Fund	173 Days	\$ 36,710

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from interest rates, the System 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 System's policy to comply with state law as regards to 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
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

NOTE 2 - DETAILED NOTES (continued)

A. Cash Equivalents and Investments (concluded)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the System 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 System's pool of investments (primarily the LAIF) with such investment not being evidenced by specific securities; and therefore, not subject to custodial credit risk.

Fair Value Reporting - Investments

The System categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the System's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The System's holdings are classified in Level 1 of the fair value hierarchy.

B. Receivables

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

	<u>Amounts</u>
Receivables:	
Patient accounts	\$ 1,143,018
Less allowance for bad debts	<u>(190,856)</u>
Net patient receivables	<u>\$ 952,162</u>

The amounts due from other governments represent estimated reimbursements of \$912,454 pertaining to a Department of Health Care Services (DHCS) agreement for participation in the Inter-Governmental Transfer (IGT) program, and \$148,000 pertaining to the Governmental Emergency Medical Transport (GEMT) subsidy program. Revenues from both programs are subject to review and subsequent adjustment by the DHCS, and such adjustments may be material in amounts.

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Balance</u>
<u>Business-type Activities</u>	<u>June 30, 2019</u>						<u>June 30, 2020</u>
Capital assets, being depreciated:							
Vehicles	\$ 1,961,316	\$ -		\$ (177,683)			\$ 1,783,633
Paramedical equipment	<u>735,807</u>	<u>107,905</u>		<u>(3,738)</u>			<u>839,974</u>
Total capital assets, being depreciated	<u>2,697,123</u>	<u>107,905</u>		<u>(181,421)</u>			<u>2,623,607</u>
Less accumulated depreciation for:							
Vehicles	(944,540)	(196,104)		177,683			(962,961)
Paramedical equipment	<u>(452,193)</u>	<u>(65,093)</u>		<u>3,738</u>			<u>(513,548)</u>
Total accumulated depreciation	<u>(1,396,733)</u>	<u>\$ (261,197)</u>		<u>\$ 181,421</u>			<u>(1,476,509)</u>
Capital assets – net	<u>\$ 1,300,390</u>			<u>\$ 181,421</u>			<u>\$ 1,147,098</u>

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

NOTE 2 - DETAILED NOTES (concluded)

D. Due From Other Governments

The qualified audit opinion relates to the \$1,153,244 in receivables due from other governments. These receivables are realized upon submission and payment of claims to third party payors and grantors. Because of changes in agreements and claim submission procedures, claims had not been completed and submitted by the System as of October 26, 2019. Management has estimated the potential amounts of \$1,153,244 as receivable as of June 30, 2020, I was unable to obtain sufficient and appropriate audit evidence as to the ultimate realization of these receivable.

NOTE 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 2019 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 number of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2020.

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 \$1,241,837 payable to member agencies for reimbursement and or payment for services provided in connection with the System's operations.

Southern Marin Emergency Medical Paramedic System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

NOTE 3 - OTHER INFORMATION (concluded)

D. Subsequent Events

Pandemic

In December 2019, a novel strain of the coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern". The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our patient base, member agencies and their employees, other governmental and medical funding agencies and organizations, and our vendors all of which is uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

Termination of Fiduciary Arrangement with the City of Mill Valley

As of March 12, 2020, the City of Mill Valley is no longer the custodial banker for the System and has transferred responsibility for maintaining the System's financial accounting and reporting systems to the Tiburon Fire Protection District. In an effort to consolidate and streamline the financial function of the System, the System has appointed Tiburon Fire Protection District's finance officer to maintain the System's financial records during its transition from the City of Mill Valley. The System has opened separate operating (checking) and investment (LAIF) accounts for all funds withdrawn from the City of Mill Valley and for the purpose of maintaining accountability for its continuing financial operations.

Amounts Due From Other Governments

Through May 11, 2020, the System has received \$564,406 related to the Intergovernmental Transfer Program receivable and \$67,143 related to the GEMT program receivable. The System has been notified that the GEMT cost report for the 2018-2019 fiscal year cannot be submitted pending the release of a revised cost report settlement program.

NOTE 4 - PRIOR YEAR ADJUSTMENT

The prior year adjustment of \$18,905 was to record 2010 accounts receivable amounts that had not been recorded.