

# Kootenai County Emergency Medical Services System

Financial Statements  
SEPTEMBER 30, 2021 AND 2020

# Kootenai County Emergency Medical Services System

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**Financial Section**

**Independent Auditor's Report**



## INDEPENDENT AUDITOR'S REPORT

To the Joint Power Board of Commissioners of  
Kootenai County Emergency Medical Services System  
Coeur d'Alene, Idaho 83814

I have audited the accompanying financial statements of the business-type activities of Kootenai County Emergency Medical Services System, (the "System"), a component unit of Kootenai County, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 the audit in accordance with auditing 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. Those standards require that I 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 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 entity'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 entity'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.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Kootenai County Emergency Medical Services System, as of September 30, 2021, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2022, on my consideration of Kootenai County Emergency Medical Services System's internal control over financial reporting and on my test of its compliance with certain provisions, 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 Kootenai County Emergency Medical Services System's internal control over financial reporting and compliance.

*Scott P. Hoover, CPA*

Scott P. Hoover, CPA, PLLC  
Liberty Lake, WA

January 7, 2022

## **Financial Section**

### **Management's Discussion and Analysis**



## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

The Kootenai County Emergency Medical Services System's (KCEMSS) management discussion and analysis report is designed to (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the System's financial activity, (c) identify changes in the System's financial position, (d) identify any material deviations from the financial plan, and (e) identify any concerns.

### FINANCIAL HIGHLIGHTS

- The Kootenai County Emergency Medical Services System reports a sound financial position at the close of the 2021 fiscal year.
- The assets of KCEMSS exceeded its liabilities at the close of 2021 by \$6,637,873 (net position). Of this \$6,637,873, \$4,268,712 or 64.3% is unrestricted and may be used to meet the System's ongoing obligations.
- The System's net position increased by \$413,885 in 2021, an increase of 6.6%.
- Ambulance revenues, net of contractual adjustments, increased by \$510,707 or 9.8%.
- The System ended 2021 with total liabilities of \$562,742, a decrease of \$741,201 or 56.8% down from the previous year.
- KCEMSS' capital purchases in 2021 include 1 Hamilton ventilator, 1 computer server, and 1 F150 Ford 4x4 truck. Capital disposals included the sale of a 2008 Dodge Durango 4x4.
- GASB 68 rules are in effect for 2021 and 2020 so financial statements reflect the System's estimated net pension liability (asset) along with inflow and outflow estimates.

These highlights and more will be outlined in this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis report is intended to serve as an introduction to the Kootenai County Emergency Medical Services System's basic financial statements. The basic financial statements consist of the statement of net positions, and the statement of activities including notes to the financial statements and other supplemental information.

- The *statement of net position* presents information on the Systems assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net positions*. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.
- The *statement of activities* presents information showing how the Systems net positions changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes, uncollected patient billings, and unpaid payroll and vendor expenses).

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the System's financial activities and position. Other supplemental information further explains and supports the financial statements by including a comparison of the System's budget data for the year.



## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

### FINANCIAL ANALYSIS

These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This method is similar to the basis of accounting used by most private-sector companies.

### NET POSITION

The change in net position over time is one indicator of whether the System's financial health is improving or deteriorating. The difference between assets and liabilities equals net position. On September 30<sup>th</sup>, 2021, KCEMSS' net position was \$6,637,873.

**Table 1**  
**STATEMENTS OF NET POSITION**  
For Periods Ending September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current and other assets	4,616,596	4,093,943
Capital assets, net of accumulated depreciation	2,774,084	3,346,301
Total Assets	<u>7,390,680</u>	<u>7,440,244</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Proportionate share of collective outflows of resources	144,067	98,095
Total deferred outflows of resources	<u>144,067</u>	<u>98,095</u>
<b>LIABILITIES</b>		
Current liabilities	482,185	580,260
Long-term liabilities	80,557	723,683
Total Liabilities	<u>562,742</u>	<u>1,303,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Proportionate share of collective inflows of resources	334,132	10,408
Total deferred inflows of resources	<u>334,132</u>	<u>10,408</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,369,161	2,502,429
Unrestricted	4,268,712	3,721,559
Total net position	<u>6,637,873</u>	<u>6,223,988</u>





## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

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### CHANGES IN NET POSITION

The System's net position increased by \$413,885 in FY2021, compared to FY2020, or 6.6%.

The unrestricted funds increased by \$547,153, or 14.7%. Unrestricted funds of \$4,268,712 represents 64.3% of total net position and is available for ongoing obligations.

The increase in the net position and unrestricted funds is attributed to an increase in ambulance revenue from increased calls, an increase in property tax revenue, and a reduction in long-term debt for FY2021. Some of the capital expenditures in FY2021 were paid for through grants. Federal assistance through Idaho Cares helped cover excessive expenses related to the Covid-19 pandemic. Other grants were obtained through the State of Idaho and Panhandle Health for training and vehicle equipment.

KCEMSS is reporting positive balances in each of the net position categories.

### REVENUE SOURCES

Kootenai County Emergency Medical Services has two main sources of revenue:

1. **Ambulance Revenue** is generated by billing the users of the EMS System that receive ambulance and medical services from KCEMSS. KCEMSS bills at rates approved by the Board of County Commissioners, but KCEMSS is bound greatly by what government services such as Medicare and Medicaid will pay. Medicare has payment caps that on average pays 51% of each bill submitted to them by KCEMSS. The balance is written off to contractual adjustments and KCEMSS cannot by law bill the patient for the difference. Medicaid has even lower caps allowing on average 39% of each bill. For the 2021 fiscal year \$3,865,304 was written off to contractual adjustments due to these caps from Federal, State, and other contracted payers. 82% to 84% of KCEMSS payers fall within the various payer groups who have these caps. The percentage varies slightly from year to year.

KCEMSS' total call volume for FY2021 was 17,650 calls, but only 11,398 calls or 64.6% of total calls generated revenue, leaving 6,252 calls or 35.4% of total call volume not billable for a variety of reasons such as patient refusing treatment, minor treatments on scene without a transport that we choose not to bill for, cancellations in route, lack of medical necessity and much more.

2. **Property Tax Revenue** is the second largest source of income for KCEMSS. Because of the limitations on ambulance revenues set by the various payer groups described in #1 above, KCEMSS receives property taxes through the Kootenai County Board of Commissioners from the "Ambulance District" tax levy. Without this levy, we could not provide the level of services to the citizens and visitors of Kootenai County that we currently provide.

For the 2021 fiscal year, the Ambulance District tax levy was .0001298230 which calculates out to \$25.96 a year for a property with an assessed value of \$200,000. The KCEMSS ambulance tax levy is one of the lowest tax levies in Kootenai County, and one of the lowest for EMS services statewide.

### INVESTMENTS

For both fiscal years 2021 and 2020 KCEMSS' cash investments were held in the LGIP (Local Government Investment Pool) through the State of Idaho. At 9/30/2021 the balance with the LGIP was \$3,208,199 and at 9/30/2020 the balance was \$2,925,490. In FY2021 the monthly interest yield on the LGIP account started the year at .5798% per month with a steady decline down to .1206% by year end.



**Kootenai County Emergency Medical Services System  
Management Discussion and Analysis Report  
For the Years Ended September 30<sup>th</sup>, 2021 and 2020**

The following table reflects the condensed Statement of Activities for the current year as compared to the prior year.

**Table 2  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Ambulance services (net of contractual adjustments)	5,735,503	5,224,796
Miscellaneous income	6,739	1,499
Total operating revenue	<u>5,742,242</u>	<u>5,226,295</u>
<b>OPERATING EXPENSES</b>		
Contracts	5,376,413	5,224,535
Subsidies	129,577	125,149
Depreciation expense	668,681	630,114
Employee benefits	150,124	148,166
Insurance	23,189	21,274
Legal and accounting	6,405	7,037
Payroll taxes	43,142	40,542
Bad debt write-offs	628,665	637,382
Wages and salaries	581,454	539,784
Medical supplies	216,600	226,121
Billing services	250,004	236,460
Fuel	87,538	62,896
Vehicle Maintenance	120,386	104,164
Equipment under threshold	123,836	59,592
Medical Director contract	70,000	70,000
Change in net pension liability	11,497	116,313
Other operating expenses	188,076	168,463
Total operating expenses	<u>8,675,587</u>	<u>8,417,992</u>
Operating (loss)	<u>-2,933,345</u>	<u>-3,191,697</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Tax transmittal revenue	3,219,812	3,020,867
Gain on Disposal of Asset	5,120	-
Grants	112,691	360,139
Rent Income	1,900	900
Other income	9,829	10,141
Interest income	6,717	34,041
Interest Expense	-8,839	-18,694
Total non-operating revenues (expenses)	<u>3,347,230</u>	<u>3,407,394</u>
Change in net position	413,885	215,697
Total net position - beginning	<u>6,223,988</u>	<u>6,008,291</u>
Total net position - ending	<u>6,637,873</u>	<u>6,223,988</u>

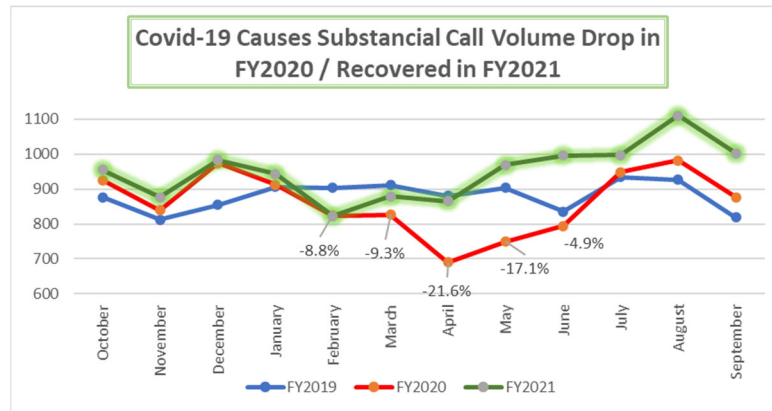


# Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

## BUSINESS OPERATIONS

### Operating Revenue:

KCEMSS generated ambulance service revenue, net of contractual adjustments, in the amount of \$5,735,503 from patient billings in FY2021, an increase of \$510,707 or 9.8% compared to FY2020. The increase is attributed to call volume recovering from a substantial dip in FY2020 due to the Covid-19 Pandemic. In the graph below you can see that FY2020 call volume fell dramatically for 5 months compared to FY2019, then recovered in FY2021.



In addition to the call recovery shown above, Kootenai County growth rate in 2021 in some cities have been estimated at 9.5% compared to historical averages between 2-3.5% growth. This growth is also reflected in KCEMSS' increase in ambulance revenue. Miscellaneous income in the amount of \$6,739 was generated from providing standby services for events and paramedic intercepts for surrounding counties.

### Operating Expenses:

KCEMSS' operating expenses include the cost of providing emergency medical services to all of Kootenai County residents and visitors. These costs include:

- Contracts with fire districts to provide the personnel for the delivery of emergency medical services throughout our county.
- The cost of purchasing and maintaining emergency response vehicles, medical equipment, medical supplies, and pharmaceuticals.
- Medical Director oversight contract agreements.
- Costs associated with patient billing and bad debt collections.
- Critical care transport services, administrative and management personnel expenses, and overhead costs.

Operating expenses increased by \$257,595 in 2021 compared to 2020. The major increases over last year were as follows:

- A planned increase of \$156,206 went to fire district contracts for providing EMT and Paramedic personnel to operate KCEMSS ambulances and provide medical services to our citizens and visitors in Kootenai County. The services provided by the fire districts include the housing, training, and oversight of the EMS providers. 63.5% of the Systems total operating budget for FY2021 was allocated to these contracts for a total of \$5,505,990 in FY2021.
- Equipment purchases increase by \$64,244 compared to the prior year. This increase was mainly for the purchase of 18 MDT rugged computers to replace outdated computers in each of the 15 ambulances and 3 chief response vehicles. Other equipment purchases in FY2021 under the asset threshold included 9 PneuPac vents.
- Other operating expenses with increases in FY2021 included staff wages, fuel with rising costs and increased call volume, billing services and vehicle maintenance.



## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

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### NON-OPERATING REVENUES AND EXPENSES

#### Property Tax Income:

Revenues generated from EMS operations are not enough to support the Kootenai County Emergency Medical Services System's operations as outlined on "Table 2" which shows an operating loss of \$(2,933,345). Tax revenue is crucial to the success of the EMS system. Tax revenue in the amount of \$3,219,812 was collected in 2021, an increase of \$198,945 or 6.6% compared to 2020. The tax increase included the 3% allowed annual increase with an additional 2.8% from new development and the balance coming from increases from sales tax and DMV fees allocated to EMS agencies. These tax revenues are used for EMS operating expenses in excess of operating revenues, to purchase assets outlined in the "Capital Assets" section of this report, to strengthen the System's financial position allowing for capital replacement when an asset life is depleted, and planning for expansion with the ongoing growth in Kootenai County. Tax receipts accounted for 35.4% of KCEMSS' total revenue in 2021, which is up from 34.9% in 2020.

#### Grant Income:

**Covid Relief Grants:** With the Covid-19 pandemic the federal government provided financial assistance to healthcare providers to offset lost revenue and Covid-19 related expenses through several resources. Below is a breakdown of Covid-19 relief payments received by KCEMSS in FY2020 and FY2021.

In FY2020 KCEMSS received Covid relief funding from three provider relief programs:

- HHS Stimulus: \$130,573 applied against lost revenue
- Idaho Cares: \$135,111 applied against Covid-19 expenses
- FEMA: \$9,598 applied against Covid-19 expenses

In FY2021 KCEMSS received Covid relief funding from:

- Idaho Cares: \$49,738 applied against Covid-19 expenses

**Other Grants:** Other grant income unrelated to Covid-19 received:

In FY2020 KCEMSS received the following grants from these sources:

- State of Idaho: \$70,000 for 7 each Auto Pulse Resuscitation Systems
- FEMA: \$14,857 for 3 each APX8000 radios

In FY2021 KCEMSS received the following grants from these sources:

- State of Idaho: \$60,167 for 18 each MDT's for each emergency vehicle
- Panhandle Health: \$2,786 for training equipment

#### Other Non-Operating Income:

Other non-operating income for FY2021 include:

- Gain on the sale of a 2008 Dodge Durango in the amount of \$5,120
- Rent & Equipment Lease income of \$11,100
- Interest Income from the LGIP (Local Government Investment Pool) \$6,717
- Insurance Dividends of \$629

#### Non-Operating Expenses:

In FY2021 KCEMSS had interest expense on two lease/purchase agreements with SunTrust Equipment totaling \$8,839.



## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### CAPITAL ASSET (\$5,000 THRESHOLD):

KCEMSS' capital expenditures and disposals are as follows for the 2021 fiscal year:

##### Building and Improvements:

- There were no building purchases or improvement projects in the 2021 fiscal year.

##### Vehicles Purchased:

- KCEMSS purchased a 2020 F150 4x4 truck in the amount of \$57,215. This vehicle is assigned to a Division Chief and is used throughout the day conducting EMS business, and emergency responses when needed.

##### Vehicles Sold / Disposed Of:

- KCEMSS sold a 2008 Dodge Durango 4x4 to a partnering agency for \$5,120.

##### Equipment Purchased:

- 1 Hamilton T-1 Ventilator was purchased for the Critical Care Transport program. The cost of the vent was \$24,592. 100% of the cost was paid for from Covid Relief funding.
- 1 ProLiant tower server was purchased to replace the existing server that was no longer serving the System's needs. The cost of this server including installation and setup was \$14,657.

##### Equipment Sold or Disposed Of:

- There was no equipment sold or disposed of in the 2021 fiscal year.

#### Capital Assets (net of depreciation) As of September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Land	403,990	403,990
Building & Improvements	864,971	922,476
Vehicles	965,346	1,343,552
Equipment	<u>539,777</u>	<u>676,283</u>
<b>Total</b>	<u>2,774,084</u>	<u>3,346,301</u>



## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

### Debt Administration:

- In FY2015 KCEMSS entered into a lease/purchase agreement with SunTrust Equipment Finance & Lease Corp. The loan agreement was for \$2,150,000 at an annual interest rate of 2%. The length of the lease/purchase agreement is for eight annual payments of \$287,792 with the last payment due 10/30/2021. The loan was acquired to pay for a portion of the ambulance fleet replacement project which consisted of fifteen new Ford/Horton 4X4 ambulances equipped with Stryker power load systems and new power gurneys. At 9/30/21 the principal balance was \$283,586.62. In FY2018 the interest rate on this lease/purchase agreement increased to 2.44% due to a clause within the lease agreement related to corporate tax reductions by the government. The last 4 annual payments on the lease were increased to \$290,506.
- In FY2017 KCEMSS entered into a second lease/purchase agreement with SunTrust Equipment Finance & Lease Corp. The lease/purchase agreement was for \$643,067 at an annual interest rate of 2%. The length of the agreement is for five annual payments of \$133,846 with the last payment due 2/21/2021. The loan was acquired to pay for the 20 each new X Series heart monitors, 2 Zoll vents, and 7 each X Series heart monitor upgrades for our existing X Series heart monitors. In FY2021, the last payment was paid leaving a principal balance of \$0.00. In FY2018 the interest rate on this lease/purchase agreement increased to 2.47% due to a clause within the lease agreement related to corporate tax reductions by the government. The last 3 annual payments on the lease were increased to \$135,037.
- In FY2020 KCEMSS entered into a lease/purchase agreement with Motorola. The lease/purchase agreement is for \$151,671 at an annual interest rate of 0%. The length of the lease/purchase agreement is for five annual payments of \$30,334 with the first payment due 6/30/2021 and last payment due 10/30/2025. The loan was acquired to pay for 18 APX8500 All Band Motorola radios for each of our response vehicles. At 9/30/21 the principal balance was \$121,337.
- Total liabilities at the end of FY2021 were \$562,742, a decrease over last year of \$741,201 primarily due to the pay down on both lease purchase agreements made with SunTrust Equipment Finance & Lease Corp, and the significant reduction in the Net Persi Liability.
- In FY2015 the GASB 68 rule came into effect which stated agencies must identify and record their portion of any pension liabilities. The System's estimated net pension liability from Persi (Public Employee Retirement System of Idaho) is \$(10,445) at 9/30/2021 and \$318,759 at 9/30/2020.

### Debt as of September 30, 2021, and 2020

	2021	2020
<b>CURRENT LIABILITIES</b>		
Accounts payables	70,068	49,579
Accrued liabilities	91,853	77,300
Accrued interest payable	6,343	14,433
Capital lease payable – current portion	313,921	438,948
Total Current Liabilities	482,185	580,260
<b>LONG-TERM LIABILITIES</b>		
Capital lease payable – non-current portion	91,002	404,924
Net pension liability (asset)	(10,445)	318,759
Total long-term liabilities	80,557	723,683
<b>TOTAL LIABILITIES</b>	562,742	1,303,943





## Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020

### BUDGET TO ACTUAL VARIANCES:

Each year the Joint Powers Board adopts the annual operating budget for KCEMSS effective the first day of October. The budget does not include depreciation expense or the year end net pension liability adjustments as both are book entries only and do not affect cash. Capital purchases and cash reserve usage are both shown as budget line items. There was one budget amendment in the 2021 fiscal year to recognize grant income and expenses related to the grants.

	FY2021 Actual	FY2021 Budget	(Under) over
<b>Revenue</b>	9,098,309	8,752,702	345,607
<b>Cash Reserves Used:</b>	0	0	0
<b>Total Revenue &amp; Cash:</b>	9,098,309	8,752,702	345,607
<b>Expenses:</b>	8,112,927	8,208,856	-95,929
<b>Capital Purchases:</b>	543,502	543,846	-344
<b>Total Expenses &amp; Capital:</b>	8,656,429	8,752,702	-96,273

The FY2021 final approved budget was \$8,752,702. The actual expenses and capital purchases for FY2021 totaled \$8,656,429 which is \$96,273 under budget.

### KOOTENAI COUNTY EMERGENCY MEDICAL SERVICES – LOOKING FORWARD

The fiscal year 2022 budget was approved and adopted by the Joint Powers Board in July 2021 and approved by the County Commissioners in September 2021. The fiscal year 2022 budget includes expected call volume growth for ambulance revenue of 1% over the prior year budget and includes a billing rate increase of 5%. The budget includes a property tax increase of 3%, plus new development.

KCEMSS is currently working with Galena Consulting to implement an impact fee program so growth can help pay for the need of added services in the future. KCEMSS has also signed on with the WA-GEMT program to receive additional Medicaid funding made available through the federal government. We are in full support of Idaho passing legislation to adopt a GEMT program. We will continue to look for added sources of revenue as opportunities present themselves.

Factors bearing on the district's future include:

- With the Covid-19 pandemic still in full force, there is still much uncertainty.
- Operating costs continue to rise while revenue streams are limited.
- Medicare and Medicaid payment rates are far lower than the cost of doing business.
- Tax increase limitations remain at 3% + new development annually. Recently passed legislation dropped the amount of new development an agency can now claim, which is causing government agencies in Idaho added financial burden.
- Call volume is an uncontrollable and unpredictable budgeting factor. Sudden declines or increases in demand can happen without notice or reason as illustrated in prior years.
- Medicare is looking at a "Pay for Performance" model for ambulance service providers. It is unknown what this will look like if implemented. No updates at this time on if/when it will be implemented.
- Medicare has begun a four-year cost analysis study. Our hopes are that the study will result in higher reimbursement rates, however we don't anticipate any changes from the study until 2026 at the earliest.

Despite KCEMSS' revenue limitations, the System is financially strong and works with partnering agencies that support the EMS System and understand the revenue limitations we face.



## **Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30<sup>th</sup>, 2021 and 2020**

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

This financial report is designed to provide our citizens and taxpayers with a general overview of the Systems' finances and to show the Systems' accountability for the resources it receives. If you have questions about this report or need more information, you may contact Chief Officer Bill Keeley or the Director of Administration Tracy Abrahamson at Kootenai County Emergency Medical Services System, 4381 W. Seltice Way, Coeur d'Alene, ID 83814, or call (208) 930-4224.



## **Financial Section**

### **Basic Financial Statements**

**Kootenai County Emergency Medical Services System**

**STATEMENTS OF NET POSITION**

**September 30, 2021 and 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 3,377,613	\$ 2,999,118
Accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$1,080,261 and \$884,378, respectively	959,206	781,646
Receivable from County	11,399	15,693
Other receivables	10,864	81,549
Insurance deposit	4,186	5,791
Prepaid expenses	-	2,547
Inventory - medical supplies	253,328	207,599
Total current assets	<u>4,616,596</u>	<u>4,093,943</u>
Noncurrent assets:		
Land	403,990	403,990
Building (net of accumulated depreciation)	864,971	922,476
Vehicles (net of accumulated depreciation)	965,346	1,343,552
Equipment (net of accumulated depreciation)	539,777	676,283
Total noncurrent assets	<u>2,774,084</u>	<u>3,346,301</u>
Total assets	<u>7,390,680</u>	<u>7,440,244</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	144,067	98,095
Total deferred outflows of resources	<u>144,067</u>	<u>98,095</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	70,068	49,579
Accrued payroll and related expenses	91,853	77,300
Accrued interest payable	6,343	14,433
Long-term liabilities:		
Due within one year:		
Capital leases payable, current portion	313,921	438,948
Due in more than one year:		
Capital leases payable, noncurrent portion	91,002	404,924
Net pension liability (asset)	(10,445)	318,759
Total liabilities	<u>562,742</u>	<u>1,303,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	334,132	10,408
Total deferred inflows of resources	<u>334,132</u>	<u>10,408</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,369,161	2,502,429
Unrestricted	4,268,712	3,721,559
Total net position	<u>\$ 6,637,873</u>	<u>\$ 6,223,988</u>

The accompanying "Notes to the Financial Statements" are an integral part of these financial statements.

## Kootenai County Emergency Medical Services System

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Ambulance services, net of contractual adjustments of \$3,865,304 and \$3,523,064, respectively	\$ 5,735,503	\$ 5,224,796
Miscellaneous income	6,739	1,499
Total operating revenue	5,742,242	5,226,295
Operating expenses:		
Contracts	5,376,413	5,224,535
Depreciation expense	668,681	630,114
Employee benefits	150,124	148,166
Insurance	23,189	21,274
Legal and accounting	6,405	7,037
Payroll taxes	43,142	40,542
Bad debt	628,665	637,382
Wages and salaries	581,454	539,784
Other operating expenses (scheduled)	1,186,017	1,052,845
Change in net pension liability	11,497	116,313
Total operating expenses	8,675,587	8,417,992
Operating loss	(2,933,345)	(3,191,697)
Non-operating revenues (expenses):		
Tax transmittal revenue	3,219,812	3,020,867
Capital grants	112,691	360,139
Rent income	1,900	900
Other income	9,829	10,141
Gain on disposal of assets	5,120	-
Interest income	6,717	34,041
Interest expense	(8,839)	(18,694)
Total non-operating revenues (expenses)	3,347,230	3,407,394
Change in net position	413,885	215,697
Net position- beginning	6,223,988	6,008,291
Net position- ending	\$ 6,637,873	\$ 6,223,988

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## Kootenai County Emergency Medical Services System

### Statements of Cash Flows For the Years Ended September 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Ambulance services	\$ 4,935,114	\$ 4,614,200
Miscellaneous income	6,739	1,499
Payments to employees, payroll taxes, and benefits	(820,569)	(752,672)
Payments for contracts	(5,376,413)	(5,224,535)
Payments for insurance	(21,584)	(25,003)
Payments for legal and accounting	(6,405)	(7,037)
Other	(1,211,257)	(1,107,294)
Net cash (used) by operating activities	(2,494,375)	(2,500,842)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tax transmittal receipts from County	3,224,106	3,016,690
Other income	9,829	10,141
Net cash provided by noncapital financing activities	3,233,935	3,026,831
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(96,464)	(144,096)
Proceeds on sale of capital assets	5,120	-
Payments on capital lease	(438,949)	(398,843)
Capital grant proceeds	177,540	295,290
Interest paid on debt	(16,929)	(26,734)
Net cash (used) by capital and related financing activities	(369,682)	(274,383)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	6,717	34,041
Rental income	1,900	900
Net cash provided by investing activities	8,617	34,941
Net increase in cash and cash equivalents	378,495	286,547
Cash and cash equivalents, October 1	2,999,118	2,712,571
Cash and cash equivalents, September 30	\$ 3,377,613	\$ 2,999,118
<b>Reconciliation of operating loss to net cash (used) by operating activities:</b>		
Operating loss	\$ (2,933,345)	\$ (3,191,697)
Adjustments to reconcile net operating loss to net cash (used) by operating activities		
Depreciation expense	668,681	630,114
(Increase) decrease in accounts receivable, (net)	(171,724)	26,786
(Increase) in inventories	(45,729)	(31,779)
Decrease in prepaid expenses	2,547	23,738
Decrease (increase) in insurance deposits	1,605	(3,729)
Increase (decrease) in accounts payable	20,489	(22,670)
Increase in accrued payroll and related expenses	14,553	8,323
Net change in net pension liability (asset)	(51,452)	60,072
Total adjustments	438,970	690,855
Net cash (used) by operating activities	\$ (2,494,375)	\$ (2,500,842)

The accompanying "Notes to Financial Statements" are an integral part of this statements

## Kootenai County Emergency Medical Services System

### SCHEDULE OF OTHER OPERATING EXPENSES For the Years Ended September 30, 2021 and 2020

	2021	2020
Other operating expenses:		
Subsidy	\$ 129,577	\$ 125,149
Billing services	250,004	236,459
Medical supplies	216,600	226,121
Equipment under threshold for capitalization	123,836	59,592
Fuel	87,538	62,896
Medical director	70,000	70,000
Vehicle maintenance and repair	120,386	104,164
Software service fees	55,393	36,865
Training	50,011	37,839
Administrative and building expenses	30,529	25,106
Supplies	22,574	27,316
Bank fees and vendor finance charges	18	62
Long distance transports	1,014	4,831
Miscellaneous expenses	2,359	6,905
Telephone	15,678	16,212
Equipment maintenance	4,770	5,553
Administrative conferences and meetings	636	3,577
Dues and subscriptions	780	2,015
Postage	889	1,225
Printing and logo design	73	238
Standby expense	2,632	-
Maps	720	720
Total other operating expenses	\$ 1,186,017	\$ 1,052,845

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Entity

Kootenai County Emergency Medical Services System (the "System") was created by the county commissioners in 1987 by County ordinance number 112. In January of 1999, a contract was established between Kootenai County and Kootenai County Emergency Medical Services System where the commissioners appointed the board members. When the bylaws were formed in April of 1999, they further outlined the terms and appointment of the board members. The System provides emergency and non-emergency ambulance transport, critical care transport, on-site medical services, disaster response and EMS training to residents within the designated service areas as licensed by the State.

Kootenai County Emergency Medical Services System is considered a component unit of Kootenai County on the basis of financial accountability. The Kootenai County Board of Commissioners (BOCC) has the authority to modify or approve the annual budget of Kootenai County Emergency Medical Services System.

The financial statements of the System consist only of the funds of the System. The System has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the System. Control or dependence is determined on the basis of budget adoptions, taxing authority, funding and appointment of the respective governing board.

#### B. Basis of Presentation and Accounting

The Board's basic financial statements are presented on the full-accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Board has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Budget – The System annually adopts a budget for its proprietary fund. The budget is on the same basis of accounting as the financial statements. All budget appropriations lapse at year-end.

Income Tax Status – As a local government organization, the System is exempt from federal and state income taxes.

#### C. Revenue Recognition

Ambulance service revenues are recorded at or near the time of service. Approximately 45 to 50 percent of gross revenue is adjusted down due to insurance limitations and/or due to uncollectibility.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Revenue Recognition (Concluded)

Property tax revenues are recognized when received from Kootenai County. Total property tax revenues to be received are based on a requested amount that is subject to approval by the Kootenai County Board of Commissioners. Funding for property tax revenue is derived from taxes that are payable to Kootenai County, Idaho, the applicable taxing authority, and are remitted to the System in the month following collection. Any taxes collected by Kootenai County in excess of the approved tax revenue funding are not considered a receivable to the System.

#### D. Cash and Cash Equivalents

The System invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

Following GASB 72, paragraphs 69 and b62, the balance that the System has in the Idaho State Investment Pool is carried at cost, which materially approximates fair market value.

The System considers funds held in the Idaho State Investment Pool to be cash equivalents, as the System is able to liquidate its account at any time.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the System are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

#### E. Inventory

The System maintains inventory in the form of medical supplies that are stocked in each ambulance. The System uses the consumption method of recording inventory. Consumption method means that acquisition of materials and supplies is recorded initially in inventory accounts and charged to expense when used.

#### F. Capital Assets and Depreciation

Capital assets are stated at cost when purchased or constructed and at an estimated fair value when donated. For equipment, the System's capitalization policy includes all items with a unit cost of \$5,000 or and an estimated useful life of more than one year. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation is recorded over the estimated useful lives ranging from three to thirty years using the straight-line method.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The System has only one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System has only one type of item, which arises only under full-accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item “deferred pension inflows” is reported only on the government-wide statement of net position, and presents the System’s proportionate share of the collective deferred pension inflows in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

#### H. Net Position

The System’s net position is classified as follows:

*Net Investment in Capital Assets* – This represents the System’s total investment in capital assets, net of accumulated depreciation, net of outstanding debt obligations related to those capital assets, to the extent debt has been incurred but not yet expended for capital assets.

*Restricted* – Restricted expendable net position includes resources in which the System is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The System has no restricted net position as of September 30, 2021 and 2020.

*Unrestricted* – Unrestricted net position represents resources derived from ambulance fees and property taxes. These resources are used for transactions relating to the general operation of the System and may be used at the discretion of the governing board to meet current expenses for any purpose.

#### I. Classification of Revenues

The System has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating Revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as ambulance fees, net of contractual adjustments and refunds.

*Non-operating Revenues* – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, property taxes, investment income, and other revenue sources that are defined as non-operating revenues by GASB 34.



# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Subcontracts Expense

The System contracts with other emergency entities, primarily local fire departments within Kootenai County, to provide for response to requests for emergency medical services.

#### K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### L. Pension Plan

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

### NOTE 2: CASH AND CASH EQUIVALENTS

#### General:

State statutes authorize the System's investments and deposits. The System is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

#### Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the System's deposits and investments may not be returned to it. The System does not have a deposit policy for custodial credit risk. The carrying amounts of the System's deposits (including deposits with the Idaho State Investment Pool) and the bank balances were \$3,377,613 and \$3,418,943, respectively, as of September 30, 2021 and \$2,999,118 and \$3,038,289, respectively as of September 30, 2020. The bank balance is on deposit with various financial institutions and is recorded at cost.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

**NOTE 2: CASH AND CASH EQUIVALENTS (Concluded)**

As of September 30, 2021, and 2020, the System's deposits were not exposed to custodial credit risk and were categorized as follows:

Deposits without exposure to custodial credit risk:

<i>Deposits:</i>	2021	2020
Insured deposits	\$ 210,744	\$ 112,799
Amounts collateralized with securities held in trust, but not in the System's name	3,208,199	2,925,490
Total deposits without exposure to custodial credit risk	\$ 3,418,943	\$ 3,038,289

The carrying amount is displayed in the financial statements as follows:

Cash and cash equivalents	3,377,613	2,999,118
Total carrying amount of cash and investments	\$ 3,377,613	\$ 2,999,118

Fair Value:

The System's investments in 2a-7-like pools are valued based upon the value of pool shares. The System invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of U.S. Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances the System had in the Idaho State Investment Pool carried at cost of \$3,208,199 and \$2,925,490 as of September 30, 2021 and 2020, respectively, which approximates fair market value. The System's portion of the Idaho State Investment Pool had an unrealized gain of \$7,379 and \$11,409 as of September 30, 2021 and 2020, respectively. As the difference between fair market value and cost is immaterial, the unrealized gain has not been recorded in the System's books.

Credit Risk:

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The System does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 3: SCHEDULE OF ACCRUED EXPENSES

Accrued expenses consist of the following as of September 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Accrued payroll taxes	\$ 4,202	\$ 4,009
Accrued wages payable	22,625	17,954
Accrued vacation payable	65,026	55,337
Total	\$ 91,853	\$ 77,300

### NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2021:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 403,990	\$ -	\$ -	\$ 403,990
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	403,990	-	-	403,990
Capital assets, being depreciated:				
Buildings	1,294,996	-	-	1,294,996
Equipment	1,534,947	39,249	-	1,574,196
Vehicles	3,424,727	57,215	(26,478)	3,455,464
Total capital assets being depreciated	6,254,670	96,464	(26,478)	6,324,656
Less accumulated depreciation:				
Building	(372,520)	(57,505)	-	(430,025)
Equipment	(858,664)	(175,756)	-	(1,034,420)
Vehicles	(2,081,175)	(435,420)	26,478	(2,490,117)
Total accumulated depreciation	(3,312,359)	(668,681)	26,478	(3,954,562)
Total capital assets, being depreciated, net	2,942,311	(572,217)	-	2,370,094
Governmental activities capital assets, net	\$ 3,346,301	\$ (572,217)	\$ -	\$ 2,774,084

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 4: CAPITAL ASSETS (Concluded)

Following is a recap of capital assets for the fiscal year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 403,990	\$ -	\$ -	\$ 403,990
Total capital assets, not being depreciated	<u>403,990</u>	<u>-</u>	<u>-</u>	<u>403,990</u>
Capital assets, being depreciated:				
Buildings	1,294,996	-	-	1,294,996
Equipment	1,239,180	295,767	-	1,534,947
Vehicles	3,424,727	-	-	3,424,727
Total capital assets being depreciated	<u>5,958,903</u>	<u>295,767</u>	<u>-</u>	<u>6,254,670</u>
Less accumulated depreciation:				
Building	(314,773)	(57,747)	-	(372,520)
Equipment	(718,984)	(139,680)	-	(858,664)
Vehicles	(1,648,488)	(432,687)	-	(2,081,175)
Total accumulated depreciation	<u>(2,682,245)</u>	<u>(630,114)</u>	<u>-</u>	<u>(3,312,359)</u>
Total capital assets, being depreciated, net	<u>3,276,658</u>	<u>(334,347)</u>	<u>-</u>	<u>2,942,311</u>
Governmental activities capital assets, net	<u>\$ 3,680,648</u>	<u>\$ (334,347)</u>	<u>\$ -</u>	<u>\$ 3,346,301</u>

### NOTE 5: LEASE COMMITMENTS

Capital Lease – The System has three leases for the acquisition of capital assets which qualify as a capital lease for accounting purposes and have been recorded at the total historical cost of \$3,887,777. Remaining combined payments on the leases are due annually in the amounts as disclosed below. Depreciation expense related to the capital lease assets was \$477,827 and \$457,604 for the years ending September 30, 2021 and 2020, respectively. The following is a schedule of the combined future minimum lease payments required under the above leases and the present value of the net minimum lease payments.

<u>Year Ending September 30,</u>	<u>Amounts Due</u>
2022	\$ 320,840
2023	30,334
2024	30,334
2025	30,334
Total minimum lease payments	\$ 411,842
Less: amount representing interest	<u>(6,919)</u>
Present value of minimum lease payments	<u>\$ 404,923</u>

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

**NOTE 6: CHANGES IN LONG-TERM DEBT AND CURRENT MATURITIES**

Changes in long-term liabilities for the year ended September 30, 2021 are as follows:

	Balance 9/30/2020	Additions	Reductions	Balance 9/30/2021	Due Within 1 Year
Capital leases payable	\$ 843,872	\$ -	\$ (438,949)	\$ 404,923	\$ 313,921
Net pension liability (asset)	318,759	-	(329,204)	(10,445)	-
Total long-term liabilities	<u>\$ 1,162,631</u>	<u>\$ -</u>	<u>\$ (768,153)</u>	<u>\$ 394,478</u>	<u>\$ 313,921</u>

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

*Plan Description*

The System contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for the administration of the Base Plan is assigned to the Board comprise of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

*Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2021, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The System's contributions were \$62,727 for the year ended September 30, 2021.

#### *Pension Liabilities, (Asset), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2021, the System reported an asset for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability (asset) was based on the System's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2021, the System's proportion was 0.0132249 percent.

For the year ended September 30, 2021, the System recognized pension expense of \$11,497. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,389	\$ 6,071
Changes in assumptions or other inputs	119,892	-
Net difference between projected and actual earnings on pension plan investments	-	328,061
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
System's contributions subsequent to the measurement date	8,786	-
Total	\$ 144,067	\$ 334,132

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

\$8,786 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020 is 4.7 years and 4.6 years for the measurement period June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b>Year Ending September 30,</b>	
2022	(46,776)
2023	(42,155)
2024	(36,839)
2025	(73,081)

#### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assume exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1%

#### **Contributing Members, Service Retirement Members, and Beneficiaries**

General Employees and All Beneficiaries – Males Pub-2010 General Tables, increased 11%  
General Employees and All Beneficiaries – Females Pub-2010 General Tables, increased 21%  
Teachers – Males Pub-2010 Teacher Tables, increased 12%  
Teachers – Females Pub-2010 Teacher Tables, increased 21%  
Fire & Police – Males Pub-2010 Safety Tables, increased 21%  
Fire & Police – Females Pub-2010 Safety Tables, increased 26%  
Disabled Members – Males Pub-2010 Disabled Tables, increased 38%  
Disabled Members – Females Pub-2010 Disabled Tables, increased 36%

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability (Asset) as of June 30, 2021 is based on the results of an actuarial valuation date July 1, 2021.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for settling the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2021.

#### Capital Market Assumptions from Callan 2021

<u>Asset Class</u>	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	1.80%	-0.2%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%



# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 7: DEFINED BENEFIT PENSION PLAN (Concluded)

#### *Discount Rate*

The discount rate used to measure the total pension liability (asset) was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense, but without reduction for pension plan administrative expense.

#### *Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate*

The following presents Employer's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.35 percent) or 1 percentage point higher (7.35 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.35%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.35%)</u>	<u>1% Increase</u> <u>(7.35%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ 629,776	\$ (10,445)	\$ 40,298

#### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

#### *Payables to the Pension Plan*

At September 30, 2021, the System had no payables outstanding to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

# Kootenai County Emergency Medical Services System

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 8: 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, injuries to employees and natural disasters. The System contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

An outside insurance company protects general liability with coverage for general liability, errors and omissions, and auto limits as follows:

- \$500,000 for covered claims brought pursuant to Title 6, Chapter 9, Idaho Code
- \$3,000,000 indemnification limit for all other covered claims and,
- \$2,000,000 Defense Cost Limit for covered claims coverage basis

Additionally, the System pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. Building and shop located at 4381 W. Seltice Way Coeur d'Alene has a combined \$2,269,811 replacement policy with \$340,000 for office contents.

### NOTE 9: NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the fiscal year ended September 30, 2020, the System financed the acquisition of Motorola radios in the amount of \$151,671. Therefore, in accordance with generally accepted accounting principles, this transaction has been excluded from the accompanying statement of cash flows for the fiscal year ended September 30, 2020.

**Required Supplementary Information**

**Kootenai County Emergency Medical Services System**

**Schedule of Employer's Share of Net Pension Liability  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability (asset)	0.0132249%	0.0137270%	0.0144259%	0.0145984%	0.0130919%	0.0123497%	0.0101329%
Employer's proportionate share of the net pension liability (asset)	\$ (10,445)	\$ 318,759	\$ 164,668	\$ 215,329	\$ 205,782	\$ 250,347	\$ 133,434
Employer's covered-employee payroll	\$ 516,568	\$ 473,308	\$ 485,632	\$ 467,661	\$ 417,229	\$ 370,362	\$ 310,229
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-2.02%	67.35%	33.91%	46.04%	49.32%	67.60%	43.01%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the System will present information for those years for which information is available.

Date reported is measured as of June 30.

**Schedule of Employer Contributions  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 62,727	\$ 56,241	\$ 56,590	\$ 53,944	\$ 48,429	\$ 42,803	\$ 36,266
Contributions in relation to the statutorily required contribution	\$ (62,727)	\$ (56,241)	\$ (56,590)	\$ (53,944)	\$ (48,429)	\$ (42,803)	\$ (36,266)
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 516,568	\$ 473,308	\$ 485,632	\$ 467,661	\$ 417,229	\$ 370,362	\$ 310,229
Contributions as a percentage of covered-employee payroll	12.14%	11.88%	11.65%	11.53%	11.61%	11.56%	11.69%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the System will present information for those years for which information is available.

Date reported is measured as of September 30.

**Report Required by the GAO**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Joint Power Board of Commissioners of  
Kootenai County Emergency Medical Services System  
Coeur d'Alene, Idaho 83814

I have audited, in accordance with the auditing 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, the financial statements of the business-type activities of Kootenai County Emergency Medical Services System, a component unit of Kootenai County, as of and for the years ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Kootenai County Emergency Medical Services System's basic financial statements and have issued my report thereon dated January 7, 2022.

***Internal Control over Financial Reporting***

In planning and performing my audit of the financial statements, I considered Kootenai County Emergency Medical Services System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kootenai County Emergency Medical Services System's internal control. Accordingly, I do not express an opinion on the effectiveness of the System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Kootenai County Emergency Medical Services System's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS (CONCLUDED)***

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scott P. Hoover, CPA*

Scott P. Hoover, CPA, PLLC  
Liberty Lake, WA

January 7, 2022