

Kootenai County Emergency Medical Services System

Financial Statements
SEPTEMBER 30, 2022 AND 2021

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

Report on the Audit of the Financial Statements

Opinion

We 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, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our 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, 2022, 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.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kootenai County Emergency Medical Services System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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. 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 my 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.

INDEPENDENT AUDITOR'S REPORT (Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, on our consideration of Kootenai County Emergency Medical Services System's internal control over financial reporting and on our tests 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 our 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

December 28, 2022

Financial Section

Management's Discussion and Analysis



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

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 2022 fiscal year.
- The assets of KCEMSS exceeded its liabilities at the close of 2022 by \$7,383,264 (net position). Of this \$7,383,264, \$4,972,281 or 67.3% is unrestricted and may be used to meet the System's ongoing obligations.
- The System's net position increased by \$745,391 in 2022, an increase of 11.2%.
- Ambulance revenues, net of contractual adjustments, increased by \$388,814 or 6.8%.
- The System ended 2022 with total liabilities of \$880,804, an increase of \$318,062 or 56.5% up from the previous year.
- KCEMSS' capital purchases in 2022 include 7 Autopulse Resuscitation Systems, 2 Hamilton Ventilators, 1 Zoll Heart Monitor, 1 Novair MOGS 100 Oxygen Generator and 4 Motorola Radios. There were no asset sales or disposals.
- GASB 68 rules are in effect for 2022 and 2021 so financial statements reflect the System's estimated net pension liability 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 System's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 System's net position changed during the most recent fiscal year. All changes in net position 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 30th, 2022 and 2021

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 30th, 2022, KCEMSS' net position was \$7,383,264.

Table 1
STATEMENTS OF NET POSITION
For Periods Ending September 30, 2022 and 2021

	2022	2021
ASSETS		
Current and other assets	5,471,721	4,616,596
Capital assets, net of accumulated depreciation	2,501,985	2,774,084
Total Assets	7,973,706	7,390,680
DEFERRED OUTFLOWS OF RESOURCES		
Proportionate share of collective outflows of resources	292,822	144,067
Total deferred outflows of resources	292,822	144,067
LIABILITIES		
Current liabilities	268,941	482,185
Long-term liabilities	611,863	80,557
Total Liabilities	880,804	562,742
DEFERRED INFLOWS OF RESOURCES		
Proportionate share of collective inflows of resources	2,460	334,132
Total deferred inflows of resources	2,460	334,132
NET POSITION		
Net investment in capital assets	2,410,983	2,369,161
Unrestricted	4,972,281	4,268,712
Total net position	7,383,264	6,637,873



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

CHANGES IN NET POSITION

The System's net position increased by \$745,391 in FY2022, compared to FY2021, or 11.2%.

The unrestricted funds increased by \$703,569, or 16.5%. Unrestricted funds of \$4,972,281 represents 67.3% of total net position and is available for ongoing obligations.

The increase in the net position and unrestricted funds are attributed to an increase in ambulance revenue from increased calls, improved collections, increases in property tax revenue, and planned capital reserve savings for ambulance and medical equipment replacement and additions over the next several years.

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 who receive ambulance and medical services from KCEMSS. KCEMSS bills at rates approved by the Board of County Commissioners, but KCEMSS is bound 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 unpaid balance is written off to contractual adjustments and KCEMSS cannot by law bill the patient for any difference other than the deductible owed identified by Medicare. Medicaid has even lower caps allowing on average 39% of each bill. For the 2022 fiscal year \$4,328,517 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 FY2022 was 17,627 calls, but only 11,670 calls or 66.2% of total calls generated revenue, leaving 5,957 calls or 33.8% 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 or on scene, welfare checks and 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 2022 fiscal year, the Ambulance District tax levy was .0001140646 which calculates out to \$22.81 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 2022 and 2021 KCEMSS' cash investments were held in the LGIP (Local Government Investment Pool) through the State of Idaho. On 9/30/2022 the balance with the LGIP was \$4,101,757 and at 9/30/2021 the balance was \$3,208,199. In FY2022 the monthly interest yield on the LGIP account started the year at .1131% per month with a steady increase to 2.0987% by year end.

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



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

Table 2
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Ambulance services (net of contractual adjustments)	6,124,318	5,735,503
Miscellaneous income	5,259	6,739
Total operating revenue	<u>6,129,577</u>	<u>5,742,242</u>
OPERATING EXPENSES		
Contracts	5,634,310	5,376,413
Subsidies	143,258	129,577
Depreciation expense	675,521	668,681
Employee benefits	155,118	150,124
Insurance	23,759	23,189
Professional Services	16,355	6,405
Payroll taxes	42,518	43,142
Bad debt write-offs	381,494	628,665
Wages and salaries	571,337	581,454
Medical supplies	322,130	216,600
Billing services	271,545	250,004
Fuel	150,668	87,538
Vehicle Maintenance	136,067	120,386
Equipment under threshold	56,703	123,836
Medical Director contract	74,000	70,000
Change in net pension liability	148,829	11,497
Education & Training	35,360	50,011
Other operating expenses	148,107	138,065
Total operating expenses	<u>8,987,079</u>	<u>8,675,587</u>
Operating (loss)	<u>-2,857,502</u>	<u>-2,933,345</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax transmittal revenue	3,355,416	3219,812
Gain on Disposal of Asset	0	5,120
Grants	208,940	112,691
Rent Income	4,800	1,900
Other income	9,200	9,829
Interest income	25,114	6,717
Interest Expense	-577	-8,839
Total non-operating revenues (expenses)	<u>3,602,893</u>	<u>3,347,230</u>
CHANGE IN NET POSITION	<u>745,391</u>	<u>413,885</u>
Total net position - beginning	<u>6,637,873</u>	<u>6,223,988</u>
Total net position - ending	<u>7,383,264</u>	<u>6,637,873</u>



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

BUSINESS OPERATIONS

Operating Revenue:

KCEMSS generated ambulance service revenue, net of contractual adjustments, in the amount of \$6,124,318 from patient billings in FY2022, an increase of \$388,815 or 6.8% compared to FY2021. Of the 6.8% increase over the prior year, 2.4% is from increased ambulance transports, and the remaining 4.4% was from payment increases from Medicare and other payers due to inflation adjustments.

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 contracts.
- 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 \$311,492 in 2022 compared to 2021. The major increases over last year were as follows:

- A planned increase to contracts and subsidies totaling \$271,445 went to fire districts and Harrison Community ambulance. A 2% increase to existing contracts plus a new service with Kootenai County Fire and Rescue for Critical Care Transport personnel. 62.7% of the Systems operating expenses were allocated to these contracts for a total of \$5,777,568 in FY2022, which pays for the personnel needed to operate KCEMSS ambulances and subsidizes "quick response units" and ambulance services in rural areas of Kootenai County.
- The second largest increase in operating expenses was an increase to Medical Supplies in the amount of \$105,530, which was a 48.7% increase over FY2021. This is primarily from inflation, secondary to increased billable call volume which increases supply usage.
- The third largest operating increase was fuel in the amount of \$63,130 which was a 72.1% increase over last year. This was 100% from inflation. KCEMSS used approximately 500 less gallons of diesel fuel in FY2022 compared to FY2021.
- Other increases in operations include billing services, medical director contract expenses, building and administrative expenses, but we saw decreases in training, equipment, payroll expenses and bad debt write-offs.

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 \$(2,857,502). Tax revenues are crucial to the success of the EMS system. Tax revenues in the amount of \$3,355,416 were collected in 2022, an increase of \$135,604 or 4.2% compared to 2021. The tax increase includes the 3% allowed annual increase, a portion of new development added to the tax rolls and 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 25.6% of KCEMSS' total revenue in 2022, which is slightly down from 2021.



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

Grant Income:

Federal 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 Federal Grants received by KCEMSS in FY2022 and FY2021.

In FY2021 KCEMSS received Covid relief funding from:

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

In FY2022 KCEMSS received Covid relief funding from two provider relief programs:

- HHS Stimulus: \$41,379 applied against lost revenue
- FEMA: \$44,225 partial grant for Oxygen Generator purchase

State and Local Grants: Other grant income from local resources:

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

In FY2022 KCEMSS received the following grants from these sources:

- State of Idaho: \$66,000 for 6 each Auto Pulse Resuscitation Systems
- Panhandle Health: \$3,523 for training equipment
- Dept. of Health & Welfare: \$4,952 for VR1 PneuPac vents
- Panhandle Health (KH): \$48,861 for 2 each Hamilton vents

Other Non-Operating Income:

Other non-operating income for FY2022 include:

- Rent & Equipment Lease income of \$14,000
- Interest Income from the LGIP (Local Government Investment Pool) \$25,114

Non-Operating Expenses:

In FY2022 KCEMSS had interest expense on one lease/purchase agreement with SunTrust Equipment totaling \$577.

CAPITAL ASSET AND DEBT ADMINISTRATION (Capital Asset Threshold \$5000)

Building and Improvements:

- There were no building purchases or improvement projects in the 2022 fiscal year.

Vehicles:

- There were no vehicles purchased or disposed of in the 2022 fiscal year.

Equipment Purchased:

- 7 Each Autopulse Resuscitation Systems were purchased for a total cost of \$95,316. KCEMSS received a grant for \$66,000 from the State of Idaho that offset this cost.
- 2 Each Hamilton T-1 Vents were purchased for a total cost of \$48,861. KCEMSS received a grant for \$48,861 from Panhandle Health which paid for 100% of this purchase.
- 1 Each Zoll X Series Heart Monitor / Defibrillator was purchased for \$32,816.
- 1 Each Novair MOGS100 Oxygen Generator was purchased for \$100,145. KCEMSS received a grant of \$44,225 from FEMA that offsets this cost.
- 4 Each Motorola APX8500 All Band Radios were purchased for a total cost of \$31,939.
- 4 Power Load Systems for the 4 ambulances under construction for a total cost of \$94,344.



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

Capital Assets (net of depreciation) As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Land	403,990	403,990
Building & Improvements	807,979	864,971
Ambulance Build in Progress	94,344	-
Vehicles	540,084	965,346
Equipment	655,588	539,777
Total	<u>2,501,985</u>	<u>2,774,084</u>

Debt Administration:

- In FY2015 KCEMSS entered into a purchase agreement with SunTrust Equipment for Fifteen (15) new Ford/Horton 4X4 ambulances. In the 2022 Fiscal year, KCEMSS paid the last payment on this lease/purchase agreement and ends the year with a zero balance to SunTrust Equipment.
- In FY2020 KCEMSS entered into a purchase agreement with Motorola. The purchase agreement is for \$151,671 at an annual interest rate of 0%. The length of the purchase agreement is for five annual payments of \$30,334 with the first payment due 6/30/2021 and last payment due 6/30/2025. The loan paid for 18 APX8500 All Band Motorola radios for each of our response vehicles. At 9/30/22 the principal balance owing was \$91,002.
- 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 \$551,195 at 9/30/2022 and \$(10,445) at 9/30/2021.
- Total liabilities at the end of FY2022 were \$880,804, an increase over last year of \$318,602 due to the GASB 68 entry showing the pension fund liability share. With a volatile market in FY2022, the PERSI pension fund lost approximately 9% causing the fund value to drop and increasing the KCEMSS' assessed portion of the liability.

Debt as of September 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payables	142,321	70,068
Accrued liabilities	94,942	91,853
Deferred revenues – impact fees	1,344	0
Accrued interest payable	0	6,343
Capital lease payable – current portion	30,334	313,921
Total Current Liabilities	<u>268,941</u>	<u>482,185</u>
LONG-TERM LIABILITIES		
Capital lease payable – non-current portion	60,668	91,002
Net pension liability	551,195	(10,445)
Total long-term liabilities	<u>611,863</u>	<u>80,557</u>
TOTAL LIABILITIES	<u>880,804</u>	<u>562,742</u>



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

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 2022 fiscal year to recognize grant income and expenses related to those grants.

	FY2022 Actual	FY2022 Budget	(Under) over
Revenue	9,733,047	9,344,683	388,364
Cash Reserves Used:	0	0	0
Total Revenue & Cash:	9,733,047	9,344,683	388,364
Expenses (Minus Depreciation/GASB 68)	8,230,922	8,565,015	-334,092
Loan Payments:	320,263	320,263	
Capital Purchases:	413,590	459,406	-45,816
Total Expenses, Loans & Capital:	8,964,775	9,344,683	-379,908

The FY2022 final approved budget was \$9,344,683. The actual expenses, including loan payments and capital purchases, for FY2022 totaled \$8,964,775 which is \$379,908 under budget. The biggest line item under budget for FY2022 was the bad debt expense. Bad debt was reduced due to the VA (Veterans Administration) making catch up payments on patient accounts that were previously written off for non-payment. Capital expenditures were also under budget due to timing issues with vendor delivery. This capital expenditure amount will be carried forward into FY2023, as it is a planned purchase.

KOOTENAI COUNTY EMERGENCY MEDICAL SERVICES – LOOKING FORWARD

In FY2022, KCEMSS completed several projects that will help KCEMSS financially in future years as follows:

- KCEMSS applied for WA GEMT funding, which is a federally funded Washington state Medicaid assistance program that will pay ambulance providers additional funding for the Medicaid transports they perform in Washington state. FY2022 was the first year we applied for and received funding from this program. The amount will vary each year depending on the cost per transport and the number of transports performed.
- KCEMSS completed an Impact Fee study with Galena Consulting in FY2022 and implemented the program through contracts with each of the cities and the county that we serve. We have just begun seeing impact fees collected on our behalf. We are optimistic this program will help pay for growth and some of our future capital needs.
- In FY2022 KCEMSS was awarded two grants; one from ARPA for over \$1,000,000 that will pay for three new ambulances and some of the major medical equipment for those ambulances; and the second one from the State of Idaho for \$125,000 toward an Ambulance remount. These two projects should be completed and funded in the 2023 fiscal year.

The state of Idaho is also in the process of setting up a GEMT program that KCEMSS fully supports and plans to apply for as soon as it is available. We will continue to look for added sources of revenue as opportunities present themselves.

The fiscal year 2023 budget was approved and adopted by the Joint Powers Board in July 2022 and approved by the County Commissioners in September 2022. The fiscal year 2022 budget includes expected net ambulance revenue growth of 4.6% over the prior year actuals. The budget includes a property tax increase of 3%, plus new development.



Kootenai County Emergency Medical Services System Management Discussion and Analysis Report For the Years Ended September 30th, 2022 and 2021

Factors bearing on the district's future include:

- Inflation has been a huge concern for KCEMSS during the 2022 fiscal year as reported and shown on the financials with huge spikes to fuel, medical supplies, and equipment. It is unknown what the future holds.
- While operating costs continue to rise, revenue streams are limited.
- Medicare and Medicaid payment rates are far lower than the cost of doing business, but we have seen some increases due to inflation for FY2022 and FY2023, but more work is needed in this area.
- Tax increase limitations remain at 3% plus a portion of 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 is undergoing a four-year cost analysis study. Our hopes are that the study will result in higher reimbursement rates, however we do not 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.

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, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 4,282,129	\$ 3,377,613
Accounts receivable, net of allowance for doubtful accounts and contractual adjustments of \$994,686 and \$1,080,261, respectively	906,392	959,206
Receivable from County	13,754	11,399
Other receivables	16,211	10,864
Insurance deposit	7,217	4,186
Prepaid expenses	9,694	-
Inventory - medical supplies	234,983	253,328
Restricted cash - impact fees	1,341	-
Total current assets	<u>5,471,721</u>	<u>4,616,596</u>
Noncurrent assets:		
Land	403,990	403,990
Construction in progress	94,344	-
Building (net of accumulated depreciation)	807,979	864,971
Vehicles (net of accumulated depreciation)	540,084	965,346
Equipment (net of accumulated depreciation)	655,588	539,777
Total noncurrent assets	<u>2,501,985</u>	<u>2,774,084</u>
Total assets	<u>7,973,706</u>	<u>7,390,680</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	292,822	144,067
Total deferred outflows of resources	<u>292,822</u>	<u>144,067</u>
LIABILITIES		
Current liabilities:		
Accounts payable	142,321	70,068
Accrued payroll and related expenses	94,942	91,853
Accrued interest payable	-	6,343
Deferred revenues - impact fees	1,344	-
Long-term liabilities:		
Due within one year:		
Loans payable, current portion	30,334	313,921
Due in more than one year:		
Loans payable, noncurrent portion	60,668	91,002
Net pension liability (asset)	551,195	(10,445)
Total liabilities	<u>880,804</u>	<u>562,742</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	2,460	334,132
Total deferred inflows of resources	<u>2,460</u>	<u>334,132</u>
NET POSITION		
Net investment in capital assets	2,410,983	2,369,161
Unrestricted	4,972,281	4,268,712
Total net position	<u>\$ 7,383,264</u>	<u>\$ 6,637,873</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Ambulance services, net of contractual adjustments of \$4,239,486 and \$3,865,304, respectively	\$ 6,124,318	\$ 5,735,503
Miscellaneous income	5,259	6,739
Total operating revenue	<u>6,129,577</u>	<u>5,742,242</u>
Operating expenses:		
Contracts	5,634,310	5,376,413
Depreciation expense	675,521	668,681
Employee benefits	155,118	150,124
Insurance	23,759	23,189
Legal and professional	16,355	6,405
Payroll taxes	42,518	43,142
Bad debt	381,494	628,665
Wages and salaries	571,337	581,454
Other operating expenses (scheduled)	1,337,838	1,186,017
Change in net pension liability	148,829	11,497
Total operating expenses	<u>8,987,079</u>	<u>8,675,587</u>
Operating loss	<u>(2,857,502)</u>	<u>(2,933,345)</u>
Non-operating revenues (expenses):		
Tax transmittal revenue	3,355,416	3,219,812
Capital grants	208,940	112,691
Rent income	4,800	1,900
Other income	9,200	9,829
Gain on disposal of assets	-	5,120
Interest income	25,114	6,717
Interest expense	(577)	(8,839)
Total non-operating revenues (expenses)	<u>3,602,893</u>	<u>3,347,230</u>
Change in net position	745,391	413,885
Net position- beginning	<u>6,637,873</u>	<u>6,223,988</u>
Net position- ending	<u>\$ 7,383,264</u>	<u>\$ 6,637,873</u>

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Ambulance services	\$ 5,790,291	\$ 4,935,114
Miscellaneous income	5,259	6,739
Payments to employees, payroll taxes, and benefits	(843,194)	(820,569)
Payments for contracts	(5,634,310)	(5,376,413)
Payments for insurance	(26,790)	(21,584)
Payments for legal and professional	(16,355)	(6,405)
Other	(1,247,237)	(1,211,257)
Net cash (used) by operating activities	(1,972,336)	(2,494,375)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tax transmittal receipts from County	3,353,061	3,224,106
Other income	9,200	9,829
Net cash provided by noncapital financing activities	3,362,261	3,233,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(403,422)	(96,464)
Proceeds on sale of capital assets	-	5,120
Payments on long-term borrowings	(313,921)	(438,949)
Capital grant proceeds	208,940	177,540
Interest paid on debt	(6,920)	(16,929)
Net cash (used) by capital and related financing activities	(515,323)	(369,682)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	25,114	6,717
Rental income	4,800	1,900
Net cash provided by investing activities	29,914	8,617
Net increase in cash and cash equivalents	904,516	378,495
Cash and cash equivalents, October 1	3,377,613	2,999,118
Cash and cash equivalents, September 30	\$ 4,282,129	\$ 3,377,613
Reconciliation of operating loss to net cash (used) by operating activities:		
Operating loss	\$ (2,857,502)	\$ (2,933,345)
Adjustments to reconcile net operating loss to net cash (used) by operating activities		
Depreciation expense	675,521	668,681
Decrease (Increase) in accounts receivable, (net)	47,467	(171,724)
Decrease (Increase) in inventories	18,345	(45,729)
(Increase) decrease in prepaid expenses	(9,694)	2,547
(Increase) decrease in insurance deposits	(3,031)	1,605
Increase in accounts payable	72,253	20,489
Increase in accrued payroll and related expenses	3,092	14,553
Net change in net pension liability	81,213	(51,452)
Total adjustments	885,166	438,970
Net cash (used) by operating activities	\$ (1,972,336)	\$ (2,494,375)

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, 2022 and 2021

	2022	2021
Other operating expenses:		
Subsidy	\$ 143,258	\$ 129,577
Billing services	271,545	250,004
Medical supplies	322,130	216,600
Equipment under threshold for capitalization	56,703	123,836
Fuel	150,668	87,538
Medical director	74,000	70,000
Vehicle maintenance and repair	136,067	120,386
Software service fees	67,993	55,393
Training	35,360	50,011
Administrative and building expenses	25,485	30,529
Supplies	22,098	22,574
Bank fees and vendor finance charges	9	18
Long distance transports	2,616	1,014
Miscellaneous expenses	4,935	2,359
Telephone	15,852	15,678
Equipment maintenance	3,641	4,770
Administrative conferences and meetings	744	636
Dues and subscriptions	930	780
Postage	964	889
Printing and logo design	264	73
Standby expense	2,576	2,632
Maps	-	720
Total other operating expenses	<u>\$ 1,337,838</u>	<u>\$ 1,186,017</u>

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021.

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 grants, 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, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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 \$4,283,470 and \$4,291,241, respectively, as of September 30, 2022 and \$3,377,613 and \$3,418,943, respectively as of September 30, 2021.

Kootenai County Emergency Medical Services System

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022 and 2021

NOTE 2: CASH AND CASH EQUIVALENTS (Concluded)

As of September 30, 2022, and 2021, 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>	2022	2021
Insured deposits	\$ 189,484	\$ 210,744
Amounts collateralized with securities held in trust, but not in the System's name	4,101,757	3,208,199
Total deposits without exposure to custodial credit risk	<u>\$ 4,291,241</u>	<u>\$ 3,418,943</u>

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

Cash and cash equivalents	4,282,129	3,377,613
Restricted cash - impact fees	1,341	-
Total carrying amount of cash and investments	<u>\$ 4,283,470</u>	<u>\$ 3,377,613</u>

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 \$4,101,757 and \$3,208,199 as of September 30, 2022 and 2021, respectively, which approximates fair market value. The System's portion of the Idaho State Investment Pool had an unrealized gain/(loss) of (\$7,793) and \$7,379 as of September 30, 2022 and 2021, respectively. As the difference between fair market value and cost is immaterial, the unrealized gain/(loss) 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, 2022 and 2021

NOTE 3: SCHEDULE OF ACCRUED EXPENSES

Accrued expenses consist of the following as of September 30, 2022 and 2021:

	2022	2021
Accrued payroll taxes	\$ 4,990	\$ 4,202
Accrued wages payable	21,688	22,625
Accrued vacation payable	68,264	65,026
Total	<u>\$ 94,942</u>	<u>\$ 91,853</u>

NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2022:

	Beginning Balance	Increases	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 403,990	\$ -	\$ -	\$ 403,990
Construction in progress	-	94,344	-	94,344
Total capital assets, not being depreciated	<u>403,990</u>	<u>94,344</u>	<u>-</u>	<u>498,334</u>
Capital assets, being depreciated:				
Buildings	1,294,996	-	-	1,294,996
Equipment	1,574,196	309,078	-	1,883,274
Vehicles	3,455,464	-	-	3,455,464
Total capital assets being depreciated	<u>6,324,656</u>	<u>309,078</u>	<u>-</u>	<u>6,633,734</u>
Less accumulated depreciation:				
Building	(430,025)	(56,992)	-	(487,017)
Equipment	(1,034,420)	(193,267)	-	(1,227,687)
Vehicles	(2,490,117)	(425,262)	-	(2,915,379)
Total accumulated depreciation	<u>(3,954,562)</u>	<u>(675,521)</u>	<u>-</u>	<u>(4,630,083)</u>
Total capital assets, being depreciated, net	<u>2,370,094</u>	<u>(366,443)</u>	<u>-</u>	<u>2,003,651</u>
Governmental activities capital assets, net	<u>\$ 2,774,084</u>	<u>\$ (272,099)</u>	<u>\$ -</u>	<u>\$ 2,501,985</u>

Kootenai County Emergency Medical Services System

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022 and 2021

NOTE 4: CAPITAL ASSETS (Concluded)

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

	<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	1,534,947	39,249	-	1,574,196
Vehicles	3,424,727	57,215	(26,478)	3,455,464
Total capital assets being depreciated	<u>6,254,670</u>	<u>96,464</u>	<u>(26,478)</u>	<u>6,324,656</u>
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	<u>(3,312,359)</u>	<u>(668,681)</u>	<u>26,478</u>	<u>(3,954,562)</u>
Total capital assets, being depreciated, net	<u>2,942,311</u>	<u>(572,217)</u>	<u>-</u>	<u>2,370,094</u>
Governmental activities capital assets, net	<u>\$ 3,346,301</u>	<u>\$ (572,217)</u>	<u>\$ -</u>	<u>\$ 2,774,084</u>

NOTE 5: LOANS PAYABLE

In fiscal year 2015, the System financed the purchase of ambulances with a lender. The loan called for 8 annual payments of principal and interest in the amount of \$287,793 and an annual interest rate of 2.33%. During the fiscal year ended September 30, 2022, the System made its final scheduled payment of principal and interest on the loan, satisfying this obligation in full.

In fiscal year 2020, the System financed the purchase of several radios with a lender. The loan calls for 5 annual payments of \$30,334 and no interest. The loan is collateralized by the underlying acquired assets. The following is a schedule of the remaining required payments for the radio equipment loan.

<u>Year Ending September 30,</u>	<u>Amounts Due</u>
2023	\$ 30,334
2024	30,334
2025	30,334
Total minimum lease payments	<u>\$ 91,002</u>

Kootenai County Emergency Medical Services System

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022 and 2021

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

Changes in long-term liabilities for the year ended September 30, 2022 are as follows:

	Balance 9/30/2021	Additions	Reductions	Balance 9/30/2022	Due Within 1 Year
Loans payable	\$ 404,923	\$ -	\$ (313,921)	\$ 91,002	\$ 30,334
Net pension liability (asset)	(10,445)	561,640	-	551,195	-
Total long-term liabilities	<u>\$ 394,478</u>	<u>\$ 561,640</u>	<u>\$ (313,921)</u>	<u>\$ 642,197</u>	<u>\$ 30,334</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.

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, 2022 and 2021

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 public safety. As of June 30, 2022, it was 7.16% for general employees and 9.13% for public safety. 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 public safety. The System's contributions were \$67,616 for the year ended September 30, 2022.

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

At September 30, 2022, the System reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability 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, 2022, the System's proportion was 0.0139941 percent.

For the year ended September 30, 2022, the System recognized pension expense of \$148,829. At September 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,611	\$ 2,460
Changes in assumptions or other inputs	89,861	-
Net difference between projected and actual earnings on pension plan investments	126,824	-
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	15,526	-
Total	<u>\$ 292,822</u>	<u>\$ 2,460</u>

Kootenai County Emergency Medical Services System

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022 and 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

\$15,526 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, 2023.

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, 2020, the beginning of the measurement period ended June 30, 2021 is 4.6 years and 4.6 years for the measurement period June 30, 2022.

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:

<u>Year Ending</u> <u>September 30,</u>	
2023	65,723
2024	71,349
2025	32,999
2026	104,765

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 in the June 30, 2022 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, 2022 and 2021

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 as of June 30, 2022 is based on the results of an actuarial valuation date July 1, 2022.

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 2022.

Capital Market Assumptions

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.00%	0.0%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	-0.25%
TIPS	10.00%	-0.30%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

Kootenai County Emergency Medical Services System

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022 and 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Concluded)

Discount Rate

The discount rate used to measure the total pension liability 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 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:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability	\$ 972,806	\$ 551,195	\$ 206,118

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.

Payables to the Pension Plan

At September 30, 2022, 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, 2022 and 2021

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: RELATED PARTY TRANSACTIONS

The System has transactions in the normal course of business with Northern Lakes Fire Protection District, Kootenai County Fire and Rescue, the City of Coeur d'Alene, and Spirit Lake Fire Protection District. Each of these entities have board representation on the System's Joint Powers governing board. During the fiscal years ended September 30, 2022 and 2021, the System contracted for personnel services provided by these entities as follows:

	September 30, 2022	September 30, 2021
Northern Lakes Fire District	\$ 1,474,533	\$ 1,445,490
Kootenai Fire & Rescue	\$ 1,698,482	\$ 1,517,987
City of Coeur d'Alene	\$ 1,792,490	\$ 1,757,665
Spirit Lake Fire Protection District	\$ 215,255	\$ 210,990

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>2022</u>	<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%	0.0132249%	0.0137270%	0.0144259%	0.0145984%	0.0130919%	0.0123497%	0.0101329%
Employer's proportionate share of the net pension liability (asset)	\$ 551,195	\$ (10,445)	\$ 318,759	\$ 164,668	\$ 215,329	\$ 205,782	\$ 250,347	\$ 133,434
Employer's covered-employee payroll	\$ 552,262	\$ 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	99.81%	-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)	83.09%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 67,616	\$ 62,727	\$ 56,241	\$ 56,590	\$ 53,944	\$ 48,429	\$ 42,803	\$ 36,266
Contributions in relation to the statutorily required contribution	\$ (67,616)	\$ (62,727)	\$ (56,241)	\$ (56,590)	\$ (53,944)	\$ (48,429)	\$ (42,803)	\$ (36,266)
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 552,262	\$ 516,568	\$ 473,308	\$ 485,632	\$ 467,661	\$ 417,229	\$ 370,362	\$ 310,229
Contributions as a percentage of covered-employee payroll	12.24%	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

We 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 year ended September 30, 2022, 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 our report thereon dated December 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kootenai County Emergency Medical Services System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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

December 28, 2022