INLAND COUNTIES EMERGENCY MEDICAL AGENCY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2016

SM&Co
Smith Marion
& Company, LLP
Certified Public Accountants

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Board of Directors
Inland Counties Emergency Medical Agency
San Bernardino**,** CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Inland Counties Emergency Medical Agency as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency'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 misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Inland Counties Emergency Medical Agency, as of June 30, 2016, and the respective change in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions and Notes to Required Supplementary Information on pages 22-25, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on the information.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Smith Marion & Co.

February 8, 2017

BASIC FINANCIAL STATEMENTS

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2016

		Governmental Activities
ASSETS		
Current Assets		
Cash and cash equivalents	$	1,354,447
Interest receivable		869
Due from other governments		1,052,558
Total Current Assets		2,407,874
Capital assets (net)		404,413
TOTAL ASSETS		2,812,287
DEFFERED OUTFLOWS OF RESOURCES		468,593
LIABILITIES		
Current Liabilities		
Accounts payable		154,328
Salaries and benefits payable		19,220
Due to other governments		48,679
Compensated absences - due within one year		77,303
Unearned revenue		49,045
Total current liabilities		348,575
Net pension liability		1,506,558
Compensated absences - due after one year		180,375
TOTAL LIABILITIES		2,035,508
DEFFERED INFLOWS OF RESOURCES		569,993
NET POSITION		
Investment in capital assets		404,413
Restricted for pediatric care fund		489,337
Unrestricted		(218,371)
TOTAL NET POSITION	$	675,379

See notes to financial statements

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

		Governmental Activities
PROGRAM EXPENSES		
Salaries and benefits	$	1,624,988
Services and supplies		1,989,944
Depreciation		161,434
TOTAL PROGRAM EXPENSES		3,776,366
PROGRAM REVENUES		
Licenses and permits		315,017
Fees and fines		1,081,955
Federal assistance		882,219
State assistance		877,543
Charges for services		1,267,474
TOTAL PROGRAM REVENUES		4,424,208
Net program revenue/(expenses)		647,842
GENERAL REVENUES		
Investment earnings		7,679
Miscellaneous		20,953
TOTAL GENERAL REVENUES		28,632
Change in net position		676,474
Net position - beginning		(1,095)
Net position - ending	$	675,379

See notes to financial statements

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General (SMI, CYX,CYZ, XJM)	Pediatric Trauma (CYY)	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ 963,579	$ 390,868	$ 1,354,447
Interest receivable	869	-	869
Due from other governments	1,052,558	-	1,052,558
Total Current Assets	2,017,006	390,868	2,407,874
TOTAL ASSETS	2,017,006	390,868	2,407,874
DEFERRED OUTFLOW OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 2,017,006	$ 390,868	$ 2,407,874
LIABILITIES			
Current Liabilities			
Accounts payable	$ 154,328	$ -	$ 154,328
Salaries and benefits payable	19,220	-	19,220
Due to other governments	48,679	-	48,679
Unearned income	49,045	-	49,045
TOTAL LIABILITIES	271,272	-	271,272
DEFERRED INFLOW OF RESOURCES	-	-	-
FUND BALANCE			
Restricted	98,469	390,868	489,337
Committed	573,101	-	573,101
Unassigned	1,074,164	-	1,074,164
TOTAL FUND BALANCE	1,745,734	390,868	2,136,602
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	$ 2,017,006	$ 390,868	

Amounts to reconcile to net position reported in the statement of net position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	404,413
Long-term liabilities aquired in governmental activities are not financial expenditures and, therefore, are not reported in the funds.	(257,678)
Long-term liabilities and deferred payments for pensions in the statement of net position are not financial expenditures and, therefore, are not reported in the funds	(1,607,958)
Net position of governmental activities	$ 675,379

See notes to financial statements

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General (SMI, CYX, CYZ, XJM)	Pediatric Trauma (CYY)	Total Governmental Funds
REVENUES			
Licenses and permits	$ 315,017	$ -	$ 315,017
Fees and fines	888,593	193,362	1,081,955
Federal assistance	882,219	-	882,219
State assistance	877,543	-	877,543
Charges for services	1,267,474	-	1,267,474
Investment earnings	5,493	2,186	7,679
Miscellaneous	20,953	-	20,953
TOTAL REVENUES	4,257,292	195,548	4,452,840
EXPENDITURES			
Salaries and benefits	1,736,160	-	1,736,160
Services and supplies	1,997,681	-	1,997,681
Pediatric trauma payments	-	-	-
Contribution to other entities	-	-	-
Capital outlay:			
Equipment	4,948	-	4,948
Vehicles	-	-	-
Software	40,000	-	40,000
TOTAL EXPENDITURES	3,778,789	-	3,778,789
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	478,503	195,548	674,051
OTHER FINANCING SOURCES AND (USES)			
Transfers in from other funds	-	-	-
Transfers out to other funds	-	-	-
Net Other Financing Sources and (Uses)	-	-	-
Net change in fund balances	478,503	195,548	674,051
FUND BALANCE - BEGINNING OF YEAR	1,267,231	195,320	1,462,551
FUND BALANCE - END OF YEAR	$ 1,745,734	$ 390,868	$ 2,136,602

See notes to financial statements

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances-total governmental funds	$	674,051
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the amount by which capital outlays exceeded depreciation		(108,749)
Some payments are deferred in the governmental-wide financial statements but recognized when expensed in the statement of revenues, expenditures, and changes in the fund balance		198,394
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(87,222)
Change in net position of governmental activities	$	676,474

See notes to financial statements

1. NATURE OF ORGANIZATION

The Inland Counties Emergency Medical Agency (ICEMA) was established under a Joint Powers Agreement between the counties of Inyo, Mono and San Bernardino on April 8, 1975. It was established to maintain a multi-county Emergency Medical Services (EMS) program charged with coordination, evaluation and monitoring within public and private pre-hospital providers, specialty hospitals, paramedic base hospitals, as well as the effectiveness of EMS educational programs and medical disaster preparedness. The Board of Supervisors of the County of San Bernardino serves as the Board of Directors of ICEMA.

The accompanying financial statements reflect only the accounts of ICEMA and are not intended to present the financial position of the County of San Bernardino (County) taken as a whole.

Because ICEMA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), ICEMA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "blended component unit" for the fiscal year ended June 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Inland Counties Emergency Medical Agency (ICEMA) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the ICEMA's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, ICEMA does not have any proprietary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

Employee Compensated Absences

Accumulated vacation, holiday benefits, sick pay, and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a non-current liability. ICEMA is not obligated to pay for unused sick leave if an employee terminates or retires.

Compensated absences activity for the year ended June 30, 2016 was as follows:

June 30, 2015	Additions	Deletions	June 30, 2016	Amount due within one year
$ 170,456	$ 203,050	$ 115,828	$ 257,678	$ 77,303

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
As a blended component unit of the County, ICEMA must follow the same financial accounting and reporting framework as the County.

The government-wide financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fees and fines are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are only recorded when payment is due.

ICEMA reports the following major governmental funds:

The general fund is the agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The general fund includes "Liquidated Damages" to account for liquidated damages and assessments from EMS providers relative to late runs occurring within a defined service area and other failures to meet required standards to be utilized for the purpose of enhancing the EMS system. The general fund also includes, "Hospital Preparedness Program" to account for grant funds received to maintain, refine and enhance healthcare systems to be prepared for all-hazards events and "Hospital Preparedness Program for H1N1" to account for grant funds received to plan, prepare for, and respond to an H1N1 influenza pandemic.

The special revenue fund labeled "Pediatric Trauma" is used to account for penalties collected by the San Bernardino Superior Court to be used to compensate emergency medical care providers when other sources of compensation are absent.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations
In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. There are no bond premiums or discounts associated with these obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one year. Structures with an initial cost of $100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of building and acquiring capital assets (land, buildings, vehicles and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the statement of net position includes those capital assets among the assets of the JPA as a whole, and their original costs are expensed annually over their useful lives.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Vehicles	6 years
Equipment	5 to 15 years
Purchased Software	5 years

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earning through investment activities.

Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County’s investment policy. Authorized investments include U.S. Government Treasury and Agency securities, bankers’ acceptances, commercial paper, medium-term notes, mutual funds, repurchase agreements, and reverse repurchase agreements. Interest income, and realized gains and losses, earned on pooled investments are recorded quarterly to the agency’s accounts based upon the Agency’s average daily balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the Agency annually. Cash and cash equivalents are shown at fair value as of June 30, 2016.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contribution of capital. Net position is classified in the following three components:

- Investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of the net position of ICEMA that is not restricted for any project or other purpose and not invested in capital assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

ICEMA has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* as of July 1, 2010. In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned. These components of fund balance are reported primarily to indicate the extent to which ICEMA is bound to honor constraint on the specific purposes for which amounts in the fund can be spent.

1) **Non-spendable Fund Balance:** Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.

2) **Restricted Fund Balance:** Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

3) **Committed Fund Balance:** Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision making. The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.

4) **Assigned Fund Balance:** Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. This intent must be expressed by the Board of Directors.

5) **Unassigned Fund Balance:** The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less non-spendable, restricted, committed, or assigned equals unassigned fund balance.

ICEMA has adopted the County’s minimum fund balance policy. When both restricted and unrestricted resources are available for use, it is the ICEMA's policy to use restricted resources first, then followed by unrestricted resources; committed, assigned, and unassigned, as they are needed.

Stewardship, Compliance, and Accountability

A. Budgetary information

In accordance with provisions of Section 29000-29143 of the government code of the State of California, commonly known as the County Budget Act, ICEMA prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of ICEMA’s Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available find balances as provided for in the County Budget Act.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

3. CASH AND INVESTMENTS

Cash and investments include the cash balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the ICEMA's account based upon the ICEMA's average daily deposit balance during the allocation period. As of June 30, 2016, Cash and Investments are reported in the ICEMA's financial statement as cash and cash equivalents in the amount of $1,354,447.

Investments Authorized by the California Government Code and the ICEMA's Investment Policy
The succeeding table identifies the **investment types** that are authorized for ICEMA by the California Government Code. The table also identifies certain provisions of the California Government Code that address **interest rate risk, credit risk, and concentration credit risk.** This table does not address investment of debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the ICEMA, rather than the general provisions of the California Government Code or ICEMA investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 years	100%	100%
U.S. Government Agencies	5 years	100%	100%
Negotiable Certificates of Deposit	540 days	30%	5%
Commercial Paper	270 days	40%	5%
TLGP Corporate Notes	5 years	30%	100%
Money Market Mutual Funds	N/A	15%	10%

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for further details of the County's investment policy and investments held.

Disclosure Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosure Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk
The investment policy of ICEMA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total ICEMA investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the ICEMA's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure ICEMA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the ICEMA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual fund or government investment pool.

4. RISK MANAGEMENT

The ICEMA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors & omissions on natural disasters for which the ICEMA participates in a self insurance pool with the County of San Bernardino. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

5. FEDERAL AND STATE GRANTS

ICEMA receives funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

6. SELF INSURANCE

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers compensation claims.

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7. CAPITAL ASSETS

The following is a summary of changes in the capital fixed assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Assets:					
Capital assets being depreciated:					
Vehicles	$ 221,384	$ -	$ -	$ -	$ 221,384
Equipment	351,084	12,685	-	-	363,769
Purchased software	561,930	40,000	-	-	601,930
Total Capital Assets being depreciated	1,134,398	52,685	-	-	1,187,083
Accumulated Depreciation:					
Vehicles	(133,310)	(29,494)	-	-	(162,804)
Equipment	(165,699)	(27,221)	-	-	(192,920)
Purchased software	(322,227)	(104,719)	-	-	(426,946)
Total Accumulated Depreciation	(621,236)	(161,434)	-	-	(782,670)
Net capital assets being depreciated	513,162	(108,749)	-	-	404,413
Net Governmental Activities Capital Assets (net)	$ 513,162	$ (108,749)	$ -	$ -	$ 404,413

8. FUND BALANCES

	General (SMI, CYX, CYZ, XJM)	Pediatric Trauma (CYY)	Total Governmental Funds
Restricted Funds:			
Restricted	$ 98,469	390,868	$ 489,337
Total Restricted	98,469	390,868	489,337
Committed Funds:			
Fees and fines	573,101	-	573,101
Total Committed	573,101	-	573,101
Unassigned Funds:			
Unassigned balances	1,074,164	-	1,074,164
Total Unassigned	1,074,164	-	1,074,164
Total	$ 1,745,734	$ 390,868	$ 2,136,602

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9. LEASE

Inland Counties Emergency Medical Agency entered into a lease agreement for San Bernardino Office through January 2022 with 1425 South D Street, LLC. The lease currently requires monthly payments of $31,087. Future minimum lease payments are as follows:

2017	$	379,032
2018		391,008
2019		402,984
2020		414,966
2021		426,948
Thereafter		216,468
Total	$	2,231,406

Inland Counties Emergency Medical Agency leases Warehouse and office space in San Bernardino, California through October 2017. The lease currently requires monthly payments of $1,934.
Future minimum lease payments are as follows:

2017	$	23,208
2018		7,736
Total	$	30,944

10. DEFINED BENEFIT PENSION PLAN

Plan Description

The County of San Bernardino provides pension benefits to eligible employees through a cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the San Bernardino County Employees' Retirement Association (SBCERA).

The Plan is governed by the SBCERA Board of Retirement (Board) under the provisions of the California County Employees' Retirement Law of 1937 (CERL), and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some vases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, which can be obtained by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at www.SBCERA.org.

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular or contract position, whose service is at least fifty percent of full standard of hours required is a member of SBCERA, and is provided with pension benefits pursuant to Plan requirements.

The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General - Tier 1	General - Tier 2	Safety - Tier 1	Safety - Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 55	Age 50	Age 50
Early Retirement: Years of service required and/or age eligible for	Age 70 any years	Age 70 any years	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52	10 years age 50	5 years age 50
	30 years any age	N/A	20 years any age	N/A
Benefit percent per year of service for normal retirement age	2% per year of final average compensation for every year of service credit	2.5% per year of final average compensation for every year of service credit	3% per year of final average compensation for every year of service credit	2.7% per year of final average compensation for every year of service credit
Benefit Adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67	Reduced before age 50	Reduced before age 57
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member’s death.

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Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee and employer contribution rates for the year ended June 30, 2015 are as follows:

	General - Tier 1	General - Tier 2	Safety - Tier 1	Safety - Tier 2
Employee contribution rates	7.07% to 13.52%	6.97% to 7.88%	9.82% to 15.91%	13.08% to 13.75%
Employer contribution rates	20.24%	18.02%	43.15%	37.02%

For the year ended June 30, 2016, ICEMA's employer contribution to the Plan of $279,246 was equal to the actuarially determined required employer contributions.

Net Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions.

As of June 30, 2016, ICEMA reported a net pension liability for its proportionate share of the County's net pension liability as follows:

	Proportionate Share of NPL	Percentage
ICEMA	$ 1,506,558	0.0900%

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ICEMA's proportionate share of net pension liability of the County as of June 30, 2016 and 2015 with measurement dates of June 30, 2015 and 2014 were as follows:

	Proportionate Share of NPL	Percentage
Proportionate share - June 30, 2016	$ 1,506,558	0.0900%
Proportionate share - June 30, 2015	1,501,344	0.1000%
Change - increase (decrease)	5,214	-0.0100%

For the year ended June 30, 2016, ICEMA recognized pension expense of $100,065.

At June 30, 2016, ICEMA reported its share of the County's deferred outflows of resources and deferred inflows or resources related to its pensions, from the following sources.

	ICEMA's Proportionate Share	
Pension contrbutions subsequent to measurement date	$	279,246
Changes of assumptions		173,089
Changes in proportion and differences between employer contributions and proportionate share of contributions		16,258
Total proportionate share of deferred outflows of resources	$	468,593

	ICEMA's Proportionate Share	
Differences between expected and actual experience	$	250,340
Net differences between projected and actual investment earnings on pension plan investments		88,316
Changes in proportion and differences between employer contributions and proportionate share of contributions		231,337
Total proportionate share of deferred inflows of resources	$	569,993

The $279,246 reported as deferred outflows of resources related to contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year ended June 30		
2017	$	(134,314)
2018		(134,314)
2019		(67,138)
2020		(5,623)
2021		(43,728)
Thereafter		(14,740)
Total	$	(399,857)

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Actuarial Assumptions and Methods
ICEMA's proportion of the Plan's total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Investment rate of return	7.50%
Inflation	3.25%
Projected Salary Increases	General: 4.60% to 13.75%; Safety: 4.55% to 13.75%
Cost of Living Adjustments	Consumer price index with a 2.00% maximum
Administrative Expenses	0.60% of payroll

Mortality rates used in the June 30, 2015 actuarial valuation were based on the RP-2000 Combined Healthy mortality table projected to 2020 using Projection Scale BB. For healthy General members, no adjustments are made. For healthy Safety members, ages are set back two years for males and one year for females. For disabled General members, ages are set forward seven years for males and set forward eight years for females. For disabled Safety members, ages are set forward two years for males and females. Beneficiaries are assumed to have the same mortality as a General member of the opposite sex who is receiving a service (non-disability) retirement.

The actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the three year period of July 1, 2010 through June 30, 2013.

The June 30, 2015 actuarial valuation reflected new assumptions compared to the June 30, 2014 actuarial valuation, based on the June 30, 2015 experience study. The June 30, 2014 actuarial valuation reflected 7.75% for the investment rate of return, 3.50% for inflation, and 4.75% to 14.00% for both general and safety for projected salary increases, 4.00% for wage inflation, and there was no offset to investment return for administrative expenses.

The long-term expected rate of return of the Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The June 30, 2015 target allocation (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table as follows:

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Actuarial Assumptions and Methods (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Equity	N/A [1]	N/A [1]
Large Cap U.S. Equity	5.00%	5.94%
Small Cap U.S. Equity	2.00%	6.50%
Developed International Equity	6.00%	6.87%
Emerging Market Equity	6.00%	8.06%
U.S. Core Fixed Income	2.00%	0.69%
High Yield/Credit Strategies	13.00%	3.10%
Global Core Fixed Income	1.00%	0.30%
Emergering Market Debt	6.00%	4.16%
Real Estate	9.00%	4.96%
Cash & Equivalents	2.00%	-0.03%
International Credit	10.00%	6.76%
Absolute Return	13.00%	2.88%
Real Assets	6.00%	6.85%
Long/Short Equity	3.00%	4.86%
Private Equity	16.00%	9.64%
Total	100.00%	

(1) N/A = Asset class not considered in the calculation

Discount Rate

The discount rate used to measure the Plan's total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary 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 the Plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following table presents ICEMA's proportionate share of the County's net pension liability calculated using the discount rate of 7.50%, as well as what ICEMA's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
ICEMA's proportionate share of the net pension liability	$ 2,799,086	$ 1,506,558	$ 436,878

Pension Plan Fiduciary Net Position.
Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at www.SBCERA.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

11. SUBSEQUENT EVENTS

Accounting standards require that Inland Counties Emergency Medical Agency assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. Inland Counties Emergency Medical Agency evaluated all potential subsequent events that would have or appear to have a significant impact on the users' outlook of the financial statements and the organization as a whole. As of February 8, 2017, no subsequent events or transactions were identified.

REQUIRED SUPPLEMENTARY INFORMATION

INLAND COUNTIES EMERGENCY MEDICAL AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget Pos (Neg)
REVENUES				
Licenses and permits	$ 404,125	$ 404,125	$ 315,017	$ (89,108)
Fees and fines	600,189	795,843	663,217	(132,626)
Federal and State assistance	1,321,880	1,689,875	1,542,937	(146,938)
Charges for services	1,299,955	1,299,955	1,267,474	(32,481)
Investment earnings	-	-	3,254	3,254
Miscellaneous	20,158	20,158	20,953	795
TOTAL REVENUES	3,646,307	4,209,956	3,812,852	(397,104)
EXPENDITURES				
Salaries and benefits	1,962,059	1,962,059	1,736,160	225,899
Services and supplies	1,627,069	2,132,488	1,841,726	290,762
Pediatric trauma payments	-	-	-	-
Contribution to other entities	-	-	-	-
Capital outlay:		-		
Equipment	-	18,230	4,948	13,282
Vehicles	-	-	-	-
Software	-	40,000	40,000	-
Contingencies	844,831	-	-	-
TOTAL EXPENDITURES	4,433,959	4,152,777	3,622,834	529,943
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(787,652)	57,179	190,018	132,839
OTHER FINANCING SOURCES AND (USES)				
Transfers in from other funds	49,976	49,976	-	(49,976)
Transfers out to other funds	-	-	-	-
Net Other Financing Sources and (Uses)	49,976	49,976	-	(49,976)
Net change in fund balances	(737,676)	107,155	190,018	82,863
FUND BALANCE - BEGINNING OF YEAR	1,561,117	1,561,117	1,561,117	-
FUND BALANCE - END OF YEAR	$ 823,441	$ 1,668,272	$ 1,751,135	$ 82,863

ICEMA did not adopt a budget for the Pediatric Trauma (CYY), Performance Based Fines(CYX), Hospital Preparedness(CYZ), or HPP H1N1(XJM) Special Revenue Funds for the fiscal year ended June 30, 2016. Therefore, a budgetary comparison schedule is not shown for these funds.

INLAND COUNTIES EMERGENCY MEDICAL AGENCY
COUNTY OF SAN BERNARDINO
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING DEFINED BENEFIT PENSION PLAN - SBCERA PENSION PLAN
LAST 10 FISCAL YEARS [1]

	June 30, 2015	June 30, 2016 [1]
Proportion of the net pension liability	0.10%	0.09%
Proportionate share of the net pension liability	$ 1,501,344	$ 1,506,558
Covered-employee payroll	$ 2,008,965	$ 1,882,889
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.73%	80.01%
Plan fiduciary net position as a percentage of the total pension liability	82.47%	80.98%

Note to Schedule:

Changes of Assumptions:
In 2016 the actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuaial experience study for the three year period of July 1, 2010 through June 30, 2013. Amounts reported in 2015 primarily reflect a decrease of 0.25% for both the investment rate of return and inflation rate, and adjustments of projected salary increase and wage inflation to more closely reflect actual experience.

[1] Fiscal year 2015 was the first year of implementation, therefore only two years is shown

INLAND COUNTIES EMERGENCY MEDICAL AGENCY
COUNTY OF SAN BERNARDINO
SCHEDULE OF CONTRIBUTIONS
COST SHARING DEFINED BENEFIT PENSION PLAN - SBCERA PENSION PLAN
LAST 10 FISCAL YEARS [1]

	June 30, 2015	June 30, 2016 [1]
Contractually required contribution	$ 268,187	$ 279,246
Contributions in relation to the contractually required contribution	(268,187)	(279,246)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 1,882,889	$ 1,839,676
Contributions as a percentage of covered-employee payroll	14.24%	15.18%

[1] Fiscal year 2015 was the first year of implementation, therefore only two years is shown

1. Purpose of Schedule

Budgetary Comparison Schedules are required by GASB Codification Section 2200.182 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on ICEMA's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

2. Contingencies

Contingencies include $119,779 which is to ensure timely and uninterrupted payment of expenditures necessary for daily operations.