Southwestern Michigan Community Ambulance Service
Berrien County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Southwestern Michigan Community Ambulance Service

Opinion

We have audited the accompanying financial statements of the Southwestern Michigan Community Ambulance Service (the Service), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Service, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance 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. 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 the Authority 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Authority'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.

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 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, 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 Service'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Service'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 the management's discussion and analysis and pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Siegfried Crandall P.C.

December 17, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Southwestern Michigan Community Ambulance Service (the Service) is intended as a narrative overview of the Service's financial condition on June 30, 2024, and its operations over the fiscal year then ended. Please read it in conjunction with the Service's financial statements.

FINANCIAL HIGHLIGHTS

- The Service's total net position increased by $554,885 during fiscal year 2024.
- Total net position was reported in the amount of $2,345,128, with unrestricted net position of $1,548,442, which is available to be used at the Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.

Overview of the financial statements

The Statement of Net Position report all of the Service's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, along with the difference between them, which is identified as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Service's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The Statement of Revenues, Expenses, and Changes in Net Position show how the Service's net position changed during the fiscal year. All changes in net position are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). This statement should help the reader to answer the question: Is the Service better or worse off as a result of this year's activities?

The Statement of Cash Flows present the Service's cash receipts and disbursements during the fiscal year, classified by principal sources and uses.

FINANCIAL ANALYSIS OF THE SERVICE AS A WHOLE

Net position
Net position may serve, over time, as a useful indicator of the Service's financial position. In the Service's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the end of fiscal year 2024 by $2,345,128. The Service's net investment in capital assets, a component of the total net position, amounts to $796,686 at the end of fiscal year 2024. The Service uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs.

Condensed financial information
Net position

	2024	2023
Current assets	**$ 2,073,718**	$ 1,442,588
Noncurrent assets	**1,261,668**	762,795
Total assets	**3,335,386**	2,205,383
Deferred outflows of resources	**393,244**	573,287
Current and other liabilities	**874,191**	937,840
Long-term debt	**464,982**	-
Total liabilities	**1,339,173**	937,840
Deferred inflows of resources	**44,329**	50,587
Net position:		
Net investment in capital assets	**796,686**	762,795
Unrestricted	**1,548,442**	1,027,448
Total net position	**$ 2,345,128**	$ 1,790,243

Changes in net position

The Service's total revenues of $4,630,684 in 2024 were $1,156,218 higher than the total revenues in 2023 ($3,474,466), as the Service experienced a $674,052 increase in charges for services and a $387,970 increase in subsidy income. Total expenses in 2024, in the amount of $4,075,799, were $536,142 higher than the total 2023 expenses ($3,539,657), primarily because personnel costs were $552,213 higher, due to an increase in employee wages and benefit costs.

Condensed financial information
Changes in net position

	2024	*2023*
Operating revenues:		
Charges for services	**$ 3,046,403**	$ 2,372,351
Other	**53,930**	99,357
Nonoperating revenues:		
Member municipality operating subsidies	**950,740**	718,770
County contributions	**156,000**	-
State grants	**224,185**	160,270
Insurance proceeds	**182,342**	121,966
Interest income	**17,084**	1,752
Total revenues	**4,630,684**	3,474,466
Operating expenses	**4,069,279**	3,539,657
Nonoperating expenses - interest	**6,520**	-
Total expenses	**4,075,799**	3,539,657
Changes in net position	**554,885**	(65,191)
Net position, end of year	**$ 2,345,128**	$ 1,790,243

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets
The Service's net investment in capital assets was as follows:

	2024	*2023*
Land	**$ 8,195**	$ 8,195
Buildings	**149,637**	196,441
Vehicles	**703,286**	539,040
Medical equipment	**390,767**	6,716
Office and other equipment	**9,783**	12,403
Totals	**$ 1,261,668**	$ 762,795

During fiscal year 2024, capital assets were acquired, in the amount of $680,898, and depreciation expense amounted to $182,025.

More detailed information about the Service's capital assets is presented in Note 3 of the notes to the financial statements.

Debt
At June 30, 2024, the Service reported notes payable related to installment purchase agreements for equipment acquisitions totaling $464,982; all scheduled payments were made.

Other long-term liabilities of the Service at June 30, 2024 include unpaid compensated absences and a net pension liability, associated with its defined benefit pension plan, in the amounts of $135,289 and $504,819, respectively.

More detailed information about the Service's long-term liabilities is presented in Note 4 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Service continues to rely on charges for services and member municipality subsidies to finance operating costs and capital acquisitions.

CONTACTING THE SERVICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Service's finances to its customers and creditors and to demonstrate the Service's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

J. Brian Scribner, Executive Director Phone: (269) 684-2170
Southwestern Michigan Community Ambulance Service
2100 Chicago Road
Niles, MI 49120

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

June 30, 2024

ASSETS	
Current assets:	
Cash	$ 621,375
Patient receivables, net	1,097,513
Due from member municipalities	321,326
Prepaid expenses	33,504
Total current assets	2,073,718
Noncurrent assets:	
Capital assets not being depreciated - land	8,195
Capital assets, net of accumulated depreciation	1,253,473
Total noncurrent assets	1,261,668
Total assets	3,335,386
DEFERRED OUTFLOWS OF RESOURCES - Deferred pension amounts	393,244
LIABILITIES	
Current liabilities:	
Accounts payable	83,387
Accrued payroll and fringe benefits	115,428
Unearned revenue - subsidy	35,268
Notes payable - current portion	63,923
Total current liabilities	298,006
Noncurrent liabilities:	
Compensated absences	135,289
Net pension liability	504,819
Notes payable - due in more than one year	401,059
Total liabilities	1,339,173
DEFERRED INFLOWS OF RESOURCES - Deferred pension amounts	44,329
NET POSITION	
Net investment in capital assets	796,686
Unrestricted	1,548,442
Total net position	$ 2,345,128

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2024

OPERATING REVENUES	
Charges for services, net of contractual adjustments	$ 3,046,403
Auxiliary charges	53,930
Total operating revenues	3,100,333
OPERATING EXPENSES	
Medical personnel wages and benefits	2,532,259
Administrative costs	918,595
Depreciation	182,025
Vehicle operation and maintenance	170,609
Occupancy costs	157,530
Medical supplies and equipment	108,261
Total operating expenses	4,069,279
OPERATING LOSS	(968,946)
NONOPERATING REVENUES (EXPENSES)	
Operating subsidies from member municipalities	950,740
County contributions	156,000
State grants	224,185
Other	182,342
Interest income	17,084
Interest expense	(6,520)
Net nonoperating revenues	1,523,831
CHANGE IN NET POSITION	554,885
NET POSITION - BEGINNING	1,790,243
NET POSITION - ENDING	$ 2,345,128

See notes to financial statements

STATEMENTS OF CASH FLOWS

Year ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,696,757
Payments to employees	(2,182,660)
Payments to vendors and suppliers	(1,613,525)
Net cash used in operating activities	(1,099,428)
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES	
Receipts from member units	793,897
County contributions	156,000
State grants	224,185
Net cash provided by noncapital related financing activities	1,174,082
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from long-term debt	475,009
Proceeds from sale of assets	87,537
Purchases of capital assets	(680,898)
Principal payments on capital debt	(10,027)
Interest payments on capital debt	(6,520)
Net cash used in capital and related financing activities	(134,899)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	17,084
NET DECREASE IN CASH	(43,161)
CASH - BEGINNING	664,536
CASH - ENDING	$ 621,375

See notes to financial statements

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (968,946)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	182,025
(Increase) decrease in:	
Patient receivables, net	(403,576)
Prepaid expenses	16,201
Deferred outflows of resources	180,043
Increase (decrease) in:	
Accounts payable	49,811
Accrued payroll and fringe benefits	41,777
Net pension liability	(195,141)
Accrued compensated absences	4,636
Deferred inflows of resources	(6,258)
Net cash used in operating activities	$ (1,099,428)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southwestern Michigan Community Ambulance Service (the Service) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:
As required by generally accepted accounting principles, these financial statements present only the Service (located in Berrien County), as management has determined that there are no other entities for which the Service is financially accountable.

The Service, located in Berrien County, was established in 1975, under the provisions of Public Act 7 of 1967, as amended, commonly known as the Urban Cooperation Act, pertaining to intergovernmental contracts, for the purpose of providing ambulance services. Currently, the member municipalities include the Cities of Niles and Buchanan, and the Townships of Niles, Buchanan, Bertrand, Howard, Pokagon, and Milton. Each local unit appoints one member to the eight-member board. The purpose of the Service is to own, maintain, and operate an ambulance service for the benefit of its constituent municipalities.

Basis of presentation:
The accounts of the Service are organized using an enterprise fund. This fund is used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of accounting:
The Service uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Unbilled receivables of the Service are recorded at year end.

Operating revenues and expenses:
The Service distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to customers. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position:

Cash - Cash is considered to be cash on hand and demand deposits.

Receivables and charges for services - Charges for services, and the resulting receivables, represent the estimated net realizable amounts from individuals, third-party payers, and others for services rendered. The Service has agreements with third-party payers that provide for payments to the Service at amounts different from its established rates. Payment arrangements include discounted charges. The Service's ability to collect the amounts due (other than amounts due from third-party arrangements) is affected by the Service's ongoing evaluation of its clients' credit worthiness.

Prepaid expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (continued):

Capital assets - Capital assets, which include buildings, vehicles, and equipment, are defined by the Service as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value as of the date received. Depreciation of all exhaustible capital assets used by the Service is charged as an expense against its operations.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 30 years
Vehicles	3 - 5 years
Medical equipment	3 - 7 years
Office and other equipment	3 - 15 years

Deferred outflows 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 reflects a decrease in net position that applies to a future period, so the related expense will not be recognized until a future event occurs. The statement of net position currently reports deferred outflows of resources related to the pension plan.

Compensated absences (vacation, sick, and compensatory leave) - Vacation leave and other compensated absences with similar characteristics are accrued as a liability, as the benefits are earned by employees. Sick leave is accrued, as the benefits are earned by the employees but only to the extent it is probable that the Service will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement, and subject to maximum amount allowable as a termination payment (not to exceed 250 hours).

Pension - The Service offers pension benefits to retirees. The Service records a net pension liability (asset) for the difference between the total pension liability, calculated by an actuary, and the pension plan's fiduciary net position. For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension 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.

Deferred inflows of resources - 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 reflects an increase in net position that applies to a future period, so the related revenue will not be recognized until a future event occurs. The statement of net position currently reports deferred inflows of resources related to the pension plan.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of assets. The Service may report three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or donors. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (continued):

Net position flow assumption - Sometimes, the Service will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Service's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH

Deposits are maintained at various financial institutions in the name of the Service. Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Service's investment policy authorize the Service to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Service's deposits are in accordance with statutory authority. As of June 30, 2024, the Service had deposits with carrying amounts of $620,875.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Service will not be able to recover its deposits. The Service's investment policy does not specifically address custodial credit risk for deposits. At June 30, 2024, $239,691 of the Service's bank balances of $560,408 was exposed to custodial credit risk because they were uninsured and uncollateralized.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2024, is summarized as follows:

	Balance, July 1 2023	*Increases*	*Decreases*	*Balance, June 30, 2024*
Capital assets not being depreciated - land	$ 8,195	$ -	$ -	$ 8,195
Capital assets being depreciated:				
Buildings	1,270,590	-	-	1,270,590
Vehicles	1,158,267	287,176	-	1,445,443
Medical equipment	342,416	393,722	(42,260)	693,878
Office and other equipment	116,227	-	-	116,227
Subtotal	2,887,500	680,898	(42,260)	3,526,138
Less accumulated depreciation and for:				
Buildings	(1,074,149)	(46,804)	-	(1,120,953)
Vehicles	(619,227)	(122,930)	-	(742,157)
Medical equipment	(335,700)	(9,671)	42,260	(303,111)
Office and other equipment	(103,824)	(2,620)	-	(106,444)
Subtotal	(2,132,900)	(182,025)	42,260	(2,272,665)
Total capital assets being depreciated, net	754,600	498,873	-	1,253,473
Capital assets, net	$ 762,795	$ 498,873	$ -	$ 1,261,668

NOTE 4 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2024, consist of the following:

	June 30, 2024
Notes payable:	
2024 $143,588 7.75% Installment purchase agreement, due in monthly installments of $2,902, including interest, through March 2029	$ 139,226
2024 $331,421 9.23% Installment purchase agreement, due in monthly installments of $5,372, including interest, through March 2031	325,756
Total notes payable	464,982
Accrued compensated absences	135,289
Total long-term liabilities	$ 600,271

NOTE 4 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the years ended June 30, 2024, was as follows:

	Balance July 1, 2023	*Additions*	*Reductions*	*Net Change*	*Balance June 30, 2024*	*Due within one year*
Notes payable:						
2024 $143,588 Installment purchase agreement	$ -	$ 143,588	$ (4,362)	$ -	$ 139,226	$ 24,908
2024 $331,421 Installment purchase agreement	-	331,421	(5,665)	-	325,756	39,015
Total notes payable	-	475,009	(10,027)	-	464,982	63,923
Accrued compensated absences	130,653	-	-	4,636	135,289	-
Total long-term liabilities	$ 130,653	$ 475,009	$ (10,027)	$ 4,636	$ 600,271	$ 63,923

At June 30, 2024, debt service requirements, with the exception of compensated absences, were as follows:

Year ended June 30,	*Principal*	*Interest*
2025	$ 63,923	$ 40,732
2026	66,540	32,743
2027	72,520	26,764
2028	79,040	20,243
2029	79,165	13,165
2030-2031	103,794	9,010
Totals	$ 464,982	$ 142,657

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan description:
The Service participates in the Municipal Employees' Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:
The Service's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries, and covers all full-time employees of the Service. Retirement benefits for employees are calculated as 2.0% of the employee's five-year final average compensation times the employee's years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60, with early retirement at an unreduced benefit with 30 years of service, or a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after ten years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. All employees are eligible for non-duty disability benefits after ten years of service and for duty-related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately and, if duty related, without an actuarial reduction.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Service's board, generally after negotiations of these terms with the affected collective bargaining unit.

Employees covered by benefit terms:
At the December 31, 2023, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	16
Active employees	22
Totals	43

Contributions:
The Service is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. For the year ended June 30, 2024, the employee contribution rate was 10.0% of pay and the Service's contribution rate was 10.0% of annual payroll. For the year ended June 30, 2024, the Service contributed $153,955 and plan members contributed $156,538, respectively. Contributions payable at June 30, 2024 were $34,345.

Net pension liability:
The Service's net pension liability reported at June 30, 2024, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2023. The total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions:
The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	In the long term
Investment rate of return	6.93%	Net of investment expense, including inflation

Mortality rates were based on scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of the actuarial experience studies covering 2014-2018 and dated 2020.

Assumption changes:

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Asset class	*Target allocation*	*Long-term expected real rate of return*	*Expected money-weighted rate of return*
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	20.00%	7.00%	1.40%
	100.00%		
Inflation			2.50%
Administrative expenses			0.18%
Investment rate of return			7.18%

Discount rate:
The discount rate used to measure the total pension liability is 7.18% for 2023. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Changes in the net pension (asset) liability:

	Increase (decrease)		
	Total pension liability	*Plan fiduciary net position*	*Net pension (asset) liability*
Balance at beginning of year	$ 4,509,847	$ 3,809,887	$ 699,960
Service cost	172,088	-	172,088
Interest	326,614	-	326,614
Difference between expected and actual experience	(59,833)	-	(59,833)
Changes in assumptions	39,540	-	39,540
Contributions:			
Employer	-	126,214	(126,214)
Employees	-	126,660	(126,660)
Net investment income	-	429,783	(429,783)
Benefit payments, including refunds	(181,749)	(181,749)	-
Administrative expenses	-	(9,107)	9,107
Net changes	296,660	491,801	(195,141)
Balance at end of year	$ 4,806,507	$ 4,301,688	$ 504,819

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Service, calculated using the discount rate of 7.18%, as well as what the Service's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	1% Decrease (6.18%)	*Current rate* (7.18%)	*1% Increase* (8.18%)
Service's net pension (asset) liability	$ 1,107,166	$ 504,819	$ 12,287

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expense when due and payable in accordance with benefit terms.

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2024, the Service recognized pension expense of $153,955. At June 30, 2024, the Service reported deferred outflows of resources and deferred inflows of resources, related to the pension, from the following sources:

Source	*Deferred outflows of resources*	*Deferred inflows of resources*
Differences between projected and actual earnings	$ 191,964	$ -
Differences between expected and actual experience	-	44,329
Differences in assumptions	115,096	-
	307,060	44,329
Contributions made subsequent to the measurement date	86,184	-
Totals	$ 393,244	$ 44,329

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of $86,184, will be recognized as a reduction in the net pension liability in fiscal year 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

Year ended June 30,	*Deferred outflows of resources*	*Deferred inflows of resources*
2024	$ 125,966	$ 37,613
2025	78,232	(2,624)
2026	125,216	(2,625)
2027	(22,354)	11,965
	$ 307,060	$ 44,329

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Collective bargaining agreement:
Emergency response personnel are covered by a collective bargaining agreement that expires September 26, 2025

NOTE 7 - RISK MANAGEMENT

The Service is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE SERVICE'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:									
Service cost	$ 172,088	$ 140,874	$ 125,480	$ 115,164	$ 105,463	$ 117,418	$ 98,617	$ 80,534	$ 83,925
Interest	326,614	300,646	282,138	257,523	255,879	239,563	235,462	229,223	206,647
Differences between expected and actual experience	(59,833)	72,956	(3,420)	(40,725)	(187,422)	(24,415)	(170,850)	(81,877)	81,011
Changes in assumptions	39,540	-	169,411	102,450	123,727	-	-	-	99,833
Benefit payments, including refunds	(181,749)	(162,058)	(131,553)	(99,859)	(125,195)	(120,030)	(122,708)	(145,689)	(118,634)
Other changes	-	-	-	-	-	-	-	(1,833)	-
Net change in total pension liability	296,660	352,418	442,056	334,553	172,452	212,536	40,521	80,358	352,782
Total pension liability, beginning of year	4,509,847	4,157,429	3,715,373	3,380,820	3,208,368	2,995,832	2,955,311	2,874,953	2,522,171
Total pension liability, end of year	$ 4,806,507	$ 4,509,847	$ 4,157,429	$ 3,715,373	$ 3,380,820	$ 3,208,368	$ 2,995,832	$ 2,955,311	$ 2,874,953
Plan fiduciary net position:									
Contributions:									
Employer	$ 126,214	$ 117,226	$ 119,796	$ 105,338	$ 104,703	$ 100,884	$ 89,398	$ 89,427	$ 96,539
Employees	126,660	118,591	122,288	105,337	104,113	100,473	89,398	88,776	95,908
Net investment income (loss)	429,783	(432,666)	509,628	413,959	361,301	(108,070)	306,590	231,359	(31,652)
Administrative expenses	(9,107)	(7,812)	(5,847)	(6,279)	(6,235)	(5,217)	(4,841)	(4,561)	(4,456)
Benefit payments, including refunds	(181,749)	(162,058)	(131,553)	(99,859)	(125,195)	(120,030)	(122,708)	(145,689)	(118,634)
Net change in plan fiduciary net position	491,801	(366,719)	614,312	518,496	438,687	(31,960)	357,837	259,312	37,705
Plan fiduciary net position, beginning of year	3,809,887	4,176,606	3,562,294	3,043,798	2,605,111	2,637,071	2,279,234	2,019,922	1,982,217
Plan fiduciary net position, end of year	$ 4,301,688	$ 3,809,887	$ 4,176,606	$ 3,562,294	$ 3,043,798	$ 2,605,111	$ 2,637,071	$ 2,279,234	$ 2,019,922
Service's net pension (asset) liability, end of year	$ 504,819	$ 699,960	$ (19,177)	$ 153,079	$ 337,022	$ 603,257	$ 358,761	$ 676,077	$ 855,031
Plan fiduciary net position as a percent of total pension liability	89.50%	84.48%	100.46%	95.88%	90.03%	81.20%	88.02%	77.12%	70.26%
Covered payroll	$ 1,492,521	$ 1,161,372	$ 1,142,807	$ 1,067,323	$ 1,006,323	$ 1,108,766	$ 921,658	$ 775,112	$ 809,309
Service's net pension (asset) liability as a percent covered payroll	33.82%	60.27%	-1.68%	14.34%	33.49%	54.41%	38.93%	87.22%	105.65%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

Southwestern Michigan Community Ambulance Service

SCHEDULE OF SERVICE PENSION CONTRIBUTIONS

Last Ten Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 153,955	$ 124,143	$ 122,336	$ 107,687	$ 95,680	$ 100,884	$ 89,398	$ 89,427	$ 96,539	$ 101,450
Contributions in relation to the actuarially determined contributions	153,955	124,143	122,336	107,687	95,680	100,884	89,398	89,427	96,539	101,450
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,492,521	$ 1,161,372	$ 1,142,807	$ 1,067,323	$ 1,006,323	$ 1,108,766	$ 921,658	$ 775,112	$ 809,309	$ 870,452
Contributions as a percentage of covered payroll	10.32%	10.69%	10.70%	10.09%	9.51%	9.10%	9.70%	11.54%	11.93%	11.65%

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	Five-year smoothed market
Inflation	2.50% long-term wage inflation
Salary increases	3.00%
Investment rate of return	6.93%, net of investment and administrative expenses
Retirement age	Normal retirement age is 60 years
Mortality	Pub-2010 mortality tables

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December 17, 2024

To the Board of Directors
Southwestern Michigan Community Ambulance Service

We have audited the financial statements of the Southwestern Michigan Community Ambulance Service (the Service), for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Service are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by the Service during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were net realizable charges for services, capital asset depreciation, and the net pension liability.

> Management's estimate of the net realizable charges for services is based on the collection and adjustment experience of the past year. Capital asset depreciation is based on the estimated useful lives of the Service's capital assets. The net pension liability, and changes therein, is based on actuarial assumptions and the use of a specialist. We evaluated the key factors and assumptions used to develop the net realizable charges for services, capital asset depreciation, and the net pension liability, in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audits.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 17, 2024.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Southwestern Michigan Community Ambulance Service's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Service as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Service's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Service's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Service's internal control to be material weaknesses.

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e., external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Provide for depreciation on capital assets
- Correct pension expense and recognize changes in deferred outflows of resources, deferred inflows of resources, and the net pension liability
- Correct recognition of revenue related to operating subsidies from member units

As is the case with many small and medium-sized governmental units, the Service has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Service's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor who cannot be considered part of the Service's internal controls. This is a repeat finding.

Cause: This condition was caused by the Service's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Service to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Service's accounting records were initially misstated by amounts material to the financial statements. In addition, the Service lacks complete internal controls over the preparation of its financial statements in accordance with GAAP and relies, at least in part, on assistance from its external auditor with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Service's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Pension census data:

Criteria: MERS of Michigan has identified certain complementary user controls that are essential to the overall accounting for pension plans administered by MERS, which include controls to assure the completeness and accuracy of wage and contribution information submitted to MERS.

Condition: We found that 2023 annual wage and contribution information (census data) submitted to MERS had not been reconciled to underlying payroll data. This is a repeat finding.

Effect: The Service's net pension liability may not be properly measured.

Cause: Personnel responsible for the calculation of the pension contributions and for review of census data, as reported to MERS, could not explain the differences between the census data and the payroll journals.

Auditor's Recommendation: We recommend that management take steps to assure the accuracy and completeness of the current (2023) census data, and that a reconciliation between the prior year census data (2015-2023) and the respective payroll information (2015-2023) be performed.

Management response: Management agrees with the recommendations.

The Service's responses to the internal control findings described above were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Restriction on Use

This information is intended solely for the use of management, the Board of Directors of the Service, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.