

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY
MEDICAL SERVICES, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2009

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Financial Statements
With Supplementary Information
Year Ended June 30, 2009

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Independent Auditors' Report

Board of Directors
Washington County - Johnson City Emergency Medical Services, Inc.
Johnson City, Tennessee

We have audited the accompanying financial statements of Washington County - Johnson City Emergency Medical Services, Inc., (WC-JC EMS), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the WC-JC EMS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

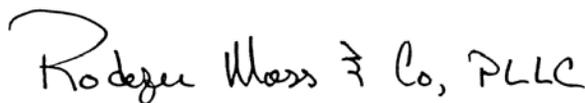
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WC-JC EMS as of June 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2009 on our consideration of WC-JC EMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise WC-JC EMS's basic financial statements. The supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



A handwritten signature in black ink that reads 'Rodefer Moss & Co, PLLC'. The signature is written in a cursive, flowing style.

Greeneville, Tennessee
November 11, 2009

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Management's Discussion and Analysis
June 30, 2009

Washington County – Johnson City Emergency Medical Services Inc., a joint venture of Washington County and the City of Johnson City, was created to provide excellence in emergency medical and rescue services to all citizens of Washington County, and the citizens of Johnson City living within the city limits, and to provide the highest level of care available.

The EMS Board of Directors, Executive and Operations Directors will provide the EMS Corporation with progressive management of the EMS system, ongoing retrospective evaluation of the EMS system, and continued program improvements to the EMS system in Washington County and Johnson City.

Our main goal is always to provide the most effective and efficient patient care possible. We also strive to increase efficiency in billing and collections by using both our staff and outside agencies. We were able to maintain approximately 85% collections rate after contractual deductions even though we experienced a small decrease in patient charges.

There was no change in controls or compliance. We continue to rely mainly on separation of duties in the billing office to assure that all receipts are properly accounted for. Operations in the field and patient care is kept in compliance by in house Q & A, and state audits.

Washington County Johnson City EMS Inc. continues to remain strong each year even though we constantly must change with new technology, billing requirements, and new medical protocols. We were able to get back a fourth of the TennCare reimbursement taken from us in the previous year. We will continue to work with our local and state politicians to ensure the ambulance industry and WCJC EMS receives the maximum reimbursement. During this year we were accused of wrongdoing by two former disgruntled employees. These two individuals pursued the cooperation of the Federal and State governments in a lawsuit against WCJC EMS. All federal and state agencies have refused to proceed with these accusations and the two individuals quickly dismissed the suit as well. Although the complaint has been dismissed, we incurred legal expenses. We understand that we can become the victim of allegations, even false and malicious allegations. As the management team of WCJC EMS, we understand and stress to our employees that we are always under the watchful eye and scrutiny of the public and it is of up-most importance that we act in a professional manner and never give anything less than the best possible care to our patients.

Financial Statement Overview

Our financial reports are presented to the Board of Directors on a monthly basis. Before this meeting, the Executive Director, Operations Director, and Comptroller discuss the financial position of WCJC EMS.

The year ending June 30, 2008 ended with greater net income because there were fewer funds spent on payroll expenses than originally budgeted. Our management staff has been very diligent in using employees as efficiently as possible.

One note payable to the Bank of Tennessee was paid in full during the year. We also acquired new debt of \$281,334 in the form of a line of credit to purchase emergency vehicles needed.

We strive to remain within the boundaries of the budget, and any need for changes throughout the year is addressed at that time.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Management's Discussion and Analysis (Continued)
 June 30, 2009

Statement of Net Assets

	<u>As of June 30,</u> 2009	<u>As of June 30,</u> 2008	<u>Increase</u> <u>(Decrease)</u>
ASSETS			
Current Assets	\$ 2,584,942	\$ 2,996,709	\$ (411,767)
Fixed Assets less Depreciation	2,706,005	2,320,490	385,515
Other Assets	<u>861,704</u>	<u>-</u>	<u>861,704</u>
TOTAL ASSETS	<u>\$ 6,152,651</u>	<u>\$ 5,317,199</u>	<u>\$ 835,452</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities	\$ 1,502,909	\$ 824,562	\$ 678,347
Long Term Liabilities	1,144,458	1,398,200	(253,742)
Net Assets	<u>3,505,284</u>	<u>3,094,437</u>	<u>410,847</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 6,152,651</u>	<u>\$ 5,317,199</u>	<u>\$ 835,452</u>

Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase</u> <u>(Decrease)</u>
Operating Revenues			
Patient Charges Net	\$ 6,784,902	\$ 6,950,904	\$ (166,002)
Grant Income	3,379	162,833	(159,454)
Contributions	70,261	40,865	29,396
Miscellaneous	<u>18,144</u>	<u>17,647</u>	<u>497</u>
Total Operating Revenues	<u>6,876,686</u>	<u>7,172,249</u>	<u>(295,563)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Management's Discussion and Analysis (Continued)
June 30, 2009

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Operating Expenses			
Salaries and wages	4,828,241	4,840,307	(12,066)
Employee benefits	1,312,796	1,213,889	98,907
Depreciation	408,728	468,775	(60,047)
Payroll taxes	351,278	352,467	(1,189)
Insurance	328,969	352,217	(23,248)
Equipment	93,948	265,969	(172,021)
Maintenance and repairs	221,120	259,928	(38,808)
Communications	16,851	-	16,851
Fuel	207,995	237,539	(29,544)
Supplies	195,344	188,815	6,529
Utilities	111,743	109,902	1,841
VA fee	44,748	58,583	(13,835)
Uniforms	17,157	18,778	(1,621)
Training	17,196	16,684	512
Postage	14,912	15,810	(898)
Public relations	26,894	13,946	12,948
Travel	12,899	13,921	(1,022)
Collection fees	6,791	13,562	(6,771)
Professional fees	62,321	13,125	49,196
Health and safety	8,221	13,077	(4,856)
Miscellaneous	18,143	10,072	8,091
Licenses and permits	4,336	5,053	(717)
	<u>8,310,631</u>	<u>8,482,419</u>	<u>(171,768)</u>
Total Expense			
Operating Loss	<u>(1,433,945)</u>	<u>(1,310,170)</u>	<u>(123,795)</u>
Non-Operating Revenues (Expenses)			
Appropriations	1,894,767	1,891,722	3,045
Interest Income	32,931	39,095	(6,164)
Gain on Sale of fixed assets	10,424	750	9,674
Interest Expense	<u>(72,865)</u>	<u>(78,693)</u>	<u>5,828</u>
Total non-operating revenues (expenses)	<u>1,865,257</u>	<u>1,852,874</u>	<u>12,383</u>
Net Income	431,312	542,704	(111,412)
Net assets, beginning	<u>3,073,972</u>	<u>2,531,268</u>	<u>542,704</u>
Net Assets, ending	<u>\$ 3,505,284</u>	<u>\$ 3,073,972</u>	<u>\$ 431,292</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Net Assets

June 30, 2009

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,590,176
Accounts receivable, net	934,488
Prepaid expenses	44,025
Other accounts receivable	15,974
Inventory	<u>279</u>
Total current assets	<u>2,584,942</u>
Capital Assets	
Land	235,000
Building	1,229,682
Furniture and fixtures	7,938
Leasehold improvements	12,500
Vehicles	2,486,233
Equipment	1,443,825
Software	121,954
Less: accumulated depreciation	<u>(2,831,127)</u>
Total capital assets	<u>2,706,005</u>
Other Assets	
Certificates of deposit	703,604
Investments in trust	<u>158,100</u>
Total other assets	<u>861,704</u>
TOTAL ASSETS	<u>\$ 6,152,651</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 621,933
Accrued expenses	412,851
Notes payable - current	<u>468,125</u>
Total current liabilities	<u>1,502,909</u>
Notes Payable - Long-Term	<u>1,144,458</u>
Total liabilities	<u>2,647,367</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,093,422
Temporarily restricted	52,569
Permanently restricted for endowed investments	158,100
Unrestricted total net assets	<u>2,201,193</u>
Total net assets	<u>3,505,284</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,152,651</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

Operating Revenues	
Charges for patient service, net	\$ 6,784,902
Grant Income	3,379
Contributions	70,281
Miscellaneous	<u>18,144</u>
Total operating revenues	<u>6,876,706</u>
Operating Expenses	
Salaries and wages	4,828,241
Employee benefits	1,312,796
Depreciation	408,728
Payroll taxes	351,278
Insurance	328,969
Maintenance and repairs	221,120
Fuel	207,995
Supplies	195,344
Utilities	111,743
Equipment	93,948
Professional fees	62,321
VA fee	44,748
Public relations	26,894
Miscellaneous	18,163
Training	17,196
Uniforms	17,157
Communications	16,851
Postage	14,912
Travel	12,899
Health and safety	8,221
Collection fees	6,791
Licenses and permits	<u>4,336</u>
Total operating expenses	<u>8,310,651</u>
Operating loss	<u>(1,433,945)</u>
Non-Operating Revenues (Expenses)	
Appropriation	1,894,767
Interest income	32,931
Gain on sale of fixed asset	10,424
Interest expense	<u>(72,865)</u>
Total non-operating revenues (expenses)	<u>1,865,257</u>
Net Income	431,312
Net assets, beginning	<u>3,073,972</u>
Net assets, ending	<u>\$ 3,505,284</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows
Year Ended June 30, 2009

Cash Flows From Operating Activities

Cash received from customers	\$ 6,823,954
Cash received from contributors	69,281
Cash paid to employees	(4,816,920)
Cash paid to suppliers	<u>(2,607,201)</u>
Net cash flows from operating activities	<u>(530,886)</u>

Cash Flows from Non-Capital Financing Activities

Cash received from contributors	<u>1,894,767</u>
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Cash Flows From Capital And Related Financing Activities

Purchases of fixed assets	(826,447)
Interest expense	(72,865)
Repayments of principal	(326,273)
Purchase of certificate of deposit	(543,955)
Note proceeds	<u>281,334</u>
Net cash flows from capital and related financing activities	<u>(1,488,206)</u>

Cash Flows From Investing Activities

Interest received	32,931
Investments	<u>10,350</u>
Net cash flows from investing activities	<u>43,281</u>

Net change in cash and cash equivalents	(81,044)
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Cash at beginning of the year	<u>1,671,220</u>
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Cash at end of the year	<u>\$ 1,590,176</u>
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See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Cash Flows (Continued)
Year Ended June 30, 2009

Reconciliation of Operating Loss to Net Cash Flows From Operating Activities	
Operating loss	\$ (1,433,945)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	408,728
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	1,834
Prepaid expenses	19,793
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	<u>472,704</u>
Net cash flows from operating activities	<u>\$ (530,886)</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements
June 30, 2009

NOTE 1 - REPORTING ENTITY

Washington County - Johnson City Emergency Medical Services, Inc. (the "Company") is a joint venture of Washington County, TN and the City of Johnson City, TN, and was created to provide excellence in emergency medical and rescue services to all citizens of Washington County and the citizens of Johnson City living within the city limits, and to provide the highest level of care available. The financial statements of the Company also include the volunteer service activities of the Washington County Rescue Services.

These financial statements present only Washington County - Johnson City Emergency Medical Services, Inc. and are not intended to present fairly the financial position of Washington County, Tennessee or Johnson City, Tennessee and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Presentation - The accounts of the Company are an enterprise fund. An enterprise fund is a proprietary type fund 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. Based upon the accounting and reporting standards set forth in Governmental Accounting Standards Board (GASB) Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, the Company applies all applicable GASB pronouncements as well as FASB Statements of Interpretation, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Company has opted not to apply FASB pronouncements issued after November 30, 1989.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2009 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 11, 2009, the date these financial statements were available to be issued.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Measurement Focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources management focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Materials and Supplies - Materials and supplies are recorded at average cost.

Cash Equivalents - The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are recorded at historical cost, or in the case of contributed assets, at fair value at the time of the gift. Depreciation is computed using straight-line method over the estimated useful lives, ranging from 5-40 years.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Revenues and expenses - The Company distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are applied first.

Component Unit - Washington County - Johnson City Emergency Medical Services, Inc. is a component unit of Washington County, Tennessee (the "County") and Johnson City, Tennessee (the "City"). The County and City are the primary governments and exercise influence. Several positions of the board of the Company are appointed by the primary government and the remaining positions are based on elected officials of the County and City and seats maintained by various occupations in the County and City.

Charges for Patient Services - Charges attributed to patient services are reported at the estimated net realizable value. Amounts include charges to patients, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to retroactive and audit adjustments. Provisions for third-party payor settlement estimates are provided in the period in which the related services are rendered. Differences arising between the estimated accrued amounts and the interim and final settlements are reported in operations in the year the settlement takes place.

Compensated Absences - The cost of vacation pay is recognized as earned by employees. Employees earn one week of vacation at the end of the first year of employment, two weeks after two years of employment and an additional day for each year after ten years for a total of three weeks after 15 years. Terminated employees are not eligible to receive compensation for vacation accrued during the first year of employment.

NOTE 3 - CASH AND INVESTMENTS

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Company, its agent, or by the Federal Reserve, in the Company's name.

Statutes also authorize the Company to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, state pool investment funds, and money market mutual funds.

Statutes require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Company's deposits may not be returned or the Company will not be able to recover the value of its deposits that are in the possession of another party. The Company's deposits at June 30, 2009 consisted of cash and certificates of deposit at a local financial institution. At June 30, 2009, the bank balances aggregated to \$2,379,079 of which \$780,938 was covered by federal depository insurance, and \$1,598,141 was covered by the banks participation in the bank collateral pool.

A summary of the carrying amount of these deposits at June 30, 2009 is as follows:

Interest bearing	\$ 1,445,178
Non-interest bearing	847,907
Petty cash	696
	<u>2,293,781</u>
	<u>\$ 2,293,781</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable balance consists of amounts due from Medicare, Medicaid, private pay patients, contracts and third party insurance. At June 30, 2009, the balance was \$1,805,842. The amount of the allowance for doubtful accounts has been estimated based on historical data at \$871,354 for net receivables of \$934,488.

NOTE 5 - CAPITAL ASSETS

Property, plant and equipment activity for the year ended June 30, 2009, was as follows:

	Balance Beginning	Additions	Reductions	Balance Ending
Capital assets, not being depreciated:				
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Capital assets, being depreciated:				
Buildings	1,229,682	-	-	1,229,682
Leasehold improvements	-	12,500	-	12,500
Furniture & Fixtures	7,938	-	-	7,938
Vehicles	2,305,742	310,897	(130,406)	2,486,233
Equipment	951,052	492,773	-	1,443,825
Software	121,954	-	-	121,954
Total capital assets, being depreciated	<u>4,616,368</u>	<u>816,170</u>	<u>(130,406)</u>	<u>5,302,132</u>
Less accumulated depreciation	<u>(2,552,805)</u>	<u>(408,728)</u>	<u>130,406</u>	<u>(2,831,127)</u>
Total capital assets, being depreciated, net	<u>2,063,563</u>	<u>407,442</u>	<u>-</u>	<u>2,471,005</u>
Total capital assets, net	<u>\$2,298,563</u>	<u>\$ 407,442</u>	<u>\$ -</u>	<u>\$2,706,005</u>

Depreciation expense charged during the year was \$408,728.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2009:

Note payable to a bank, 4.06% interest rate, due in monthly payments of \$5,683, through March 2026	\$ 831,347
Note payable to a bank, 5.19% interest rate, due in monthly payments of \$3,666, through June 2010	235,298
Note payable to a bank, 4.27% interest rate, due in monthly payments of \$7,407 through August 2012	211,871
Note payable to a bank, 5.04% interest rate, due in monthly payments of \$4,731, through September 2012	173,811
Note payable to a bank, 3.8% interest rate, due in monthly payments of \$6,337, through August 2011	<u>160,256</u>
	1,612,583
Less amounts due within one year	<u>(468,125)</u>
Long-term debt	<u><u>\$ 1,144,458</u></u>

Detail of long-term debt activity:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
	\$ 864,927	\$ -	\$ (33,580)	\$ 831,347	\$ 35,217
	269,506	-	(34,208)	235,298	235,298
	-	281,333	(69,463)	211,870	79,212
	220,400	-	(46,588)	173,812	49,141
	225,975	-	(65,719)	160,256	69,257
	<u>76,715</u>	<u>-</u>	<u>(76,715)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,657,523</u>	<u>\$ 281,333</u>	<u>\$ (326,273)</u>	<u>\$ 1,612,583</u>	<u>\$ 468,125</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

Year Ending June 30	Bank Notes					
	1019		1422		Wesley	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	235,298	8,444	79,212	9,666	35,217	32,984
2011	-	-	82,661	6,217	36,670	31,531
2012	-	-	49,997	1,309	38,183	30,018
2013	-	-	-	-	39,759	28,442
2014	-	-	-	-	41,399	26,802
2015-2019	-	-	-	-	234,071	106,932
2020-2024	-	-	-	-	286,513	54,490
2025-2029	-	-	-	-	119,536	47,595
Total	\$ 235,298	\$ 8,444	\$ 211,870	\$ 17,192	\$ 831,348	\$ 358,794

Year Ending June 30	Bank Notes (continued)				Total	
	5461		8783		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
2010	69,257	6,782	49,141	7,628	468,125	65,504
2011	72,991	3,048	51,675	5,093	243,997	45,889
2012	18,008	155	54,341	2,428	160,529	33,910
2013	-	-	18,654	193	58,413	28,635
2014	-	-	-	-	41,399	26,802
2015-2019	-	-	-	-	234,071	106,932
2020-2024	-	-	-	-	286,513	54,490
2025-2029	-	-	-	-	119,536	47,595
Total	\$ 160,256	\$ 9,985	\$ 173,811	\$ 15,342	\$ 1,612,583	\$ 409,757

NOTE 7 - ECONOMIC DEPENDENCY

Washington County - Johnson City Emergency Medical Services, Inc. is significantly dependent on Washington County, Tennessee. For the year ended June 30, 2009 revenue received from the County totaled \$1,291,272 which represents 15% of total revenue.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 8 - WASHINGTON COUNTY RESCUE SERVICES

The financial statements of Washington County - Johnson City Emergency Medical Services, Inc. also include the volunteer service activities of Washington County Rescue Services. Condensed financial information for Washington County Rescue Services as of June 30, 2009 is presented below.

Condensed Statement of Net Assets

ASSETS	
Current assets	\$ 33,513
Capital assets, net	<u>8,750</u>
Total assets	<u>42,263</u>
LIABILITIES	
Current liabilities	<u>6,974</u>
Total liabilities	<u>6,974</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,776
Unrestricted net assets	<u>33,513</u>
Total net assets	<u><u>\$ 35,289</u></u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	<u>\$ 47,154</u>
Depreciation	5,650
Other operating expenses	<u>31,597</u>
Total operating expenses	<u>37,247</u>
Operating income	9,907
Non-Operating Income (Expense)	
Grant income	1,746
Interest expense	(329)
Miscellaneous expense	<u>(46)</u>
Total non-operating	<u>1,371</u>
Change in net assets	11,278
Net Assets, beginning	<u>24,011</u>
Net Assets, ending	<u><u>\$ 35,289</u></u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN FUNDS

Plan Description - Employees of Washington County - Johnson City Emergency Medical Services, Inc. are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members for five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Washington County - Johnson City Emergency Medical Services, Inc. participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Funding Policy - Washington County - Johnson City Emergency Medical Services, Inc. has adopted a non-contributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Washington County - Johnson City Emergency Medical Services, Inc. is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.93% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Washington County - Johnson City Emergency Medical Services, Inc. is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost - For the year ending June 30, 2009, Washington County - Johnson City Emergency Medical Services, Inc.'s annual pension cost of \$540,485 to TCRS was equal to Washington County - Johnson City Emergency Medical Services, Inc.'s required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Washington County - Johnson City Emergency Medical Services, Inc.'s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2009.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/09	\$ 540,485	100.00%	\$ 0.00
6/30/08	\$ 560,226	100.00%	\$ 0.00
6/30/07	\$ 541,380	100.00%	\$ 0.00

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN FUNDS (Continued)

Funded Status and Funding Progress - As of July 1, 2007, the most recent actuarial valuation date, the plan was 77.55% percent funded. The actuarial accrued liability for benefits was \$6.91 million, and the actuarial value of assets was \$5.35 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.56 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4 million, and the ratio of the UAAL to the covered payroll was 35.21% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

- Cash, certificates of deposit and accounts receivable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Funding Progress for Defined Benefit Pension Plan
 Year Ended June 30, 2009

(Dollar amounts in thousands)

	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	5,359	6,910	1,551	77.55%	4,405	35.21%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year and therefore only the most current year is presented.

SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
 Year Ended June 30, 2009

	Budget	Actual	Variances with Budget Favorable (Unfavorable)
Operating Revenues			
Charges for patient service	\$ 6,750,762	\$ 6,784,902	\$ 34,140
Contributions	32,550	70,281	37,731
Grant income	1,200	3,379	2,179
Miscellaneous	8,843	18,144	9,301
Total operating revenues	<u>6,793,355</u>	<u>6,876,706</u>	<u>83,351</u>
Operating Expenses			
Salaries and wages	4,924,317	4,828,241	96,076
Employee benefits	1,407,757	1,312,796	94,961
Depreciation	409,000	408,728	272
Payroll taxes	358,349	351,278	7,071
Insurance	343,900	328,969	14,931
Maintenance and repairs	229,925	221,120	8,805
Fuel	211,200	207,995	3,205
Supplies	237,336	195,344	41,992
Utilities	115,250	111,743	3,507
Equipment	109,340	93,948	15,392
Professional fees	63,500	62,321	1,179
VA fee	45,000	44,748	252
Public relations	27,507	26,894	613
Miscellaneous	21,350	18,163	3,187
Training	25,702	17,196	8,506
Uniforms	19,728	17,157	2,571
Communications	18,921	16,851	2,070
Postage	17,738	14,912	2,826
Travel	15,060	12,899	2,161
Health and safety	13,640	8,221	5,419
Collection fees	8,000	6,791	1,209
Licenses and permits	8,900	4,336	4,564
Total operating expenses	<u>8,631,420</u>	<u>8,310,651</u>	<u>320,769</u>
Operating loss	<u>(1,838,065)</u>	<u>(1,433,945)</u>	<u>404,120</u>
Non-operating Revenues (Expenses)			
Appropriation	1,894,767	1,894,767	-
Interest income	18,037	32,931	14,894
Gain on sale of fixed asset	-	10,424	10,424
Interest expense	(74,739)	(72,865)	1,874
Total non-operating revenues	<u>1,838,065</u>	<u>1,865,257</u>	<u>27,192</u>
Net Income	<u>\$ -</u>	<u>\$ 431,312</u>	<u>\$ 431,312</u>

See accompanying independent auditors' report.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Grant Activity
 Year Ended June 30, 2009

Grantor Agency	Grant Number	Balance July 1, 2008	Receipts	Expenditures	Balance June 30, 2009
U.S Department of Homeland Security	EMW-2007-FO-05342	\$ -	\$ 2,633	\$ 2,633	\$ -
United Way		-	746	746	-
		<u>\$ -</u>	<u>\$ 3,379</u>	<u>\$ 3,379</u>	<u>\$ -</u>

See accompanying independent auditors' report.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Board Members
Year Ended June 30, 2009

Tobie Bledsoe	Chairman
George Jaynes	Member
Pete Peterson	Member
Regina Barkley	Member
Dr. Mark Wilkinson	Member
Wendell Messimer	Member
Bill Biles	Member
Scott Wiseman	Member
Jack Hall	Member
Ron Jenkins	Attorney
Pat Niday	MSHA Liaison

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Washington County - Johnson City Emergency Medical Services, Inc.
Johnson City, Tennessee

We have audited the financial statements of Washington County - Johnson City Emergency Medical Services, Inc. (WC-JC EMS), as of and for the year ended June 30, 2009, which collectively comprise the WC-JC EMS's basic financial statements and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WC-JC EMS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WC-JC EMS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WC-JC EMS's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects WC-JC EMS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of WC-JC EMS's financial statements that is more than inconsequential will not be prevented or detected by WC-JC EMS's internal control.

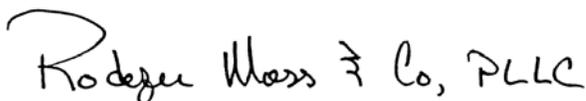
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the WC-JC EMS's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of management, WC-JC EMS, and the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.



Greeneville, Tennessee
November 11, 2009