

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY
MEDICAL SERVICES, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2010

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Financial Statements
With Supplementary Information
Year Ended June 30, 2010

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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., (the "Company"), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

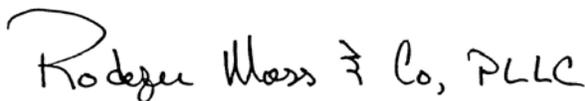
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the Company as of June 30, 2010, 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 December 7, 2010, on our consideration of the Company'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Company'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.



Greeneville, Tennessee
December 7, 2010

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Management's Discussion and Analysis
June 30, 2010

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 increase our collections rate after contractual deductions to approximately 88%. We have also seen a small increase in call volume and 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 continue to face the threat of government payments being reduced each year. We will continue to work with our local and state politicians to ensure the ambulance industry and WCJC EMS receives the maximum reimbursement possible. 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, 2010 ended with net loss because of the implementation of new standards which required WCJC EMS to record \$638,925 in Other post Employment Benefit Obligations. These cost had previously been reported only on a pay as you go basis rather than recording the amount incurred. This change did not affect our cash flow position. Fewer funds were spent on payroll expenses than originally budgeted and there was an increase in revenue. Our management staff has been very diligent in using employees as efficiently as possible. As a result, there were additional funds available which were used to fund our TCRS plan.

One note payable in the amount of \$90,992 to the Bank of Tennessee was paid off early July 2010. We also were able to buy four new ambulances and build a rescue truck without acquiring any new debt.

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, 2010

Statement of Net Assets

	As of June 30, 2010	As of June 30, 2009	Increase (Decrease)
Assets			
Current Assets	\$ 2,638,945	\$ 2,584,942	\$ 54,003
Fixed Assets less Depreciation	2,608,081	2,706,005	(97,924)
Other Assets	728,560	861,704	(133,144)
Total Assets	\$ 5,975,586	\$ 6,152,651	\$ (177,065)
Liabilities & Equity			
Liabilities			
Current Liabilities	1,162,521	1,502,909	(340,388)
Long Term Liabilities	1,701,020	1,144,458	556,562
Net Assets	3,112,045	3,505,284	(393,239)
Total Liabilities & Net Assets	\$ 5,975,586	\$ 6,152,651	\$ (177,065)

Statement of Revenues, Expenses and Changes in Net Assets

	June 30, 2010	June 30, 2009	Increase (Decrease)
Operating Revenues			
Patient Charges Net	\$ 7,324,399	\$ 6,784,902	\$ 539,497
Grant Income	255	3,379	(3,124)
Contributions	42,842	70,281	(27,439)
Miscellaneous	11,204	18,144	(6,940)
Total Operating Revenues	7,378,700	6,876,706	501,994

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Management's Discussion and Analysis (Continued)
June 30, 2010

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

Operating Expenses			
Salaries and Wages	4,948,940	4,828,241	120,699
Employee Benefits	1,730,078	1,312,796	417,282
Other post-employment benefits	638,925	-	638,925
Depreciation Expense	534,184	408,728	125,456
Payroll Taxes	365,563	351,278	14,285
Insurance	303,433	328,969	(25,536)
Equipment	89,564	93,948	(4,384)
Maintenance and repairs	253,522	221,120	32,402
Communications	34,531	16,851	17,680
Fuel	195,839	207,995	(12,156)
Supplies	203,428	195,344	8,084
Utilities and Telephone	110,148	111,743	(1,595)
VA fees	-	44,748	(44,748)
Uniforms	21,157	17,157	4,000
Training	13,106	17,196	(4,090)
Postage	17,529	14,912	2,617
Public relations	18,376	26,894	(8,518)
Travel	12,490	12,899	(409)
Collection Fees	7,580	6,791	789
Professional fees	113,997	62,321	51,676
Health and Safety	12,446	8,221	4,225
Miscellaneous	15,615	18,163	(2,548)
Licenses and Permits	9,695	4,336	5,359
	<u>9,650,146</u>	<u>8,310,651</u>	<u>1,339,495</u>
Total Expense			
Operating Loss	<u>(2,271,446)</u>	<u>(1,433,945)</u>	<u>(837,501)</u>
Non-Operating Revenues (Expenses)			
Appropriations	1,894,767	1,894,767	-
Interest Income	34,661	32,931	1,730
Gain on Sale of fixed assets	13,000	10,424	2,576
Interest Expense	<u>(64,221)</u>	<u>(72,865)</u>	<u>8,644</u>
Total non-operating revenues	<u>1,878,207</u>	<u>1,865,257</u>	<u>12,950</u>
Net Income	(393,239)	431,312	(824,551)
Net assets, beginning	<u>3,505,284</u>	<u>3,073,972</u>	<u>431,312</u>
Net Assets, ending	<u>\$ 3,112,045</u>	<u>\$ 3,505,284</u>	<u>\$ (393,239)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Net Assets

June 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,641,778
Accounts receivable, net	947,706
Prepaid expenses	44,742
Other accounts receivable	4,440
Inventory	<u>279</u>
Total current assets	<u>2,638,945</u>

Capital Assets

Land	235,000
Building	1,229,682
Furniture and fixtures	7,938
Leasehold improvements	17,400
Vehicles	2,705,578
Equipment	1,496,424
Software	121,954
Less: accumulated depreciation	<u>(3,205,895)</u>
Total capital assets	<u>2,608,081</u>

Other Assets

Certificates of deposit	561,078
Investments in trust	<u>167,482</u>
Total other assets	<u>728,560</u>

TOTAL ASSETS

\$ 5,975,586

LIABILITIES

Current Liabilities

Accounts payable	\$ 463,092
Accrued expenses	419,264
Notes payable - current	<u>280,165</u>
Total current liabilities	<u>1,162,521</u>

Long-Term Liabilities

Accrued other postemployment employee benefits	638,925
Notes payable - long-term	<u>1,062,095</u>
Total long-term liabilities	<u>1,701,020</u>
Total liabilities	<u>2,863,541</u>

NET ASSETS

Invested in capital assets, net of related debt	1,265,821
Temporarily restricted	81,951
Permanently restricted for endowed investments	176,865
Unrestricted	<u>1,587,408</u>
Total net assets	<u>3,112,045</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 5,975,586

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, 2010

Operating Revenues	
Charges for patient service, net	\$ 7,324,399
Grant Income	255
Contributions	42,842
Miscellaneous	<u>11,204</u>
Total operating revenues	<u>7,378,700</u>
Operating Expenses	
Salaries and wages	4,948,940
Employee benefits	1,730,078
Other postemployment benefits	638,925
Depreciation	534,184
Payroll taxes	365,563
Insurance	303,433
Maintenance and repairs	253,522
Supplies	203,428
Fuel	195,839
Professional fees	113,997
Utilities	110,148
Equipment	89,564
Communications	34,531
Uniforms	21,157
Public relations	18,376
Postage	17,529
Miscellaneous	15,615
Training	13,106
Travel	12,490
Health and safety	12,446
Licenses and permits	9,695
Collection fees	<u>7,580</u>
Total operating expenses	<u>9,650,146</u>
Operating loss	<u>(2,271,446)</u>
Non-Operating Revenues (Expenses)	
Appropriation	1,894,767
Interest income	34,661
Gain on sale of fixed asset	13,000
Interest expense	<u>(64,221)</u>
Total non-operating revenues	<u>1,878,207</u>
Net Loss	(393,239)
Net assets, beginning	<u>3,505,284</u>
Net assets, ending	<u>\$ 3,112,045</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows From Operating Activities

Cash received from customers	\$ 7,343,216
Cash received from contributors	43,097
Cash paid to employees	(6,679,018)
Cash paid to suppliers	<u>(1,801,616)</u>
Net cash flows from operating activities	<u>(1,094,321)</u>

Cash Flows from Non-Capital Financing Activities

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

Purchases of fixed assets	(457,986)
Interest expense	(64,221)
Repayments of principal	<u>(270,323)</u>
Net cash flows from capital and related financing activities	<u>(792,530)</u>

Cash Flows From Investing Activities

Interest received	34,661
Investments	<u>9,025</u>
Net cash flows from investing activities	<u>43,686</u>

Net change in cash and cash equivalents	51,602
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Cash at beginning of the year	<u>1,590,176</u>
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Cash at end of the year	<u>\$ 1,641,778</u>
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WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows (Continued)

Year Ended June 30, 2010

Reconciliation of Operating Loss to Net Cash Flows From Operating Activities	
Operating loss	\$ (2,271,446)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	534,184
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	7,616
Prepaid expenses	(717)
Increase in liabilities	
Accounts payable and accrued expenses	<u>636,042</u>
Net cash flows from operating activities	<u>\$ (1,094,321)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Notes to Financial Statements

June 30, 2010

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 the Company 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. The Company applies all applicable FASB Standards issued on or before November 30, 1989, those do not conflict with or contradict GASB standards. The Company has opted not to apply FASB standards issued after November 30, 1989.

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.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Component Unit - The Company 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, 2010 consisted of cash and certificates of deposit at a local financial institution. At June 30, 2010, the bank balances aggregated to \$2,253,657 of which \$874,251 was covered by federal depository insurance/ national credit union association insurance, and \$1,376,679 was covered by the banks participation in the bank collateral pool, \$2,727 was not insured or collateralized at year end, however, management does not feel this amount is significant and does not pose any serious risk.

A summary of the carrying amount of these deposits at June 30, 2010 is as follows:

Non-interest bearing	\$	26,362
Interest bearing		2,175,698
Petty cash		796
	\$	2,202,856

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, 2010, the balance was \$1,805,509. The amount of the allowance for doubtful accounts has been estimated based on historical data at \$857,803 for net receivables of \$947,706.

NOTE 5 - CAPITAL ASSETS

Property, plant and equipment activity for the year ended June 30, 2010, was as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Ending</u>
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	4,900	-	17,400
Furniture & Fixtures	7,938	-	-	7,938
Vehicles	2,486,233	378,761	(159,416)	2,705,578
Equipment	1,443,825	52,599	-	1,496,424
Software	121,954	-	-	121,954
Total capital assets, being depreciated	<u>5,302,132</u>	<u>436,260</u>	<u>(159,416)</u>	<u>5,578,976</u>
Less accumulated depreciation	<u>(2,831,127)</u>	<u>(534,184)</u>	<u>159,416</u>	<u>(3,205,895)</u>
Total capital assets, being depreciated, net	<u>2,471,005</u>	<u>(97,924)</u>	<u>-</u>	<u>2,373,081</u>
Total capital assets, net	<u>\$ 2,706,005</u>	<u>\$ (97,924)</u>	<u>\$ -</u>	<u>\$ 2,608,081</u>

Depreciation expense charged during the year was \$534,184.

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, 2010:

Note payable to a bank, 4.05% interest rate, due in monthly payments of \$5,683, through March 2026	\$ 796,358
Note payable, refinanced in July 2010, to a bank, 3.5% interest rate, due in monthly payments of \$3,639, through July 2015	199,746
Note payable to a bank, 4.27% interest rate, due in monthly payments of \$7,407 through August 2012	130,377
Note payable to a bank, 5.04% interest rate, due in monthly payments of \$4,731, through September 2012	124,787
Note payable to a bank, 3.8% interest rate, due in monthly payments of \$6,337, through September 2011	<u>90,992</u>
	1,342,260
Less amounts due within one year	<u>(280,165)</u>
Long-term debt	<u>\$ 1,062,095</u>

Detail of long-term debt activity:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
	831,347	-	(34,989)	796,358	36,575
	235,298	-	(35,552)	199,746	34,109
	211,870	-	(81,493)	130,377	84,903
	173,812	-	(49,025)	124,787	51,587
	<u>160,256</u>	<u>-</u>	<u>(69,264)</u>	<u>90,992</u>	<u>72,991</u>
Total	<u>\$ 1,612,583</u>	<u>\$ -</u>	<u>\$ (270,323)</u>	<u>\$ 1,342,260</u>	<u>\$ 280,165</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	Bank Notes					
	1019		1422		Wesley	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2011	\$ 34,109	\$ 5,914	\$ 84,903	\$ 6,217	\$ 36,575	\$ 31,531
2012	38,479	5,184	45,474	1,941	38,183	30,018
2013	39,848	3,815	-	-	39,759	28,442
2014	41,265	2,398	-	-	41,399	26,802
2015	42,733	930	-	-	43,107	25,094
2016-2020	3,312	10	-	-	243,729	97,274
2021-2025	-	-	-	-	298,335	42,669
2026-2030	-	-	-	-	55,271	981
Total	<u>\$ 199,746</u>	<u>\$ 18,251</u>	<u>\$ 130,377</u>	<u>\$ 8,158</u>	<u>\$ 796,358</u>	<u>\$ 282,811</u>

Year Ending	Bank Notes (continued)				Total	
	5461		8783		Principal	Interest
	Principal	Interest	Principal	Interest		
June 30						
2011	\$ 72,991	\$ 3,048	\$ 51,587	\$ 5,093	\$ 280,165	\$ 51,803
2012	18,001	155	54,341	2,428	194,478	39,726
2013	-	-	18,859	193	98,466	32,450
2014	-	-	-	-	82,664	29,200
2015	-	-	-	-	85,840	26,024
2016-2020	-	-	-	-	247,041	97,284
2021-2025	-	-	-	-	298,335	42,669
2026-2030	-	-	-	-	55,271	981
Total	<u>\$ 90,992</u>	<u>\$ 3,203</u>	<u>\$ 124,787</u>	<u>\$ 7,714</u>	<u>\$ 1,342,260</u>	<u>\$ 320,137</u>

NOTE 7 - ECONOMIC DEPENDENCY

The Company is significantly dependent on Washington County, Tennessee. For the year ended June 30, 2010 revenue received from the County totaled \$1,291,272 which represents 14% 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 the Company include the volunteer service activities of Washington County Rescue Services. The condensed financial information for Washington County Rescue Services as of June 30, 2010 is presented below.

Condensed Statement of Net Assets

ASSETS	
Current assets	\$ 23,958
Capital assets, net	<u>5,167</u>
Total assets	<u>29,125</u>
 NET ASSETS	
Invested in capital assets, net of related debt	5,167
Unrestricted net assets	<u>23,958</u>
Total net assets	<u><u>\$ 29,125</u></u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	<u>\$ 30,155</u>
Depreciation	3,583
Other operating expenses	<u>28,881</u>
Total operating expenses	<u>32,464</u>
Operating loss	(2,309)
 Non-Operating Income (Expense)	
Grant income	255
Interest expense	6
Miscellaneous expense	<u>(4,116)</u>
Total non-operating	<u>(3,855)</u>
Change in net assets	(6,164)
Net Assets, beginning	<u>35,289</u>
Net Assets, ending	<u><u>\$ 29,125</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, 2010 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, 2010, Washington County - Johnson City Emergency Medical Services, Inc.'s annual pension cost of \$540,291 to TCRS was equal to Washington County - Johnson City Emergency Medical Services, Inc.'s required and actual contributions. An additional \$321,852 was paid to TCRS in an effort to eliminate any future liability. 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/10	\$ 862,143	100.00%	\$ 0.00
6/30/09	\$ 540,485	100.00%	\$ 0.00
6/30/08	\$ 560,226	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, 2009, the most recent actuarial valuation date, the plan was 80.26% percent funded. The actuarial accrued liability for benefits was \$8.24 million, and the actuarial value of assets was \$6.61 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.63 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.45 million, and the ratio of the UAAL to the covered payroll was 36.58% 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 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description - The Governmental Accounting Standards Board (GASB) established new standards for the measurement, recognition, and reporting of other post-employment benefits (OPEB). OPEB includes post-employment benefits other than pension, which, for the Company, is presently comprised of post-employment health care benefits and life insurance. GASB requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the total unfunded liability. This standard was effective for the Company for the fiscal year beginning July 1, 2009.

The Company maintains a cost-sharing single employer defined benefit postemployment health care plan, which includes health care, prescription drugs, vision, dental, and life insurance coverage. Eligible employees include all those who retire and are eligible for pension benefits through the Tennessee Consolidated Retirement System. Members become eligible to retire at the age of 60 with five years of service or at any age with 25 years of service. Additionally, the last ten years of employment must be with Washington County - Johnson City Emergency Medical Services, Inc. in order to be eligible to participate as a retiree. Dependents of eligible employees may continue coverage until they are eligible for Medicare or upon the death of the retiree, whichever occurs first.

Eligible retiree's coverage will be a continuation of the coverage provided them as an active employee until the retiree is eligible for Medicare. Once eligible for Medicare, the retiree will be moved to a Medicare supplement plan and will be reimbursed up to the cost contributed by the Company for an active employee. Currently, there are 108 active members and 3 retired members receiving benefits.

Funding Policy - Funding for the Company is shared by the Company and the employees. Retiree and employee contributions for the year ended June 30, 2010 were \$38,985.

Annual OPEB Cost and Net OPEB Obligation - The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation. Because fiscal year 2010 is the first year in which this standard was implemented, the OPEB obligation at the beginning of the year is zero. Because the standard is being implemented retrospectively, the total OPEB cost is equal to the sum of the ARC and the accrued liability.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	
ARC	\$ 472,396
Accrued liability	<u>205,514</u>
Annual OPEB cost	677,910
Amount of contribution	<u>(38,985)</u>
Increase in NPO	638,925
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - ending of year	<u><u>\$ 638,925</u></u>

NOTE 11 - 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.

NOTE 12 - OPERATING LEASES

The Company has several non-cancelable operating leases for office equipment which expire at various dates through April 2015. Rental expenses for those leases totaled \$6,855 for the year ended June 30, 2010.

Future minimum lease payments under operating leases as of June 30, 2010 are as follows:

Years ending June 30:	
2011	\$ 4,380
2012	3,880
2013	2,880
2014	2,880
2015	<u>2,160</u>
	<u><u>\$ 16,180</u></u>

NOTE 13 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2010 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 7, 2010, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Schedule of Funding Progress for Defined Benefit Pension Plan (Unaudited)
Year Ended June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
July 1, 2009	6,613	8,239	1,626	80.26%	4,445	36.58%
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. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Funding Progress of Other Postemployment Employee Benefits (Unaudited)
 Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b-a)	Undfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$ 5,378,186	\$ 5,378,186	\$ 5,378,186	0%	\$ 4,176,857	129%

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, 2010

	Budget	Actual	Variances with Budget Favorable (Unfavorable)
Operating Revenues			
Charges for patient service	\$ 7,276,874	\$ 7,324,399	\$ 47,525
Contributions	73,500	42,842	(30,658)
Grant income	1,500	255	(1,245)
Miscellaneous	3,100	11,204	8,104
Total operating revenues	<u>7,354,974</u>	<u>7,378,700</u>	<u>23,726</u>
Operating Expenses			
Salaries and wages	4,990,480	4,948,940	41,540
Employee benefits	1,742,983	1,730,078	12,905
Other postemployment benefits	-	638,925	(638,925)
Depreciation	535,500	534,184	1,316
Payroll taxes	368,471	365,563	2,908
Insurance	310,900	303,433	7,467
Maintenance and repairs	260,100	253,522	6,578
Supplies	212,677	203,428	9,249
Fuel	202,970	195,839	7,131
Utilities	116,000	110,148	5,852
Professional fees	114,800	113,997	803
Equipment	111,795	89,564	22,231
Communications	43,426	34,531	8,895
Miscellaneous	38,825	15,615	23,210
Public relations	28,500	18,376	10,124
Training	25,435	13,106	12,329
Uniforms	22,500	21,157	1,343
Postage	18,150	17,529	621
Health and safety	15,140	12,446	2,694
Travel	15,000	12,490	2,510
Licenses and permits	12,975	9,695	3,280
Collection fees	8,000	7,580	420
Total operating expenses	<u>9,194,627</u>	<u>9,650,146</u>	<u>(455,519)</u>
Operating loss	<u>(1,839,653)</u>	<u>(2,271,446)</u>	<u>(431,793)</u>
Non-operating Revenues (Expenses)			
Appropriation	1,894,767	1,894,767	-
Interest income	18,020	34,661	16,641
Gain on sale of fixed asset	-	13,000	13,000
Interest expense	(73,134)	(64,221)	8,913
Total non-operating revenues	<u>1,839,653</u>	<u>1,878,207</u>	<u>38,554</u>
Net Loss	<u>\$ -</u>	<u>\$ (393,239)</u>	<u>\$ (393,239)</u>

See accompanying independent auditors' report.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Board Members
Year Ended June 30, 2010

Tobie Bledsoe	Chairman
Bill Biles	Vice Chairman
George Jaynes	Member
Pete Peterson	Member
Regina Barkley	Member
Dr. Mark Wilkinson	Member
Wendell Messimer	Member
Scott Wiseman	Member
Jack Hall	Member
James Wheeler	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. (the "Company"), as of and for the year ended June 30, 2010, which collectively comprise the Company's basic financial statements and have issued our report thereon dated December 7, 2010. 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 the Company'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 the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

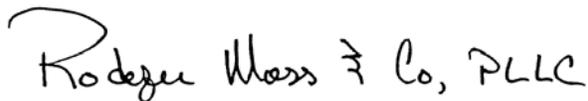
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the Company'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, the Company, and the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.



Handwritten signature of Rodefer Moss & Co, PLLC in black ink.

Greeneville, Tennessee
December 7, 2010