

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY
MEDICAL SERVICES, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2012

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Financial Statements With Supplementary Information
Year Ended June 30, 2012

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 - Business Advisors

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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, 2012, 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 the 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, 2012, 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 January 21, 2013, 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 the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 financial statements that collectively comprise the Company's financial statements as a whole. The supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rodger Moss & Co, PLLC

Greeneville, Tennessee
January 21, 2013

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Management's Discussion and Analysis

June 30, 2012

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. Even with the failing economy, our collections only decreased 1% from the previous year, however, net charges decreased 6%. Our attention in the future will focus on ways to increase overall revenue and collections. 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 utmost 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 operations of WCJC EMS were maintained within budget. We purchased the property containing two buildings adjoining our Headquarters location in January 2012. One building is used as a training facility, the dispatch office, small maintenance shop, and storage. The other building will be rented office space. We also were able to buy an ambulance and build two light duty rescue trucks without acquiring any new debt. Station 11 in the Sulphur Springs community was opened in June 2012 with the help of Washington County.

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, 2012

Statement of Net Assets

	As of June 30, 2012	As of June 30, 2011	Increase (Decrease)
Assets			
Current Assets	\$ 3,226,930	\$ 2,748,182	\$ 478,748
Fixed Assets less Depreciation	2,951,207	2,679,830	271,377
Other Assets	606,796	614,382	(7,586)
Total Assets	\$ 6,784,933	\$ 6,042,394	\$ 742,539
Liabilities & Equity			
Liabilities			
Current Liabilities	\$ 744,638	\$ 639,736	\$ 104,902
Long Term Liabilities	3,146,759	2,320,085	826,674
Net Assets	2,893,536	3,082,573	(189,037)
Total Liabilities & Net Assets	\$ 6,784,933	\$ 6,042,394	\$ 742,539

Statement of Revenues, Expenses and Changes in Net Assets

	June 30, 2012	June 30, 2011	Increase (Decrease)
Operating Revenues			
Patient Charges, Net	\$ 7,273,090	\$ 7,465,256	\$ (192,166)
Grant Income	386	228	158
Contributions	33,674	29,144	4,530
Miscellaneous	23,670	16,059	7,611
Total Operating Revenues	7,330,820	7,510,687	(179,867)

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Management's Discussion and Analysis (Continued)

June 30, 2012

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

Operating Expenses			
Salaries and wages	5,118,361	5,009,621	108,740
Employee benefits	1,449,649	1,391,982	57,667
Other post-employment benefits	629,651	652,750	(23,099)
Depreciation expense	565,276	554,567	10,709
Payroll taxes	374,936	368,712	6,224
Insurance	226,635	306,902	(80,267)
Equipment	87,464	102,130	(14,666)
Maintenance and repairs	236,202	288,883	(52,681)
Communications	39,345	47,672	(8,327)
Fuel	265,979	245,766	20,213
Supplies	185,022	197,265	(12,243)
Utilities and telephone	126,373	118,552	7,821
Uniforms	18,523	26,037	(7,514)
Training	22,243	18,870	3,373
Postage	14,898	14,962	(64)
Public relations	27,595	21,158	6,437
Travel	15,321	13,834	1,487
Collection fees	7,450	7,992	(542)
Professional fees	19,391	24,456	(5,065)
Health and safety	18,878	12,883	5,995
Miscellaneous	11,140	10,021	1,119
Licenses and permits	9,340	10,318	(978)
	<u>9,469,672</u>	<u>9,445,333</u>	<u>24,339</u>
Total Operating Expense			
Operating Loss	<u>(2,138,852)</u>	<u>(1,934,646)</u>	<u>(204,206)</u>
Non-Operating Revenues (Expenses)			
Appropriations	1,996,444	1,894,767	101,677
Interest Income	3,166	30,730	(27,564)
Gain on Sale of fixed assets	-	39,206	(39,206)
Interest Expense	<u>(49,795)</u>	<u>(59,529)</u>	<u>9,734</u>
Total non-operating revenues (expenses)	1,949,815	1,905,174	44,641
Net Loss	(189,037)	(29,472)	(159,565)
Net assets at the beginning of the year	<u>3,082,573</u>	<u>3,112,045</u>	<u>(29,472)</u>
Net Assets at the end of the year	<u>\$ 2,893,536</u>	<u>\$ 3,082,573</u>	<u>\$ (189,037)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Net Assets

June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,467,941	
Accounts receivable, net	1,705,111	
Prepaid expenses	29,849	
Other accounts receivable	<u>24,029</u>	
Total current assets		\$ 3,226,930

Capital Assets

Land	409,250	
Building	1,629,446	
Furniture and fixtures	7,938	
Leasehold improvements	55,488	
Vehicles	3,170,469	
Equipment	1,578,133	
Software	143,674	
Less: accumulated depreciation	<u>(4,043,191)</u>	
Total capital assets, net		2,951,207

Other Assets

Certificates of deposit	429,292	
Investments held in trust	<u>177,504</u>	
Total other assets		<u>606,796</u>

TOTAL ASSETS

\$ 6,784,933

LIABILITIES

Current Liabilities

Accounts payable	\$ 182,170	
Accrued expenses	375,796	
Notes payable - current	<u>186,672</u>	
Total current liabilities		\$ 744,638

Long-Term Liabilities

Accrued other postemployment employee benefits	1,921,326	
Notes payable - long-term	<u>1,225,433</u>	
Total long-term liabilities		<u>3,146,759</u>
Total liabilities		3,891,397

NET ASSETS

Invested in capital assets, net of related debt	1,539,102	
Temporarily restricted	81,951	
Permanently restricted for endowed investments	186,887	
Unrestricted	<u>1,085,596</u>	
Total net assets		<u>2,893,536</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 6,784,933

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, 2012

Operating Revenues		
Charges for patient service, net	\$ 7,273,090	
Grant income	386	
Contributions	33,674	
Miscellaneous	<u>23,670</u>	
Total operating revenues		\$ 7,330,820
Operating Expenses		
Salaries and wages	5,118,361	
Employee benefits	1,449,649	
Other postemployment benefits	629,651	
Depreciation	565,276	
Payroll taxes	374,936	
Fuel	265,979	
Maintenance and repairs	236,202	
Insurance	226,635	
Supplies	185,022	
Utilities	126,373	
Equipment	87,464	
Communications	39,345	
Public relations	27,595	
Training	22,243	
Professional fees	19,391	
Health and safety	18,878	
Uniforms	18,523	
Travel	15,321	
Postage	14,898	
Miscellaneous	11,140	
Licenses and permits	9,340	
Collection fees	<u>7,450</u>	
Total operating expenses		<u>9,469,672</u>
Operating loss		(2,138,852)
Non-Operating Revenues (Expenses)		
Appropriations	1,996,444	
Interest income	3,166	
Interest expense	<u>(49,795)</u>	
Total non-operating revenues		<u>1,949,815</u>
Net Loss		(189,037)
Net assets, beginning of the year		<u>3,082,573</u>
Net assets, end of the year		<u><u>\$ 2,893,536</u></u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows From Operating Activities

Cash received from customers	\$ 6,837,172	
Cash received from contributors	34,060	
Cash paid to employees	(6,568,010)	
Cash paid to suppliers	<u>(1,618,571)</u>	
Net cash flows from operating activities		\$ (1,315,349)

Cash Flows from Non-Capital Financing Activities

Cash received from appropriations		1,996,444
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Cash Flows From Capital And Related Financing Activities

Purchases of fixed assets	(836,653)	
Interest expense	(49,795)	
Proceeds from note payable	400,000	
Repayments of principal	<u>(176,074)</u>	
Net cash flows from capital and related financing activities		(662,522)

Cash Flows From Investing Activities

Interest received	3,166	
Investments	<u>7,586</u>	
Net cash flows from investing activities		<u>10,752</u>

Net change in cash and cash equivalents		29,325
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Cash at the beginning of the year		<u>1,438,616</u>
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Cash at the end of the year		<u>\$ 1,467,941</u>
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WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Cash Flows (Continued)
Year Ended June 30, 2012

Reconciliation of Operating Loss to Net Cash Flows From Operating Activities	
Operating loss	\$ (2,138,852)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Other Post Employment Benefits	629,651
Depreciation	565,276
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	(463,431)
Prepaid expenses	14,008
Decrease in liabilities	
Accounts payable and accrued expenses	<u>77,999</u>
Net cash flows from operating activities	<u>\$ (1,315,349)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Notes to Financial Statements

June 30, 2012

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 POLICIES

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 3-40 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 POLICIES (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.

Fair Value - 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.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 21, 2013, the date these financial statements were available to be issued.

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, 2012 consisted of cash and certificates of deposit at a local financial institution. At June 30, 2012, the bank balances aggregated to \$1,940,431 of which \$672,013 was covered by federal depository insurance/ national credit union association insurance, and \$1,240,800 was covered by the banks participation in the bank collateral pool, \$7,957 was not insured or collateralized at year end, however, management does not feel this amount is significant and does not pose any serious risk.

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

A summary of the carrying amount of these deposits at June 30, 2012 is as follows:

Non-interest bearing	\$ 31,318
Interest bearing	1,865,481
Petty cash	<u>433</u>
	<u>\$ 1,897,232</u>

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, 2012, the balance was \$3,667,661. The amount of the allowance for doubtful accounts has been estimated based on historical data at \$1,962,550 for net receivables of \$1,705,111.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance Beginning	Additions	Reductions	Balance Ending
Capital assets, not being depreciated:				
Land	\$ 250,000	\$ 159,250	\$ -	\$ 409,250
Capital assets, being depreciated:				
Buildings	1,280,613	348,833	-	1,629,446
Leasehold improvements	36,139	19,349	-	55,488
Furniture & fixtures	7,938	-	-	7,938
Vehicles	2,925,537	244,932	-	3,170,469
Equipment	1,521,904	56,229	-	1,578,133
Software	<u>135,614</u>	<u>8,060</u>	-	<u>143,674</u>
Total capital assets, being depreciated	<u>5,907,745</u>	<u>677,403</u>	-	<u>6,585,148</u>
Less accumulated depreciation	<u>(3,477,915)</u>	<u>(565,276)</u>	-	<u>(4,043,191)</u>
Total capital assets, being depreciated, net	<u>2,429,830</u>	<u>112,127</u>	-	<u>2,541,957</u>
Total capital assets, net	<u>\$ 2,679,830</u>	<u>\$ 271,377</u>	<u>\$ -</u>	<u>\$ 2,951,207</u>

Depreciation expense charged during the year was \$565,276.

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, 2012:

Note payable to a bank, 4.05% interest rate, due in monthly payments of \$5,683, through March 2026	\$ 721,448
Note payable, to a bank, 3.5% interest rate, due in monthly payments of \$3,639, through July 2015	123,710
Note payable to a bank, 3.55% interest rate, due in monthly payments of \$2,880, through December 2021 with a balloon payment of unpaid balance due at end of note.	384,228
Note payable to a bank, 3.5% interest rate, due in monthly payments of \$7,594, through July 2014	<u>182,719</u>
	1,412,105
Less amounts due within one year	<u>(186,672)</u>
Long-term debt	<u>\$ 1,225,433</u>

Detail of long-term debt activity:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Wesley	\$ 759,819	\$ -	\$ (38,371)	\$ 721,448	\$ 39,995
1019	162,625	-	(38,915)	123,710	39,786
6588	265,735	-	(83,016)	182,719	86,027
Wesley 5256	<u>-</u>	<u>400,000</u>	<u>(15,772)</u>	<u>384,228</u>	<u>20,864</u>
Total	<u>\$ 1,188,179</u>	<u>\$ 400,000</u>	<u>\$ (176,074)</u>	<u>\$ 1,412,105</u>	<u>\$ 186,672</u>

Maturities of long-term debt are as follows:

Year Ending June 30	Bank Notes					
	1019		6588		Wesley	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 39,786	\$ 3,815	\$ 86,027	\$ 5,012	\$ 39,995	\$ 28,442
2014	41,265	2,398	89,174	1,950	41,399	26,802
2015	42,659	930	7,518	21	43,107	25,094
2016	-	-	-	-	44,886	23,315
2017	-	-	-	-	46,738	21,463
2018-2022	-	-	-	-	264,256	76,747
2023-2026	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,067</u>	<u>19,399</u>
Total	<u>\$ 123,710</u>	<u>\$ 7,143</u>	<u>\$ 182,719</u>	<u>\$ 6,983</u>	<u>\$ 721,448</u>	<u>\$ 221,262</u>

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

NOTE 6 - LONG-TERM DEBT (Continued)

Year Ending June 30	Wesley 5256		Total	
	Principal	Interest	Principal	Interest
2013	\$ 20,864	\$ 13,496	\$ 186,672	\$ 50,765
2014	21,820	12,736	193,658	43,886
2015	22,607	11,948	115,891	37,993
2016	23,423	11,133	68,309	34,448
2017	24,268	10,287	71,006	31,750
2018-2022	271,246	34,990	535,502	111,737
2023-2026	-	-	241,067	19,399
Total	<u>\$ 384,228</u>	<u>\$ 94,590</u>	<u>\$ 1,412,105</u>	<u>\$ 329,978</u>

NOTE 7 - ECONOMIC DEPENDENCY

The Company is significantly dependent on Washington County, Tennessee. For the year ended June 30, 2012 revenue received from the County totaled \$1,392,949 which represents 15% of total revenue.

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, 2012 is presented below.

Condensed Statement of Net Assets

ASSETS		
Current assets		\$ 27,783
Capital assets, net		<u>1,466</u>
Total assets		<u>29,249</u>
NET ASSETS		
Invested in capital assets, net of related debt		1,466
Unrestricted net assets		<u>27,783</u>
Total net assets		<u>\$ 29,249</u>

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

NOTE 8 - WASHINGTON COUNTY RESCUE SERVICES (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenues	\$ <u>34,619</u>
Depreciation	2,133
Other operating expenses	<u>24,334</u>
Total operating expenses	<u>26,467</u>
Operating income	8,152
Non-Operating Income (Expense)	
Grant income	386
Interest income	7
Miscellaneous expense	<u>(4,011)</u>
Total non-operating expense	<u>(3,618)</u>
Change in net assets	4,534
Net Assets, at the beginning of the year	<u>24,715</u>
Net Assets, at the end of the year	<u><u>\$ 29,249</u></u>

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 with 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://www.tn.gov/treasury/tcrs/PS/>.

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

NOTE 9 - PENSION PLAN FUNDS (Continued)

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, 2012 was 10.57% 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, 2012, Washington County - Johnson City Emergency Medical Services, Inc.'s annual pension cost of \$499,748 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, 2009 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2009 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/12	\$ 499,748	100.00%	\$ 0.00
6/30/11	\$ 540,291	100.00%	\$ 0.00
6/30/10	\$ 831,878	100.00%	\$ 0.00

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date, the plan was 100.00% percent funded. The actuarial accrued liability for benefits was \$9.52 million, and the actuarial value of assets was \$9.52 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.83 million, and the ratio of the UAAL to the covered payroll was 0.00 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.

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

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 114 active members and 5 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, 2012 were \$44,535.

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.

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.

<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>(48,259)</u>
Increase in NPO	629,651
Net OPEB obligation - beginning of year	<u>1,291,675</u>
Net OPEB obligation - ending of year	<u>\$ 1,921,326</u>

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

NOTE 11 - 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 \$4,380 for the year ended June 30, 2012.

Future minimum lease payments under operating leases as of June 30, 2012 are as follows:

Years ending June 30:

2013	2,880
2014	2,880
2015	<u>2,160</u>
	<u>\$ 7,920</u>

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, 2012

(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, 2011	\$ 9,515	\$ 9,515	\$ -	100.00%	\$ 4,825	0.00%
July 1, 2009	\$ 6,613	\$ 6,937	\$ 324	95.33%	\$ 4,445	7.29%
July 1, 2007	\$ 5,359	\$ 5,739	\$ 380	93.38%	\$ 4,405	8.63%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Funding Progress for Other Postemployment Employee Benefits (Unaudited)
 Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded 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	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, 2012

	Budget	Actual	Variances with Budget Favorable (Unfavorable)
Operating Revenues			
Charges for patient service, net	\$ 7,270,548	\$ 7,273,090	\$ 2,542
Contributions	29,700	33,674	3,974
Grant income	500	386	(114)
Miscellaneous	25,500	23,670	(1,830)
Total operating revenues	<u>7,326,248</u>	<u>7,330,820</u>	<u>4,572</u>
Operating Expenses			
Salaries and wages	5,121,371	5,118,361	3,010
Employee benefits	1,471,175	1,449,649	21,526
Other postemployment benefits	400,000	629,651	(229,651)
Depreciation	565,750	565,276	474
Payroll taxes	375,261	374,936	325
Insurance	207,825	226,635	(18,810)
Maintenance and repairs	240,704	236,202	4,502
Fuel	267,016	265,979	1,037
Supplies	188,027	185,022	3,005
Utilities	126,850	126,373	477
Equipment	88,965	87,464	1,501
Communications	39,611	39,345	266
Uniforms	18,943	18,523	420
Professional fees	21,500	19,391	2,109
Public relations	27,750	27,595	155
Training	31,110	22,243	8,867
Postage	15,200	14,898	302
Travel	15,750	15,321	429
Health and safety	19,979	18,878	1,101
Licenses and permits	13,050	9,340	3,710
Miscellaneous	10,228	11,140	(912)
Collection fees	8,000	7,450	550
Total operating expenses	<u>9,274,065</u>	<u>9,469,672</u>	<u>(195,607)</u>
Operating loss	<u>(1,947,817)</u>	<u>(2,138,852)</u>	<u>(191,035)</u>
Non-operating Revenues (Expenses)			
Appropriation	1,996,444	1,996,444	-
Interest income	3,000	3,166	166
Interest expense	(51,627)	(49,795)	1,832
Total non-operating revenues	<u>1,947,817</u>	<u>1,949,815</u>	<u>1,998</u>
Net Loss	<u>\$ -</u>	<u>\$ (189,037)</u>	<u>\$ (189,037)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Board Members

Year Ended June 30, 2012

Tobie Bledsoe	Chairman
Bill Biles	Vice Chairman
Dan Eldridge	Member
Pete Peterson	Member
Regina Barkley	Member
Dr. Mark Wilkinson	Member
Wendell Messimer	Member
Scott Wiseman	Member
Jack Hall	Member
James Wheeler	Attorney
Dru Malcolm	MSHA Liaison
Dr. Nat Lee	Medical Director, Alternate

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, 2012, which collectively comprise the Company's basic financial statements and have issued our report thereon dated January 21, 2013. 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

Management of the Company is responsible for establishing and maintaining effective 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 our opinions 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.

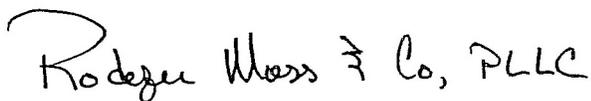
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.



Greeneville, Tennessee
January 21, 2013