

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY
MEDICAL SERVICES, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2013

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Financial Statements With Supplementary Information
Year Ended June 30, 2013

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WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Board Members

Year Ended June 30, 2013

Dr. Mark Wilkinson	Chairman
David Tomita	Member
Dan Eldridge	Member
Pete Peterson	Member
Regina Barkley	Member
Homer G'Fellers	Member
David Tomita	Member
Greg Matherly	Member
Scott Wiseman	Member
Jack Hall	Member
James Wheeler	Attorney
Dr. Nat Lee	Medical Director, Alternate

- Certified Public Accountants
 - Business Advisors

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for defined benefit pension plan, and schedule of funding progress for other postemployment employee benefits 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

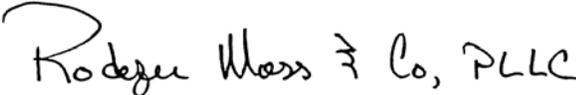
Other Information

Our audit was conducted for the purpose of forming an opinion on the Company's financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014, 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* in considering the Company's internal control over financial reporting and compliance.

 Roderic Mass & Co, PLLC

Greeneville, Tennessee
March 19, 2014

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2013

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. This section of the Company's financial report presents an overview and analysis of the Company's financial performance for the fiscal year ended June 30, 2013. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets of the Company exceeded its liabilities by \$3.2 million (net position). Of this amount, \$1.5 million may be used to meet the Company's ongoing obligations.
- The Company had an increase in operating loss of \$382,728 over the prior year before inclusion of non-operating income. This was primarily due to declines in call volume and continuing pressure to lower reimbursements rates.
- The Company's net position increased by \$290,746 from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Company's financial statements. The basic financial statements consist of two parts: (1) financial statements and (2) notes to the financial statements.

Financial statements The financial statements are designed to provide readers with a broad overview of the Company's finances in a manner similar to a private-sector business. The Company is reported as a business-type activity.

The statement of net position presents information on all of the Company's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Company is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the Company's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Notes to the financial statements The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the financial statements.

Financial Analysis of the Washington County - Johnson City Emergency Medical Service Inc.

Net position may serve over time as a useful indicator of a company's financial position. In the case of the Company, assets exceeded liabilities by \$3.2 million at the close of the most recent year. Net position increased from the previous year due to a change in estimate for other postemployment benefits of over \$800 thousand. Without this adjustment, the Company would have decreased its net position by approximately \$500 thousand. There continue to be declines in call volume as well as in reimbursement rates. Management feels this can be attributed to the struggling economy as well as the multiple cuts in governmental health care reimbursement rates. We foresee this trend continuing in the upcoming year as well.

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

CONDENSED COMPARATIVE STATEMENTS OF NET POSITION

	As of June 30, 2013	As of June 30, 2012	Increase (Decrease)
Assets			
Current Assets	\$ 2,954,454	\$ 3,226,930	\$ (272,476)
Capital Assets, net	2,757,654	2,951,207	(193,553)
Other Assets	517,481	606,796	(89,315)
Total Assets	\$ 6,229,589	\$ 6,784,933	\$ (555,344)
Liabilities & Net Position			
Liabilities			
Current Liabilities	\$ 839,961	\$ 744,638	\$ 95,323
Long Term Liabilities	2,205,346	3,146,759	(941,413)
Net Position	3,184,282	2,893,536	290,746
Total Liabilities & Net Position	\$ 6,229,589	\$ 6,784,933	\$ (555,344)

The Company's net position increased by \$290,746 during the fiscal year. The following is a summary of financial activities for the Company during the fiscal year ended June 30, 2013:

**CONDENSED COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

	June 30, 2013	June 30, 2012	Increase (Decrease)
Operating Revenues			
Patient Charges, Net	\$ 6,815,931	\$ 7,273,090	\$ (457,159)
Contributions	42,575	33,674	8,901
Miscellaneous	41,729	24,056	17,673
Total Operating Revenues	6,900,235	7,330,820	(430,585)

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

**CONDENSED COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION (Continued)**

Operating Expenses			
Salaries and wages	5,317,592	5,118,361	199,231
Employee benefits	1,461,200	1,449,649	11,551
Depreciation	558,577	565,276	(6,699)
Insurance	414,436	226,635	187,801
Payroll taxes	386,549	374,936	11,613
Maintenance and repairs	305,742	236,202	69,540
Fuel	258,638	265,979	(7,341)
Supplies	180,158	185,022	(4,864)
Utilities and telephone	131,558	126,373	5,185
Equipment	95,531	87,464	8,067
Other postemployment benefits	75,201	629,651	(554,450)
VA Fees	60,155	-	60,155
Communications	43,505	39,345	4,160
Other	141,568	164,779	(23,211)
	<u>9,430,410</u>	<u>9,469,672</u>	<u>(39,262)</u>
Total Operating Expense			
Operating Loss	<u>(2,530,175)</u>	<u>(2,138,852)</u>	<u>(391,323)</u>
Non-Operating Revenues (Expenses)			
Appropriations	2,038,767	1,996,444	42,323
Other postemployment benefits	808,595	-	808,595
Interest Income	22,957	3,166	19,791
Other	2,409	-	2,409
Interest Expense	<u>(51,807)</u>	<u>(49,795)</u>	<u>(2,012)</u>
Total non-operating revenues (expenses)	2,820,921	1,949,815	871,106
Change in net position	290,746	(189,037)	479,783
Net position at the beginning of the year	<u>2,893,536</u>	<u>3,082,573</u>	<u>(189,037)</u>
Net position at the end of the year	<u>\$ 3,184,282</u>	<u>\$ 2,893,536</u>	<u>\$ 290,746</u>

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

Capital Assets

At the end of this year, the Company had \$2.76 million (net of accumulated depreciation) invested in capital assets. This investment includes land, buildings and improvements, vehicles, equipment, and other capital assets such as fixtures. The following table shows the investment in capital assets for the current and previous fiscal year.

CONDENSED COMPARATIVE STATEMENTS OF CAPITAL ASSETS

	June 30, 2013	June 30, 2012	Increase (Decrease)
Land	\$ 409,250	\$ 409,250	\$ -
Buildings and improvements	1,694,184	1,684,934	9,250
Equipment, Vehicles and other	5,255,988	4,900,214	355,774
Less: Accumulated depreciation	(4,601,768)	(4,043,191)	(558,577)
Total Capital Assets	\$ 2,757,654	\$ 2,951,207	\$ (193,553)

Debt

At the end of the current fiscal year, the Company had \$1.3 million in long-term debt outstanding, a decrease of \$100 thousand, or 7.4%, over the prior year.

OUTSTANDING DEBT

	June 30, 2013	June 30, 2012	Increase (Decrease)
Notes payable to banks	\$ 1,307,795	\$ 1,412,105	\$ (104,310)

Requests for Information

This financial report is designed to provide a general overview of the Company's finances for all those with an interest in the Company's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the 296 Wesley Street, Johnson City, TN 37601.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Net Position

June 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,105,042	
Accounts receivable, net	1,799,970	
Prepaid expenses	36,887	
Other accounts receivable	<u>12,555</u>	
Total current assets		\$ 2,954,454

Capital Assets

Land	409,250	
Buildings	1,629,446	
Furniture and fixtures	11,017	
Leasehold improvements	64,738	
Vehicles	3,492,568	
Equipment	1,604,725	
Software	147,678	
Less: accumulated depreciation	<u>(4,601,768)</u>	
Total capital assets, net		2,757,654

Other Assets

Certificates of deposit	326,945	
Investments held in trust	<u>190,536</u>	
Total other assets		<u>517,481</u>

TOTAL ASSETS

\$ 6,229,589

LIABILITIES

Current Liabilities

Accounts payable	\$ 133,410	
Accrued expenses	416,170	
Notes payable - current	<u>290,381</u>	
Total current liabilities		\$ 839,961

Long-Term Liabilities

Accrued other postemployment employee benefits	1,187,932	
Notes payable - long-term	<u>1,017,414</u>	
Total long-term liabilities		<u>2,205,346</u>
Total liabilities		3,045,307

NET POSITION

Net investment in capital assets	1,449,859	
Temporarily restricted	81,951	
Permanently restricted for endowed investments	190,536	
Unrestricted	<u>1,461,936</u>	
Total net position		<u>3,184,282</u>

TOTAL LIABILITIES AND NET POSITION

\$ 6,229,589

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

Operating Revenues		
Charges for patient service, net	\$ 6,815,931	
Contributions	42,575	
Miscellaneous	<u>41,729</u>	
Total operating revenues		\$ 6,900,235
Operating Expenses		
Salaries and wages	5,317,592	
Employee benefits	1,461,200	
Depreciation	558,577	
Insurance	414,436	
Payroll taxes	386,549	
Maintenance and repairs	305,742	
Fuel	258,638	
Supplies	180,158	
Utilities	131,558	
Equipment	95,531	
Other postemployment benefits	75,201	
VA fee	60,155	
Communications	43,505	
Uniforms	19,350	
Public relations	18,647	
Professional fees	18,225	
Postage	16,558	
Collection fees	13,261	
Health and safety	12,964	
Training	12,300	
Licenses and permits	11,856	
Travel	10,606	
Miscellaneous	<u>7,801</u>	
Total operating expenses		<u>9,430,410</u>
Operating loss		(2,530,175)
Non-Operating Revenues (Expenses)		
Appropriations	2,038,767	
Other postemployment benefits	808,595	
Interest income	22,957	
Other	2,409	
Interest expense	<u>(51,807)</u>	
Total non-operating revenues, net		<u>2,820,921</u>
Increase in net position		290,746
Net position at the beginning of the year		<u>2,893,536</u>
Net position at the end of the year		<u>\$ 3,184,282</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows From Operating Activities

Cash received from customers	\$ 6,764,565	
Cash received from contributors	42,575	
Cash paid to employees	(6,778,792)	
Cash paid to suppliers	<u>(2,027,228)</u>	
Net cash flows from operating activities		\$ (1,998,880)

Cash Flows from Non-Capital Financing Activities

Cash received from appropriations		2,038,767
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Cash Flows From Capital And Related Financing Activities

Purchases of fixed assets	(365,025)	
Proceeds from disposal of fixed assets	2,409	
Interest expense	(51,807)	
Proceeds from note payable	157,500	
Repayments of principal	<u>(261,810)</u>	
Net cash flows from capital and related financing activities		(518,733)

Cash Flows From Investing Activities

Proceeds from certificate of deposit	102,751	
Interest received	<u>13,196</u>	
Net cash flows from investing activities		<u>115,947</u>

Net change in cash and cash equivalents		(362,899)
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Cash and cash equivalents at the beginning of the year		<u>1,467,941</u>
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Cash and cash equivalents at the end of the year		<u><u>\$ 1,105,042</u></u>
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WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Cash Flows (Continued)

Reconciliation of Operating Loss to Net Cash Flows From Operating Activities	
Operating loss	\$ (2,530,175)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Other Post Employment Benefits	75,201
Depreciation	558,577
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	(104,570)
Prepaid expenses, other receivables, and other assets	4,438
Decrease in liabilities	
Accounts payable and accrued expenses	<u>(2,351)</u>
Net cash flows from operating activities	<u>\$ (1,998,880)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Notes to Financial Statements

June 30, 2013

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.

The Board Members of the Company are solely responsible for the governance of Company. Economic resources received by the company are entirely for the direct benefit of the Company and no other entity is entitled to or has the ability to otherwise access any of the economic resources received or held by the Company.

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 has implemented Governmental Accounting Standards Board Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.*"

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.

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

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

Capital Assets - The Company defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets 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.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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.

New Accounting Pronouncements - GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management implemented Statement 61 in the current year. The adoption of GASB 61 did not have any impact on the Company's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by GASB's Concepts Statement No. 4. It also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation and their effects on a government's net position. Management implemented Statement 63 in the current year. The adoption of GASB 63 required only changes in titles for the Company.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The District implemented Statement 65 in current fiscal year. The adoption of GASB 65 did not have any impact on the Company's financial statements.

GASB 66, *Technical Corrections -2012 - an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. The Company implemented Statement 66 in current fiscal year. The adoption of GASB 66 does not have any impact on the Company's financial statements.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of net position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 19, 2014, the date these financial statements were available to be issued.

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

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, 2013 consisted of cash and certificates of deposit at a local financial institution. At June 30, 2013, the bank balances aggregated to \$1,451,260 of which \$549,935 was covered by federal depository insurance / national credit union association insurance, and \$894,949 was covered by the banks participation in the bank collateral pool, \$6,376 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, 2013 is as follows:

Non-interest bearing	\$ 13,697
Interest bearing	1,384,108
Petty cash	<u>433</u>
	<u>\$ 1,398,238</u>

NOTE 4 - INVESTMENTS HELD IN TRUST

The Company is a beneficiary of an endowment trust held with Suntrust Bank. The Company's percentage of the value is 25% and is valued as of June 30, 2013 at \$190,536 and is reported as permanently restricted. The investments consist of various stocks, bonds and other investments and are valued at market value which approximates fair value.

NOTE 5 - ACCOUNTS RECEIVABLE

The accounts receivable balance consists of amounts due from Medicare, Medicaid, private pay patients, contracts and third party insurance. At June 30, 2013, the balance was \$3,049,970. The amount of the allowance for doubtful accounts has been estimated based on historical data at \$1,250,000 for net receivables of \$1,799,970.

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance Beginning	Additions	Reductions	Balance Ending
Capital assets, not being depreciated:				
Land	\$ 409,250	\$ -	\$ -	\$ 409,250
Capital assets, being depreciated:				
Buildings	1,629,446	-	-	1,629,446
Leasehold improvements	55,488	9,250	-	64,738
Furniture & fixtures	7,938	3,079	-	11,017
Vehicles	3,170,469	322,099	-	3,492,568
Equipment	1,578,133	26,592	-	1,604,725
Software	143,674	4,004	-	147,678
Total capital assets, being depreciated	6,585,148	365,024	-	6,950,172
Less accumulated depreciation	(4,043,191)	(558,577)	-	(4,601,768)
Total capital assets, being depreciated, net	2,541,957	(193,553)	-	2,348,404
Total capital assets, net	<u>\$ 2,951,207</u>	<u>\$ (193,553)</u>	<u>\$ -</u>	<u>\$ 2,757,654</u>

Depreciation expense charged during the year was \$558,577.

NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2013:

Note payable, 4.05% interest rate, due in monthly payments of \$5,683, through March 2026	\$ 681,450
Note payable, 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.	349,488
Note payable, 3.5% interest rate, due in monthly payments of \$3,639, through July 2015	83,374
Note payable, 1.94% interest rate, due in monthly payments of \$8,886, through May 2014	96,797
Note payable, 3.5% interest rate, due in monthly payments of \$7,594, through July 2014	<u>96,686</u>
	1,307,795
Less amounts due within one year	<u>(290,381)</u>
Long-term debt	<u>\$ 1,017,414</u>

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

NOTE 7 - LONG-TERM DEBT (Continued)

Detail of long-term debt activity:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Wesley	\$ 721,448	\$ -	\$ (39,998)	\$ 681,450	\$ 41,606
Note 1019	123,710	-	(40,336)	83,374	41,221
Note 10008	-	157,500	(60,703)	96,797	96,797
Note 6588	182,719	-	(86,033)	96,686	89,130
Wesley 5256	384,228	-	(34,740)	349,488	21,627
Total	<u>\$ 1,412,105</u>	<u>\$ 157,500</u>	<u>\$ (261,810)</u>	<u>\$ 1,307,795</u>	<u>\$ 290,381</u>

Maturities of long-term debt are as follows:

Year Ending June 30	Bank Notes					
	1019		6588		Wesley	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 41,221	\$ 2,398	\$ 89,130	\$ 1,950	\$ 41,606	\$ 26,802
2015	42,153	930	7,556	21	43,107	25,094
2016	-	-	-	-	44,886	23,315
2017	-	-	-	-	46,738	21,463
2018	-	-	-	-	48,666	19,535
2019-2023	-	-	-	-	275,160	65,844
2024-2026	-	-	-	-	181,287	10,768
Total	<u>\$ 83,374</u>	<u>\$ 3,328</u>	<u>\$ 96,686</u>	<u>\$ 1,971</u>	<u>\$ 681,450</u>	<u>\$ 192,821</u>

Year Ending June 30	Wesley 5256		10008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2014	\$ 21,627	\$ 12,043	\$ 96,797	\$ 941	\$ 290,381
2015	23,325	11,231	-	-	116,141	37,276
2016	24,167	10,389	-	-	69,053	33,704
2017	25,039	9,517	-	-	71,777	30,980
2018	25,942	8,613	-	-	74,608	28,148
2019-2023	229,388	22,158	-	-	504,548	88,002
2024-2026	-	-	-	-	181,287	10,768
Total	<u>\$ 349,488</u>	<u>\$ 73,951</u>	<u>\$ 96,797</u>	<u>\$ 941</u>	<u>\$ 1,307,795</u>	<u>\$ 273,012</u>

NOTE 8 - ECONOMIC DEPENDENCY

The Company is significantly dependent on Washington County, Tennessee. For the year ended June 30, 2013 revenue received from the County totaled \$1,435,272 which represents 16% of total revenue.

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

NOTE 9 - 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, 2013 is presented below.

Condensed Statement of Net Position

ASSETS		
Current assets	\$	43,584
Capital assets, net		<u>698</u>
Total assets		<u>44,282</u>
LIABILITIES		
Current liabilities		<u>2,518</u>
NET POSITION		
Net investment in capital assets		698
Unrestricted net position		<u>41,066</u>
Total net position	\$	<u><u>41,764</u></u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	\$	<u>32,070</u>
Depreciation		767
Other operating expenses		<u>16,560</u>
Total operating expenses		<u>17,327</u>
Operating income		<u>14,743</u>
Non-Operating Income (Expense)		
Interest income		5
Other		<u>(2,233)</u>
Total non-operating expense		<u>(2,228)</u>
Change in net position		12,515
Net Position at the beginning of the year		<u>29,249</u>
Net Position at the end of the year	\$	<u><u>41,764</u></u>

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

NOTE 10 - PENSION PLAN FUNDS

Plan Description - Employees of the Company 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 the Company 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/>.

Funding Policy - The Company has adopted a non-contributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Company is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.43% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Company is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost - For the year ending June 30, 2013, the Company's annual pension cost of \$418,247 to TCRS was equal to the Company's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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. The Company's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 6 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>
6/30/13	\$ 418,247	100.00%	\$ 0.00
6/30/12	\$ 499,748	100.00%	\$ 0.00
6/30/11	\$ 831,878	100.00%	\$ 0.00

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

NOTE 10 - PENSION PLAN FUNDS (Continued)

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.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description - Other postemployment benefits (“OPEB”) includes postemployment 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.

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 the Company 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 113 active members and 6 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, 2013 were \$36,354.

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	\$ 38,869
Accrued liability	<u>(735,909)</u>
Annual OPEB cost	(697,040)
Amount of contribution	<u>(36,354)</u>
Increase in NPO	(733,394)
Net OPEB obligation - beginning of year	<u>1,921,326</u>
Net OPEB obligation - end of year	<u>\$ 1,187,932</u>

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

NOTE 12 - OPERATING LEASES

The Company has several non-cancelable operating leases for office equipment which expire at various dates through April 2018. Rental expenses for those leases totaled \$4,184 for the year ended June 30, 2013.

Future minimum lease payments under operating leases as of June 30, 2013 are as follows:

Years ending June 30:

2014	4,260
2015	3,540
2016	1,380
2017	1,380
2018	<u>460</u>
	<u>\$ 11,020</u>

NOTE 13 - RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Company's risks of loss are covered by its commercial package insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Account monitoring procedures are utilized to minimize the risk of loss. Management does not believe significant credit risk exists at June 30, 2013.

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, 2013

(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%

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Funding Progress for Other Postemployment Employee Benefits (Unaudited)
 Year Ended June 30, 2013

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)
July 1, 2010	\$ -	\$ 5,378,186	\$ 5,378,186	0%	\$ 4,176,857	129%
July 1, 2012	\$ -	\$ 1,187,932	\$ 1,187,932	0%	\$ 4,975,116	24%

SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variances with Budget Favorable (Unfavorable)
Operating Revenues			
Charges for patient service, net	\$ 7,280,853	\$ 6,815,931	\$ (464,922)
Contributions	27,000	42,575	15,575
Miscellaneous	52,000	41,729	(10,271)
Total operating revenues	7,359,853	6,900,235	(459,618)
Operating Expenses			
Salaries and wages	5,325,157	5,317,592	7,565
Employee benefits	1,473,035	1,461,200	11,835
Other postemployment benefits	400,000	75,201	324,799
Depreciation	560,000	558,577	1,423
Payroll taxes	387,342	386,549	793
Insurance	408,825	414,436	(5,611)
Maintenance and repairs	315,938	305,742	10,196
Fuel	259,568	258,638	930
Supplies	184,656	180,158	4,498
Utilities	132,300	131,558	742
Equipment	110,615	95,531	15,084
VA fee	67,000	60,155	6,845
Communications	43,611	43,505	106
Uniforms	21,443	19,350	2,093
Professional fees	24,900	18,225	6,675
Public relations	24,000	18,647	5,353
Training	23,685	12,300	11,385
Postage	17,200	16,558	642
Travel	15,500	10,606	4,894
Health and safety	14,979	12,964	2,015
Licenses and permits	15,130	11,856	3,274
Miscellaneous	12,970	7,801	5,169
Collection fees	13,500	13,261	239
Total operating expenses	9,851,354	9,430,410	420,944
Operating loss	(2,491,501)	(2,530,175)	(38,674)
Non-operating Revenues (Expenses)			
Appropriation	2,038,767	2,038,767	-
Other postemployment benefits	-	808,595	808,595
Interest income	10,000	22,957	12,957
Other	-	2,409	2,409
Interest expense	(52,267)	(51,807)	460
Total non-operating revenues, net	1,996,500	2,820,921	824,421
Increase (decrease) in net position	\$ (495,001)	\$ 290,746	\$ 785,747

See accompanying independent auditors' report.

Independent Auditors' 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, in accordance with the 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, the financial statements of Washington County - Johnson City Emergency Medical Services, Inc. (the "Company"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the Company's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

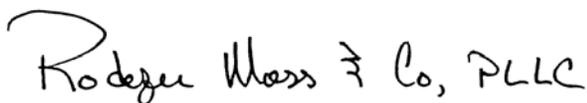
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's, financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Greeneville, Tennessee
March 19, 2014