

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY
MEDICAL SERVICES, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2015

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Financial Statements With Supplementary Information
Year Ended June 30, 2015

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WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Board Members

Year Ended June 30, 2015

Dr. Mark Wilkinson
Jack Hall
Brian Davenport
Craig Ford
Denis Peterson
Regina Barkley
Greg Matherly
David Tomita
Scott Wiseman
James Wheeler

Chairman
Vice Chair
Member
Member
Member
Member
Member
Member
Member
Attorney

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, 2015, and the related notes to the financial statements, which collectively 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 respective financial position of the Company, as of June 30, 2015, and the respective 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, schedules 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 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.

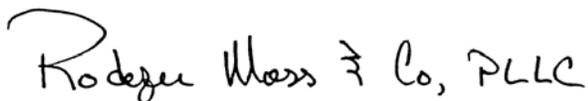
Other Information

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

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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 January 27, 2016, 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
January 27, 2016

Washington County Johnson City Emergency Medical Service Inc.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

This section of the Washington County - Johnson City Emergency Medical Services, Inc. (the "Company") financial report presents an overview and analysis of the Company's financial performance for the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Company exceeded its liabilities and deferred inflows of resources by \$489,000 (rounded) (net position).
- The Company's net position decreased by \$69,624 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$489,000 (rounded) at the close of the most recent year. Net position shows a significant decrease from the previous year due to the required recording of GASB 68 and 71. We have experienced a small deduction in governmental insurance programs reimbursement rates. However we have seen a stabilization of call volume as well as an increase in our billing rates. We anticipate the trend in call volume to remain stable in the upcoming years. The management staff also feels that our outside billing company can make improvements in collections or we will begin to look at other options.

Washington County Johnson City Emergency Medical Service Inc.
Management's Discussion and Analysis (Unaudited) (Continued)

CONDENSED COMPARATIVE STATEMENTS OF NET POSITION

	As of June 30, 2015	As of June 30, 2014	Increase (Decrease)
Assets			
Current Assets	\$ 2,542,777	\$ 2,429,048	\$ 113,729
Capital Assets, net	2,401,032	2,583,647	(182,615)
Other Assets	516,239	537,309	(21,070)
Total Assets	<u>5,460,048</u>	<u>5,550,004</u>	<u>(89,956)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	506,529	-	506,529
Total deferred outflows	<u>506,529</u>	<u>-</u>	<u>506,529</u>
Liabilities			
Current Liabilities	\$ 1,506,768	\$ 855,193	\$ 651,575
Long Term Liabilities	2,708,460	3,105,613	(397,153)
Total liabilities	<u>4,215,228</u>	<u>3,960,806</u>	<u>254,422</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,262,363	-	1,262,363
Total deferred inflows of resources	<u>1,262,363</u>	<u>-</u>	<u>1,262,363</u>
Net Position, restated	<u>\$ 488,986</u>	<u>\$ 1,589,198</u>	<u>\$ (1,100,212)</u>

The Company's net position decreased by \$69,624 during the fiscal year. The following is a summary of financial activities for the Company during the fiscal year ended June 30, 2015:

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

	June 30, 2015	June 30, 2014	Increase (Decrease)
Operating Revenues			
Patient Charges, Net	\$ 7,569,820	\$ 6,473,528	\$ 1,096,292
Contributions	21,380	35,817	(14,437)
Miscellaneous	65,270	51,260	14,010
Total Operating Revenues	<u>7,656,470</u>	<u>6,560,605</u>	<u>1,095,865</u>

Washington County Johnson City Emergency Medical Service Inc.
Management's Discussion and Analysis (Unaudited) (Continued)

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

Operating Expenses			
Salaries and wages	5,533,407	5,453,613	79,794
Employee benefits	1,335,083	1,493,311	(158,228)
Depreciation	436,891	531,450	(94,559)
Insurance	402,008	357,363	44,645
Payroll taxes	391,197	386,965	4,232
Billing fees	322,772	-	322,772
Maintenance and repairs	275,262	319,837	(44,575)
Fuel	227,638	269,506	(41,868)
VA Fees	184,369	40,810	143,559
Supplies	181,528	173,422	8,106
Utilities and telephone	133,033	130,195	2,838
Equipment	140,429	104,270	36,159
Other postemployment benefits	55,828	69,573	(13,745)
Communications	39,943	42,883	(2,940)
Other	154,051	155,163	(1,112)
	<u>9,813,439</u>	<u>9,528,361</u>	<u>285,078</u>
Total Operating Expense			
	<u>9,813,439</u>	<u>9,528,361</u>	<u>285,078</u>
Operating Loss	(2,156,969)	(2,967,756)	810,787
Non-Operating Revenues (Expenses)			
Appropriations	2,133,797	2,133,797	-
Loss on investments	(28,485)	-	(28,485)
Interest Income	26,331	27,927	(1,596)
Other	10,240	50,128	(39,888)
Interest Expense	(54,538)	(53,686)	(852)
	<u>2,087,345</u>	<u>2,158,166</u>	<u>(70,821)</u>
Total non-operating revenues			
	<u>2,087,345</u>	<u>2,158,166</u>	<u>(70,821)</u>
Change in net position	(69,624)	(809,590)	739,966
Net position at the beginning of the year, restated	558,610	2,398,788	(1,840,178)
	<u>558,610</u>	<u>2,398,788</u>	<u>(1,840,178)</u>
Net position at the end of the year	<u>\$ 488,986</u>	<u>\$ 1,589,198</u>	<u>\$ (1,100,212)</u>

Washington County Johnson City Emergency Medical Service Inc.
Management's Discussion and Analysis (Unaudited) (Continued)

Capital Assets

At the end of this year, the Company had \$2.40 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 COMPARTIVE STATEMENT OF CAPITAL ASSETS

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Land	\$ 409,250	\$ 409,250	\$ -
Buildings and improvements	1,716,517	1,705,677	10,840
Equipment, Vehicles and other	5,214,350	5,278,841	(64,491)
Less: Accumulated depreciation	<u>(4,939,085)</u>	<u>(4,810,121)</u>	<u>(128,964)</u>
Total Capital Assets	<u>\$ 2,401,032</u>	<u>\$ 2,583,647</u>	<u>\$ (182,615)</u>

Debt

At the end of the current fiscal year, the Company had \$1.44 million in long-term debt outstanding, an increase of \$88,930 from prior year, or 6.6% over the prior year.

OUTSTANDING DEBT

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Notes payable to banks	<u>\$ 1,436,975</u>	<u>\$ 1,348,045</u>	<u>\$ 88,930</u>

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, 2015

ASSETS		
Current Assets		
Cash and cash equivalents	\$ 884,663	
Accounts receivable, net	1,529,163	
Prepaid expenses	107,026	
Other accounts receivable	<u>21,925</u>	
Total current assets		\$ 2,542,777
Capital Assets		
Land	409,250	
Buildings and improvements	1,716,517	
Office furniture and software	158,695	
Vehicles	3,644,276	
Equipment	1,411,379	
Less: accumulated depreciation	<u>(4,939,085)</u>	
Total capital assets, net		2,401,032
Other Assets		
Certificates of deposit	329,707	
Investments held in trust	180,467	
Pension	<u>6,065</u>	
Total other assets		<u>516,239</u>
TOTAL ASSETS		<u>5,460,048</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>506,529</u>	
Total deferred outflows		<u>506,529</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 268,518	
Accrued expenses	410,908	
Notes payable - current	<u>827,342</u>	
Total current liabilities		\$ 1,506,768
Long-Term Liabilities		
Accrued other postemployment employee benefits	2,098,827	
Notes payable - long-term	<u>609,633</u>	
Total long-term liabilities		<u>2,708,460</u>
Total liabilities		<u>4,215,228</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	<u>1,262,363</u>	
Total deferred inflows of resources		<u>1,262,363</u>
NET POSITION		
Net investment in capital assets	964,057	
Restricted for:		
Expendable		
Estate of Louise Smith	81,951	
Nonexpendable		
Endowed investments	180,467	
Unrestricted	<u>(737,489)</u>	
Total net position		<u>\$ 488,986</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Revenues		
Charges for patient service, net	\$ 7,569,820	
Contributions	21,380	
Miscellaneous	<u>65,270</u>	
Total operating revenues		\$ 7,656,470
Operating Expenses		
Salaries and wages	5,533,407	
Employee benefits	1,335,083	
Depreciation	436,891	
Insurance	402,008	
Payroll taxes	391,197	
Billing fees	322,772	
Maintenance and repairs	275,262	
Fuel	227,638	
VA fee	184,369	
Supplies	181,528	
Equipment	140,429	
Utilities	133,033	
Other postemployment benefits	55,828	
Communications	39,943	
Uniforms	31,967	
Training	28,827	
Professional fees	21,800	
Public relations	17,240	
Health and safety	14,705	
Collection fees	11,590	
Licenses and permits	9,042	
Postage	7,611	
Miscellaneous	5,970	
Travel	<u>5,299</u>	
Total operating expenses		<u>9,813,439</u>
Operating loss		(2,156,969)
Non-Operating Revenues (Expenses)		
Appropriations	2,133,797	
Loss on investments	(28,485)	
Interest income	26,331	
Gain on sale of capital asset	10,240	
Interest expense	<u>(54,538)</u>	
Total non-operating revenues, net		<u>2,087,345</u>
Decrease in net position		(69,624)
Net position at the beginning of the year, restated		<u>558,610</u>
Net position at the end of the year		<u><u>\$ 488,986</u></u>

See accompanying notes to financial statements.

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Statement of Cash Flows
Year Ended June 30, 2015

Cash Flows From Operating Activities

Cash received from customers	\$ 7,738,809	
Cash received from contributors	21,380	
Cash paid to employees	(6,868,490)	
Cash paid to suppliers	<u>(2,630,110)</u>	
Net cash flows from operating activities		\$ (1,738,411)

Cash Flows from Non-Capital Financing Activities

Cash received from appropriations		2,133,797
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Cash Flows From Capital And Related Financing Activities

Purchases of capital assets	(254,276)	
Proceeds from sale of capital assets	10,240	
Interest expense	(54,538)	
Proceeds from note payable	478,420	
Repayments of principal	<u>(389,490)</u>	
Net cash flows from capital and related financing activities		(209,644)

Cash Flows From Investing Activities

Interest received	<u>24,181</u>	
Net cash flows from investing activities		<u>24,181</u>

Net change in cash and cash equivalents		209,923
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Cash and cash equivalents at the beginning of the year		<u>674,740</u>
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Cash and cash equivalents at the end of the year		<u><u>\$ 884,663</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	\$ (2,156,969)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Other Post Employment Benefits	55,828
Depreciation	436,891
Changes in operating assets and liabilities	
Increase in assets:	
Accounts receivable	110,276
Prepaid expenses	(7,525)
Other accounts receivable	(6,557)
Decrease (increase) in liabilities	
Accounts payable	119,896
Pension	(280,035)
Accrued expenses	<u>(10,216)</u>
Net cash flows from operating activities	<u>\$ (1,738,411)</u>

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.

Notes to Financial Statements

June 30, 2015

NOTE 1 - REPORTING ENTITY

Washington County - Johnson City Emergency Medical Services, Inc. (the "Company") is a joint venture of Washington County, Tennessee and the City of Johnson City, Tennessee, 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 are solely responsible for the governance of the 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.

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)

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Company's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the Company's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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 position are available, restricted net position is 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 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 supersedes existing guidance on financial reporting for defined pension plans found in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*. The Statement affects accounting and financial reporting of pensions by state and local governments, and establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The objective of this statement is to clarify accounting and financial reporting for pensions. This statement requires governments to recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning net pension liability calculated under Statement No.68.

Statements No. 68 and 71 are effective for periods beginning after June 15, 2014. The Company implemented these standards effective July 1, 2014. The Company's beginning net position was restated and decreased \$1,030,588 as a result of the implementation of these two standards.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is 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.

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2015 consisted of cash and certificates of deposit at a local financial institution. Substantially all of the deposits were covered by federal depository insurance / national credit union association insurance, and covered by the banks participation in the bank collateral pool.

Management does not feel there is significant credit risk.

A summary of the carrying amount of these deposits at June 30, 2015 is as follows:

Interest bearing	\$ 1,190,274
Non-interest bearing	23,846
Petty cash	<u>250</u>
	<u>\$ 1,214,370</u>

NOTE 4 - INVESTMENTS HELD IN TRUST

The Company is a beneficiary of an endowment trust held with Suntrust Bank and is treated as a private foundation. Five percent of the market value is paid out yearly. The Company's percentage of the value is 25% and is valued as of June 30, 2015 at \$180,467 and is reported as restricted - nonspendable. During the year ended June 30, 2015, the Company received \$24,181 which was recorded as investment income and is unrestricted. The net appreciation recorded for the year ended June 30, 2015 is a loss of \$28,485 and is recorded as restricted - nonspendable. 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, 2015, the balance was \$2,199,130. The amount of the allowance for doubtful accounts has been estimated based on historical data at \$669,967 for net receivables of \$1,529,163.

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, 2015, 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	76,231	10,840	-	87,071
Furniture & fixtures	11,017	-	-	11,017
Vehicles	3,428,581	226,167	(10,472)	3,644,276
Equipment	1,691,565	17,269	(297,455)	1,411,379
Software	147,678	-	-	147,678
Total capital assets, being depreciated	6,984,518	254,276	(307,927)	6,930,867
Less accumulated depreciation	(4,810,121)	(436,891)	307,927	(4,939,085)
Total capital assets, being depreciated, net	2,174,397	(182,615)	-	1,991,782
Total capital assets, net	<u>\$ 2,583,647</u>	<u>\$ (182,615)</u>	<u>\$ -</u>	<u>\$ 2,401,032</u>

Depreciation expense charged during the year was \$436,891.

NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2015:

Note payable, 4.05% interest rate, due in monthly payments of \$5,683, through March 2026, secured by building.	\$ 596,567
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, secured by building.	300,395
Note payable, 2.49% interest rate, due in monthly payments of \$20,274, through December 2015, secured by equipment.	128,149
Note payable, 4.25% interest rate, due in monthly payments of \$3,096, through July 2021, secured by equipment.	198,473
Note payable, 2.55% interest rate, due in monthly payments of \$8,469, through February 2017, secured by equipment.	<u>213,391</u>
	1,436,975
Less amounts due within one year	<u>(827,342)</u>
Long-term debt	<u>\$ 609,633</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	\$ 639,844	\$ -	\$ (43,277)	\$ 596,567	\$ 596,567
Note 862	118,615	254,300	(244,766)	128,149	128,149
Note 0515	261,726	-	(48,335)	213,391	49,367
Note 704	-	224,120	(25,647)	198,473	29,149
Wesley 5256	327,860	-	(27,465)	300,395	24,110
Total	<u>\$ 1,348,045</u>	<u>\$ 478,420</u>	<u>\$ (389,490)</u>	<u>\$ 1,436,975</u>	<u>\$ 827,342</u>

Maturities of long-term debt are as follows:

Year Ending June 30	Bank Notes					
	862		0515		Wesley	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 128,149	\$ 3,993	\$ 49,367	\$ 4,949	\$ 596,567	\$ 19,161
2017	-	-	164,024	5,530	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021-2025	-	-	-	-	-	-
Total	<u>\$ 128,149</u>	<u>\$ 3,993</u>	<u>\$ 213,391</u>	<u>\$ 10,479</u>	<u>\$ 596,567</u>	<u>\$ 19,161</u>

Year Ending June 30	Wesley 5256		704		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 24,110	\$ 10,446	\$ 29,149	\$ 8,003	\$ 827,342
2017	25,020	9,535	30,452	6,701	219,496	21,766
2018	25,936	8,620	31,790	5,362	57,726	13,982
2019	26,885	7,670	33,188	3,965	60,073	11,635
2020	27,851	6,705	34,640	2,513	62,491	9,218
2021-2025	170,593	7,731	39,254	995	209,847	8,726
Total	<u>\$ 300,395</u>	<u>\$ 50,707</u>	<u>\$ 198,473</u>	<u>\$ 27,539</u>	<u>\$ 1,436,975</u>	<u>\$ 111,879</u>

NOTE 8 - ECONOMIC DEPENDENCY

The Company is significantly dependent on Washington County, Tennessee. For the year ended June 30, 2015 revenue received from the County totaled \$1,528,802 which represents 15% 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, 2015 is presented below.

Condensed Statement of Net Position

ASSETS		
Current assets		\$ 41,516
Capital assets, net		<u>34,767</u>
Total assets		<u>76,283</u>
LIABILITIES		
Current liabilities		7,200
Long-Term liabilities		<u>25,492</u>
Total liabilities		<u>32,692</u>
NET POSITION		
Net investment in capital assets		2,075
Unrestricted net position		<u>41,516</u>
Total net position		<u>\$ 43,591</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues		\$ <u>27,230</u>
Depreciation		8,698
Other operating expenses		<u>20,702</u>
Total operating expenses		<u>29,400</u>
Operating income		<u>(2,170)</u>
Non-Operating Income (Expense)		
Interest income		9
Other		<u>(2,017)</u>
Total non-operating expense		<u>(2,008)</u>
Change in net position		(4,178)
Net Position at the beginning of the year		<u>47,769</u>
Net Position at the end of the year		<u>\$ 43,591</u>

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

NOTE 10 - PENSION PLAN FUND

Plan Description

Employees of Washington County - Johnson City Emergency Medical Services (the "Company") are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided:

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members become eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	92
Active employees	<u>101</u>
	<u>208</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Company makes employer contributions at the rate set by the Board of Trustees as determined by actuarial valuation. For the year ended June 30, 2015, employer contributions for the Company were \$506,529 based on a rate of 9.7 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Company's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Valuation Date - The Company's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

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

NOTE 10 - PENSION PLAN FUND (Continued)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study performed for the period of July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Company will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 10 - PENSION PLAN FUND (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 7/1/13	\$12,253,290	\$10,788,053	\$ 1,465,237
Changes for the year:			
Service Cost	357,024	-	357,024
Interest	935,715	-	935,715
Differences between expected and actual experience	(534,537)	-	(534,537)
Contributions - employer	-	434,649	(434,649)
Contributions - employee	-	-	-
Net investment income	-	1,799,205	(1,799,205)
Benefit payments, including refunds of employee contributions	(268,236)	(268,236)	-
Administrative expense	-	(4,350)	4,350
Net changes	<u>489,966</u>	<u>1,961,268</u>	<u>(1,471,302)</u>
Balance at 6/30/14	<u>\$12,743,256</u>	<u>\$12,749,321</u>	<u>\$ (6,065)</u>

Sensitivity of the net pension liability (asset) changes in the discount rate. The following presents the net position liability (asset) of the Commission calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5) than the current rate:

	1 % Decrease (6.50)	Current Discount Rate (7.50)	1 % Increase (8.50)
Net pension liability (asset)	\$ 2,227,318	\$ (6,065)	\$ (1,817,470)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Company recognized pension expense of \$225,710.

For the year ended June 30, 2015, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 475,144
Net difference between projected and actual earnings of pension plan investments	-	787,219
Contributions subsequent to measurement date of June 30, 2014	<u>506,529</u>	<u>-</u>
Total	<u>\$ 506,529</u>	<u>\$ 1,262,363</u>

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

NOTE 10 - PENSION PLAN FUND (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (256,198)
2017	(256,198)
2018	(256,198)
2019	(256,198)
2020	(59,393)
Thereafter	<u>(178,179)</u>
Total	<u>\$ (1,262,364)</u>

Payable to the Pension Plan

At June 30, 2015, the Company reported a payable of \$32,574 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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 125 active members and 9 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, 2015 were \$34,367.

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.

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Annual OPEB Cost and Net OPEB Obligation

ARC	\$ 38,163
Accrued liability	<u>52,077</u>
Annual OPEB cost	90,240
Amount of contribution	<u>(34,367)</u>
Increase in NPO	55,873
Net OPEB obligation - beginning of year	<u>2,042,999</u>
Net OPEB obligation - end of year	<u>\$ 2,098,872</u>

NOTE 12 - 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 13 - 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, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (Unaudited)
Year Ended June 30, 2015

Measurement Period Ended	<u>6/30/2014</u>
Total pension liability	
Service cost	\$ 357,024
Interest	935,715
Changes of benefit terms	-
Differences between expected and actual experience	(534,537)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(268,236)</u>
Net change in total pension liability (asset)	489,966
Total pension liability (asset) - beginning	<u>12,253,290</u>
Total pension liability (asset) - ending (a)	<u>\$ 12,743,256</u>
Plan fiduciary net position	
Contributions - employer	\$ 434,649
Contributions - employee	-
Net investment income	1,799,205
Benefit payments, including refunds of employee contributions	(268,236)
Administrative expense	(4,350)
Other	<u>-</u>
Net change in plan fiduciary net position	1,961,268
Plan fiduciary net position - beginning	<u>10,788,053</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,749,321</u>
Net pension liability (asset) - ending (a) - (b)	(6,065)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.05%
Covered - employee payroll	\$ 5,155,873
Net pension liability (asset) as a percentage of covered employee payroll	-0.12%

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
Schedule of Contributions (Unaudited)
Year Ended June 30, 2015

Measurement period ended June 30,	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 434,649	\$ 506,529
Contributions in relation to the actuarially determined contribution	<u>434,649</u>	<u>506,529</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,155,873	\$ 5,221,948
Contributions as a percentage of covered employee payroll	8.43%	9.70%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen initial liability
Amortization method:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	20 years
Asset valuation method:	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases:	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return:	7.5 percent, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement

WASHINGTON COUNTY - JOHNSON CITY EMERGENCY MEDICAL SERVICES, INC.
 Schedule of Funding Progress for Other Postemployment Employee Benefits (Unaudited)
 Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Actuarial Accrued Liability (AAL) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 2,098,872	\$ 2,098,872	0%	\$ 5,517,537	38%
July 1, 2014	\$ -	\$ 2,042,999	\$ 2,042,999	0%	\$ 5,015,755	41%
July 1, 2012	\$ -	\$ 1,187,932	\$ 1,187,932	0%	\$ 4,975,116	24%
July 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 Position - Budget and Actual
Year Ended June 30, 2015

	Budget	Actual	Variances with Budget Favorable (Unfavorable)
Operating Revenues			
Charges for patient service, net	\$ 8,018,819	\$ 7,569,820	\$ (448,999)
Contributions	9,485	21,380	11,895
Miscellaneous	64,250	65,270	1,020
Total operating revenues	<u>8,092,554</u>	<u>7,656,470</u>	<u>(436,084)</u>
Operating Expenses			
Salaries and wages	5,560,339	5,533,407	26,932
Employee benefits	1,653,593	1,335,083	318,510
Depreciation	578,000	436,891	141,109
Insurance	369,000	402,008	(33,008)
Payroll taxes	393,465	391,197	2,268
Billing fees	300,500	322,772	(22,272)
Maintenance and repairs	286,426	275,262	11,164
Fuel	230,257	227,638	2,619
VA fee	150,000	184,369	(34,369)
Supplies	187,989	181,528	6,461
Equipment	149,584	140,429	9,155
Utilities	133,300	133,033	267
Other postemployment benefits	-	55,828	(55,828)
Communications	41,108	39,943	1,165
Uniforms	26,088	31,967	(5,879)
Training	31,000	28,827	2,173
Professional fees	21,500	21,800	(300)
Public relations	18,209	17,240	969
Health and safety	16,303	14,705	1,598
Collection fees	11,600	11,590	10
Licenses and permits	10,700	9,042	1,658
Postage	7,700	7,611	89
Miscellaneous	6,075	5,970	105
Travel	5,900	5,299	601
Total operating expenses	<u>10,188,636</u>	<u>9,813,439</u>	<u>375,197</u>
Operating loss	<u>(2,096,082)</u>	<u>(2,156,969)</u>	<u>(60,887)</u>
Non-operating Revenues (Expenses)			
Appropriation	2,133,797	2,133,797	-
Loss on investments	-	(28,485)	(28,485)
Interest income	17,010	26,331	9,321
Gain on sale of capital asset	-	10,240	10,240
Interest expense	(54,725)	(54,538)	187
Total non-operating revenues, net	<u>2,096,082</u>	<u>2,087,345</u>	<u>(8,737)</u>
Decrease in net position	<u>\$ -</u>	<u>\$ (69,624)</u>	<u>\$ (69,624)</u>

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, 2015, and the related notes to the financial statements, which comprise the Company's basic financial statements, and have issued our report thereon dated January 27, 2016.

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.

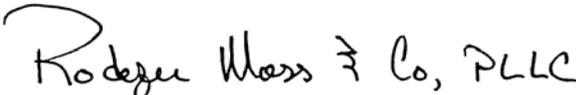
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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



Greeneville, Tennessee
January 27, 2016