

FINANCIAL STATEMENTS

Lake-Sumter Emergency Medical Services, Inc.  
Year Ended September 30, 2006  
With Report of Independent Certified Public Accountants

Lake-Sumter Emergency Medical Services, Inc.

Financial Statements

Year Ended September 30, 2006

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# Financial Section

## Report of Independent Certified Public Accountants

The Board of Directors  
Lake-Sumter Emergency Medical Services, Inc.

We have audited the accompanying financial statements of the governmental activities and general fund of Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS) as of and for the year ended September 30, 2006, which collectively comprise Lake-Sumter EMS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lake-Sumter EMS's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Lake-Sumter EMS's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lake-Sumter EMS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of Lake-Sumter EMS as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 10, Fund Balances/Net Assets included in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances – Statement of Activities at October 1, 2005 has been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2006 on our consideration of Lake-Sumter EMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 23 through 24, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Ernst & Young LLP*

December 14, 2006

# Lake-Sumter Emergency Medical Services, Inc.

## Management's Discussion and Analysis

September 30, 2006

As management of Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS), we offer readers of the Lake-Sumter EMS financial statements this narrative overview and analysis of the financial activities of Lake-Sumter EMS for the fiscal year ended September 30, 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

- Lake-Sumter EMS assets exceeded its liabilities at September 30, 2006 by \$5,378,857 (net assets). Of this amount, \$2,028,273 (unrestricted net assets) may be used to meet the organization's ongoing obligations to its customers and creditors.
- Lake-Sumter EMS total net assets increased \$925,297 from the prior year.
- Lake-Sumter EMS has no outstanding debt except for accrued compensated absences for its employees. The amount outstanding at September 30, 2006, was \$462,830.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Lake-Sumter EMS basic financial statements. The basic financial statements consist of two parts: (a) combined government-wide financial statements and fund financial statements, and (b) notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements. As Lake-Sumter EMS operations focus on one program/function, public safety, it is considered to be a special-purpose government for financial reporting purposes.

For special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined using a columnar format. This format reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements, rather than at the bottom of the statements or in an accompanying schedule as is required for general governments or those with multiple programs or functions. Lake-Sumter EMS has chosen this format for presentation of its financial statements.

## Lake-Sumter Emergency Medical Services, Inc.

### Management's Discussion and Analysis (continued)

#### **Government-Wide Financial Statements**

The government-wide financial statements of Lake-Sumter EMS provide a broad overview of Lake-Sumter EMS finances and report information about Lake-Sumter EMS using accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents Lake-Sumter EMS assets less its liabilities at year-end. The difference between these assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lake-Sumter EMS is improving or deteriorating.

The Statement of Activities presents information showing how Lake-Sumter EMS net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 12-13 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lake-Sumter EMS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lake Sumter EMS has only one fund, the general fund, which is a governmental fund type.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, a reconciliation is provided in the notes to the financial statements between the fund and government-wide statements.

The basic governmental fund financial statements can also be found on pages 12-13 of this report.

## Lake-Sumter Emergency Medical Services, Inc.

### Management's Discussion and Analysis (continued)

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

Other information – In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Lake-Sumter EMS annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 23 of this report.

#### **Government-Wide Financial Analysis**

The fund financial statements for Lake-Sumter EMS are converted to the Statement of Net Assets and Statement of Activities by posting adjustments for the following:

- Capital assets, net of accumulated depreciation, have been added to the Statement of Net Assets. In addition, capital outlay has been taken out of expenses in the Statement of Activities and depreciation for the current year has been added.
- The liability for accrued compensated absences has been added to the Statement of Net Assets and the related expense has been included in the Statement of Activities.

The 2005 net asset ending balance needed to be restated in the current fiscal year resulting in an increase of \$170,383 in net assets as of October 1, 2005. The reason for the increase was due to unbilled accounts receivable not recorded in 2005. Overall, this resulted in a \$170,383 increase in the 2005 unrestricted net assets in the Net Asset schedule below and an increase in the 2005 charges for services, net, which is noted in the Statement of Activities schedule on page 7. This increase in net assets is also restated in the 2005 Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances on page 8 as a \$293,764 increase in the 2005 charges for services, a \$30,845 increase in the 2005 contractual allowances, and a \$92,536 increase in the 2005 bad debt expense.

Our analysis of the government-wide financial statements of Lake-Sumter EMS begins below. The Statement of Net Assets and the Statement of Activities report the net assets of Lake-Sumter EMS and changes in them. Over time, increases or decreases in Lake Sumter EMS net assets are one indicator of financial position. However, you will need to consider other financial factors such as changes in economic conditions, regulations, and new or changed government legislation.

Lake-Sumter Emergency Medical Services, Inc.

Management's Discussion and Analysis (continued)

**Lake-Sumter EMS Net Assets**

	<b>2005</b>	
	<b>(Restated)</b>	<b>2006</b>
Current and other assets	\$ 3,125,318	\$ 3,060,403
Capital assets, net	2,496,114	3,350,584
Total assets	<u>\$ 5,621,432</u>	<u>\$ 6,410,987</u>
Current liabilities	\$ 1,167,872	\$ 1,032,130
Total liabilities	<u>\$ 1,167,872</u>	<u>\$ 1,032,130</u>
<b>Net Assets</b>		
Invested in capital assets	\$ 2,496,114	\$ 3,350,584
Unrestricted	1,957,446	2,028,273
Total net assets	<u>\$ 4,453,560</u>	<u>\$ 5,378,857</u>

Current assets of Lake-Sumter EMS consist primarily of pooled cash and investments of \$1,286,223, trade accounts receivable net of uncollectible amounts of \$1,593,255, and inventory of \$168,730. Noncurrent assets consist of capital assets, net of accumulated depreciation of \$3,350,584.

Current liabilities primarily consist of \$509,300 of accounts payable and accrued liabilities and \$462,830 of short-term accrued compensated absences.

Net assets amounted to \$5,378,857 in fiscal year 2006. A major component of this category is Lake-Sumter EMS investment in capital assets of \$3,350,584 (original cost less accumulated depreciation). Lake-Sumter EMS also has unrestricted net assets of \$2,028,273, which can be used to fund ongoing operations.

While the statement of net assets shows the change in financial position of net assets, the statement of activities provides answers as to the nature and source of these changes.

Lake-Sumter Emergency Medical Services, Inc.

Management's Discussion and Analysis (continued)

**Lake-Sumter EMS Statement of Activities**

	<b>2005</b>	<b>2006</b>
	<b>(Restated)</b>	
Revenues:		
Program revenues:		
Contributions from member counties	\$ 6,279,619	\$ 8,492,454
Charges for services, net	10,088,968	10,589,811
Operating grants	193,665	71,064
Other	142,333	253,833
Total net revenues	<u>16,704,585</u>	<u>19,407,162</u>
Expenses:		
Current	16,744,039	17,846,314
Depreciation	548,990	635,551
Total expenses	<u>17,293,029</u>	<u>18,481,865</u>
Excess of revenues (under) over expenses/change in net assets	<u>(588,444)</u>	<u>925,297</u>
Beginning net assets	<u>5,042,004</u>	<u>4,453,560</u>
Ending net assets	<u>\$ 4,453,560</u>	<u>\$ 5,378,857</u>

Revenues consist primarily of the contribution from Lake and Sumter counties of \$8,492,454 and \$10,589,811, net of allowances, from charges for services.

Current expenses consist primarily of \$12,777,311 in personal services, which include salaries, wages, and related taxes, and fringe benefits paid to Lake-Sumter EMS personnel during fiscal year 2006.

**Analysis of Lake-Sumter EMS General Fund**

Lake-Sumter EMS has one fund, the general fund, which is reported in the Fund Financial Statement column. The focus of the general fund is to provide information on near-term inflows and outflows of cash and the balance available. The unreserved fund balance serves as a measure

Lake-Sumter Emergency Medical Services, Inc.

Management's Discussion and Analysis (continued)

of the resources available for spending for the next fiscal year. The unreserved fund balance was \$2,306,916 at September 30, 2006, compared to \$1,705,558 at the end of the prior year, as restated. The following is a comparison of operations from 2005 to 2006 at the fund level:

**Lake Sumter EMS Comparative Statement of Revenues, Expenditures and Changes in Fund Balance**

**Years Ended September 30, 2006 and 2005**

	<b>2005</b>		<b>Variance</b>
	<b>(Restated)</b>	<b>2006</b>	<b>Increase</b>
			<b>(Decrease)</b>
Revenues:			
Contributions from member counties	\$ 6,279,619	\$ 8,492,454	\$ 2,212,835
Charges for services	16,309,680	17,483,348	1,173,668
Intergovernmental revenue – operating	743,897	71,064	(672,833)
Investment income	64,151	105,367	41,216
Miscellaneous income	78,182	148,466	70,284
Total revenues	<u>23,475,529</u>	<u>26,300,699</u>	<u>2,825,170</u>
Less contractual allowances	3,615,680	4,001,975	386,295
Less bad debt expense	2,605,032	2,891,562	286,530
Net revenues	<u>17,254,817</u>	<u>19,407,162</u>	<u>2,152,345</u>
Expenditures:			
Personal services	12,384,315	12,777,311	392,996
Operating	4,140,387	4,901,868	761,481
Capital outlay	813,868	1,493,487	679,619
Administrative fee	196,474	196,474	–
Total expenditures	<u>17,535,044</u>	<u>19,369,140</u>	<u>1,834,096</u>
Excess of revenues (under) over expenditures	(280,227)	38,022	318,249
Fund balance beginning of year	2,694,208	2,411,031	(283,177)
Change in reserve for inventory	(2,950)	42,050	45,000
Fund balance end of year	<u>\$ 2,411,031</u>	<u>\$ 2,491,103</u>	<u>\$ 80,072</u>

## Lake-Sumter Emergency Medical Services, Inc.

### Management's Discussion and Analysis (continued)

Charges for services increased \$500,843 (net of contractual allowances and bad debt expense), due to increased call volume. Intergovernmental revenue decreased due to reimbursements for hurricanes in the prior year.

Personal services increased \$392,996 due to raises. Operating expenses increased \$761,481 due to additional costs associated with increased call volume and high fuel costs in 2006.

Capital outlay for 2006 increased \$679,619 due to completion of the radio contract, the new electronic patient care reporting project, and vehicle and ambulance purchases.

#### **General Fund Budgetary Highlights**

Differences between the original and the final amended budget for expenditures of \$688,291 relates primarily to the radio project costs that were re-budgeted from 2005 and funded by cash carried forward from that year.

Differences between the final amended budget and actual results are included on page 21 of the accompanying financial statements. The significant variances are discussed below:

- Although actual personal services increased from the prior year, the amounts were still \$953,066 less than the final budgeted amount. This variance was due to unfilled positions during the year.

#### **Capital Assets and Long-Term Debt**

##### **Capital Assets**

As of September 30, 2006, Lake-Sumter EMS had \$3,350,584 (net) invested in capital assets. Capital assets consist of vehicles and equipment used by the organization in its daily operations. All office and maintenance space is leased.

Lake-Sumter Emergency Medical Services, Inc.

Management's Discussion and Analysis (continued)

**Lake-Sumter EMS Capital Assets**

	<u>2005</u>	<u>2006</u>
Equipment	\$ 5,113,465	\$ 6,399,662
Construction in progress – equipment	64,667	–
Total capital assets	5,178,132	6,399,662
Accumulated depreciation	(2,682,018)	(3,049,078)
Net capital assets	<u>\$ 2,496,114</u>	<u>\$ 3,350,584</u>

During 2006, equipment additions amounting to \$1,493,487 included the following:

- Two new ambulances and additional rechassis costs of approximately \$375,000 and purchase of eight other vehicles for approximately \$219,000.
- Approximately \$300,000 spent on the radio project, and \$280,000 on the electronic patient care reporting project.
- Other computer and field equipment

**Long-Term Debt – Compensated Absences**

Lake-Sumter EMS full-time employees accumulate paid days off. Upon termination of employment, employees can receive a cash benefit for accumulated leave, up to a maximum of 240 hours. The cost of accumulated paid days off, including fringe benefits, is accrued only to the extent that the leave will result in cash payments at termination. At September 30, 2006, Lake-Sumter EMS had \$462,830 in accrued compensated absences, all of which is considered to be due in the next fiscal year.

For more detailed information regarding Lake Sumter-EMS's capital assets and long-term debt, please refer to the notes to the financial statements.

**Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for Lake County is 3.0% and the rate for Sumter County is 2.7%. This is compared to the 3.0% for the state and 4.1% for the nation.
- Inflation nationally as indicated by the Consumer Price Index is 3%.

## Lake-Sumter Emergency Medical Services, Inc.

### Management's Discussion and Analysis (continued)

All of these factors were considered in preparing Lake-Sumter EMS budget for the 2006-2007 year. The Lake-Sumter EMS Board adopted the 2006 budget at its June 12, 2006, meeting. The 2007 budget increases the budgeted funding from the participating counties to: \$9,381,960 for Lake County and \$2,493,939 for Sumter County. The amount of cash carried forward from 2006 was estimated at \$1,091,740.

#### **Requests for Information**

This financial report is designed to provide a general overview of Lake-Sumter EMS's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Office of the Clerk of Courts, 315 West Main Street, Post Office Box 7800, Tavares, Florida, 32778, (352)-343-9808.

# Basic Financial Statements

Lake-Sumter Emergency Medical Services, Inc.

Governmental Funds Balance Sheet – Statement of Net Assets

September 30, 2006

	<b>Governmental Funds Balance Sheet – General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 1,286,223	\$ –	\$ 1,286,223
Trade accounts receivable, net	1,593,255	–	1,593,255
Intergovernmental receivable	4,795	–	4,795
Inventory	168,730	–	168,730
Other assets	7,400	–	7,400
Noncurrent assets:			
Capital assets, net	–	3,350,584	3,350,584
<b>Total assets</b>	<b>\$ 3,060,403</b>	<b>\$ 3,350,584</b>	<b>\$ 6,410,987</b>
<b>Liabilities and fund balances/net assets</b>			
Current liabilities:			
Accounts payable	\$ 251,289	\$ –	\$ 251,289
Accrued liabilities	258,011	–	258,011
Deferred revenue	60,000	–	60,000
Compensated absences, current	–	462,830	462,830
<b>Total liabilities</b>	<b>569,300</b>	<b>462,830</b>	<b>1,032,130</b>
Fund balances/net assets:			
Fund balances:			
Reserved for encumbrances	15,457	(15,457)	
Reserved for inventory	168,730	(168,730)	
Unreserved	2,306,916	(2,306,916)	
<b>Total fund balances</b>	<b>2,491,103</b>	<b>(2,491,103)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 3,060,403</b>		
Net assets:			
Invested in capital assets		3,350,584	3,350,584
Unrestricted		2,028,273	2,028,273
<b>Total net assets</b>		<b>\$ 5,378,857</b>	<b>\$ 5,378,857</b>

*The notes to the financial statements are an integral part of this statement.*

Lake-Sumter Emergency Medical Services, Inc.

Statement of Governmental Fund Revenues, Expenditures and  
Changes in Fund Balances – Statement of Activities

Year Ended September 30, 2006

	<b>Governmental Fund Balances General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
<b>Revenues:</b>			
Contributions from member counties	\$ 8,492,454	\$ –	\$ 8,492,454
Charges for services	17,483,348	–	17,483,348
Intergovernmental revenue-operating grants	71,064	–	71,064
Investment income	105,367	–	105,367
Miscellaneous income	148,466	–	148,466
<b>Total revenues</b>	<b>26,300,699</b>	<b>–</b>	<b>26,300,699</b>
Less contractual allowances	4,001,975	–	4,001,975
Less bad debt expense	2,891,562	–	2,891,562
<b>Net revenues</b>	<b>19,407,162</b>	<b>–</b>	<b>19,407,162</b>
<b>Public safety expenditures:</b>			
Personal services	12,777,311	9,245	12,786,556
Operating	4,901,868	(38,584)	4,863,284
Capital outlay	1,493,487	(1,493,487)	–
Depreciation expense	–	635,551	635,551
Administrative fee	196,474	–	196,474
<b>Total expenditures/expenses</b>	<b>19,369,140</b>	<b>(887,275)</b>	<b>18,481,865</b>
Excess of revenues over expenditures/ change in net assets	38,022	887,275	925,297
Fund balances/net assets at beginning of year, as previously reported	2,240,648	2,042,529	4,283,177
Correction of error – Note 10	170,383	–	170,383
Change in reserve for inventory	42,050	(42,050)	–
<b>Fund balance/net assets at end of year</b>	<b>\$ 2,491,103</b>	<b>\$ 2,887,754</b>	<b>\$ 5,378,857</b>

*The notes to the financial statements are an integral part of this statement.*

# Lake-Sumter Emergency Medical Services, Inc.

## Notes to Financial Statements

September 30, 2006

### **1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS) was created pursuant to an interlocal agreement between Lake and Sumter counties under the provisions of Chapter 163, Florida Statutes. The interlocal agreement established a non-profit corporation to service Lake and Sumter counties by providing emergency medical services to the citizens of each county beginning October 1, 2000. The affairs of Lake-Sumter EMS are governed by a seven-member Board of Directors (Board) consisting of: one member each from the Sumter and Lake County Board of County Commissioners, one member each from a city commission within each county, one citizen from each county, and one representative from a hospital whose service area includes either county. Officers are elected by the Board except for the Treasurer, which shall be the Lake County Clerk of Courts (Clerk) for the duration of Lake-Sumter EMS's existence. As treasurer, the Clerk is responsible for all funds of Lake-Sumter EMS, including the receipt and disbursement of all cash. The Clerk receives an administrative fee for this service.

Members of the Board serve without compensation. The Board employs an executive director who is responsible for the daily operation of emergency medical services, including carrying out the Board's directives, hiring and firing employees, and preparing an annual operating budget.

Funding for Lake-Sumter EMS is provided by Lake and Sumter counties and from charges for services. All costs and expenses are prorated between the two counties based upon the number of transports each county received for the prior fiscal year. For fiscal year 2006, Lake County was responsible for 82% of such costs and expenses and Sumter County was responsible for 18% of such costs and expenses. A prior year funding adjustment of \$251,088 was made in 2006, increasing Lake and decreasing Sumter subsidy amounts. Upon notification by the treasurer that a budget deficit exists, both counties shall prorate the amount of deficit in accordance with the above allocation and remit such payment to the treasurer.

# Lake-Sumter Emergency Medical Services, Inc.

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

Government-wide Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets (statement of activities)) report information on all of the activities of Lake-Sumter EMS. Governments typically report activities as either *Governmental activities*, which normally are supported by taxes and intergovernmental revenues or *Business-type activities*, which rely to a significant extent on fees and charges for support. Lake-Sumter EMS reports only governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Since Lake-Sumter EMS's primary mission (function) is public safety, all revenues and expenses are considered to be for this purpose and the accompanying financial statements do not segregate beyond this function.

Because Lake-Sumter EMS has only governmental activities and only one function, it is considered to be a special-purpose government for financial reporting purposes under GAAP. As such, the government-wide financial statements are presented together with the governmental fund financial statements, described below, with an adjustment column presented to reconcile the two sets of statements.

Governmental Fund Financial Statements – Lake-Sumter EMS has one governmental fund type, which is the general fund. The General Fund is the primary operating fund used to account for all resources and operations. Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

# Lake-Sumter Emergency Medical Services, Inc.

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements – The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they are measurable and available.

Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Lake-Sumter EMS considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred. Revenues primarily consist of charges for services and contributions from Lake and Sumter counties. Both of these revenues are susceptible to accrual.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **Budgets and Budgetary Accounting**

The budget is prepared annually by the executive director and presented to the Board for approval no later than May 1 of the current year. The budget is prepared on the modified accrual basis of accounting and on a basis consistent with accounting principles generally accepted in the United States.

Budget amendments are defined as major object code changes that either increase or decrease the total budget. Expenditures may not exceed appropriations at the major object code level. Budget transfers between major object codes must be approved by the Board. A legally adopted budget is prepared for the General Fund.

# Lake-Sumter Emergency Medical Services, Inc.

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### **Pooled Cash and Investments**

Pooled cash and investments are stated at fair value. Miscellaneous income includes interest earnings and realized and unrealized gains and losses on investments.

#### **Accounts Receivable**

Trade accounts receivable are shown net of a third-party contractual allowance and an allowance for uncollectible accounts. Trade receivables consist of billings to Medicare, Medicaid, third-party providers, and individuals for ambulance transport. Trade accounts receivable in excess of 90 days are sent to a collection agency. The contractual and general allowance for doubtful accounts is estimated at 42% of current billings, 80% of current billings over 90 days, and 100% of all collection accounts.

#### **Inventory**

Inventory is stated at the lower of cost (first-in, first-out) or market and consists primarily of medical and other supplies. Expenditures are recorded at the time the item is purchased under the purchases method in the governmental fund financial statements. In the government-wide statements, inventories are reported using the consumption method, or when used.

#### **Capital Assets**

Capital assets, which include vehicles and equipment, are recorded as capital outlay expenditures in the General Fund at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net assets. Donated capital assets are recorded in the statement of net assets at fair value at the time received. The capitalization threshold set by Lake-Sumter EMS is \$1,000. Capital assets are depreciated using the straight-line method over six years for vehicles and computers and over ten years for furniture and other equipment. The depreciation expense is recorded in the statement of activities.

Lake-Sumter Emergency Medical Services, Inc.

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Compensated Absences**

All full-time employees are granted paid days off. Paid days off can be accumulated. Upon termination of employment, the employee can receive a cash benefit, based upon the employee's current wage rate and the paid days off not taken, up to a maximum of 240 hours.

Lake-Sumter EMS records accumulated leave and the related fringe benefit at year-end based on each employee's unused hours and rate of pay. All amounts are expected to be paid within one year and are classified as current.

**Fund Balance/Net Assets**

Reserved fund balance represents that portion of fund balance that cannot be appropriated for expenditure or are legally segregated for a specific future use.

Investment in capital assets represents that portion of net assets that is associated with capital assets and is, therefore, not available for general operations.

**2. Reconciliation Between the Fund Statements and the Government-Wide Statements**

The following is a reconciliation between the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2006:

Fund balances	\$ 2,491,103
Add capital assets, net of accumulated depreciation as they are not financial resources and are therefore not reported in the funds	3,350,584
Less compensated absences, not available for current use as they are not due and payable in the current period and are therefore not reported as liabilities in the funds	(462,830)
Net assets	<u>\$ 5,378,857</u>

Lake-Sumter Emergency Medical Services, Inc.

Notes to Financial Statements (continued)

**2. Reconciliation Between the Fund Statements and the Government-Wide Statements (continued)**

The following is a reconciliation between the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities for the fiscal year ended September 30, 2006:

Excess of revenues over expenditures	\$ 38,022
Add capital outlay expenditures as the cost of assets is allocated over their useful lives in the Statement of Activities	1,493,487
Less current-year depreciation on capital assets as the Governmental Funds Statements record an expenditure at the time of purchase	(635,551)
The net effect of miscellaneous transactions involving capital assets is to decrease net assets	(3,466)
Less net change in compensated absences	(9,245)
Adjustments and expenses not requiring the use of current financial resources	42,050
Change in net assets	<u>\$ 925,297</u>

**3. Bank Deposits and Investments**

Lake-Sumter EMS's pooled cash and investments account is combined with the pooled cash and investments of Lake County (County). The County is a member of the Local Government Surplus Funds Trust Fund, a 2a7-like pool which has the characteristics of a money market fund that is administered by the State Board of Administration of Florida (SBA).

Funds that have not been transferred to the state investment pool are placed in other various types of investments. Other authorized investments include insured interest-bearing time deposits, direct obligations of the U.S. government, and obligations of certain government supported enterprises. Interest earned from investments with pooled cash is allocated to each of the participating County and Lake-Sumter EMS funds based on the fund's average daily equity balance. The County financial statements contain full disclosure regarding the County's deposits and investments.

Lake-Sumter Emergency Medical Services, Inc.

Notes to Financial Statements (continued)

**4. Accounts Receivable**

Trade accounts receivable consist of the following as of September 30, 2006:

Medicare	\$ 1,569,493
Medicaid	137,665
Contract	1,459,220
Private pay	<u>2,674,351</u>
Gross receivables	5,840,729
Less contractual allowances	<u>(1,074,589)</u>
Subtotal	4,766,140
Less allowance for doubtful accounts	<u>(3,172,885)</u>
Net receivables	<u><u>\$ 1,593,255</u></u>

**5. Capital Assets**

A summary of the changes in capital assets follows:

	<b>Balance October 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2006</b>
Depreciable assets:				
Equipment	\$ 5,113,465	\$ 1,558,674	\$ (272,477)	\$ 6,399,662
Less accumulated depreciation	<u>(2,682,018)</u>	<u>(635,551)</u>	268,491	<u>(3,049,078)</u>
Depreciable assets, net	2,431,447	923,123	(3,986)	3,350,584
CWIP – equipment	64,667	–	(64,667)	–
Capital assets, net	<u>\$ 2,496,114</u>	<u>\$ 923,123</u>	<u>\$ (68,653)</u>	<u>\$ 3,350,584</u>

Lake-Sumter Emergency Medical Services, Inc.

Notes to Financial Statements (continued)

**6. Leases**

Lake-Sumter EMS leases certain building and office facilities under noncancelable operating leases. Total costs for such leases were \$191,091 for the year ended September 30, 2006. The future minimum lease payment for these leases total \$190,699 and \$88,845 for 2007 and 2008 respectively.

**7. Compensated Absences**

A summary of changes in compensated absences follows:

Balance at October 1, 2005	\$ 453,585
Additions	814,231
Payments	<u>(804,986)</u>
Balance at September 30, 2006 – All current	<u>\$ 462,830</u>

**8. Employees' Retirement Plan**

Substantially all full-time employees participate in a defined contribution pension plan established by Lake-Sumter EMS to provide benefits at retirement to all eligible employees. At September 30, 2006, there were 234 plan members. Plan members are not required to contribute. Lake-Sumter EMS is required to contribute 7% of annual covered payroll. Employer contributions for the years ended September 30, 2006, 2005, and 2004 were \$529,595, \$499,039, and \$510,800, respectively. Plan provisions and contribution requirements are established and may be amended by the Lake-Sumter EMS Board.

**9. Risk Management**

Lake-Sumter EMS is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Employee health coverage is provided by Sumter County's self-insured fund; amounts paid for the year ended September 30, 2006 were \$1,693,096. Lake-Sumter EMS's contributions to the fund are considered expenditures when the liability is incurred. Contributions are based on prior claims experience and allocated expenses. General liability, automobile, workers' compensation, and property coverage is provided under commercial policies.

Lake-Sumter Emergency Medical Services, Inc.

Notes to Financial Statements (continued)

**10. Restatement**

Lake-Sumter EMS identified an error in their accounting for unbilled accounts receivable and related allowances at September 30, 2005. The cumulative effect of this error increased net assets at September 30, 2005 by \$170,383. As a result, beginning net assets at October 1, 2005 was restated by \$170,383 in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances – Statement of Activities for the year ended September 30, 2006.

The following table presents the impact of the restatement adjustments.

Unrecorded accounts receivable	\$ 293,764
Unrecorded allowance for doubtful accounts	(92,536)
Unrecorded allowance for contractual adjustments	<u>(30,845)</u>
Increase in beginning net assets	<u>\$ 170,383</u>

# Required Supplementary Information

Lake-Sumter Emergency Medical Services, Inc.

Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund

Year Ended September 30, 2006

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Contributions from member counties	\$ 8,492,454	\$ 8,492,454	\$ 8,492,454	\$ –
Charges for services	17,231,043	17,231,043	17,483,348	252,305
Intergovernmental revenue	–	68,850	71,064	2,214
Investment income	50,000	50,000	105,367	55,367
Miscellaneous income	111,691	122,923	148,466	25,543
<b>Total revenues</b>	<b>25,885,188</b>	<b>25,965,270</b>	<b>26,300,699</b>	<b>335,429</b>
Less contractual allowances	3,758,994	3,758,994	4,001,975	(242,981)
Less bad debt expense	3,398,477	3,398,477	2,891,562	506,915
<b>Net revenues</b>	<b>18,727,717</b>	<b>18,807,799</b>	<b>19,407,162</b>	<b>599,363</b>
<b>Expenditures:</b>				
Personal services	13,871,899	13,730,377	12,777,311	953,066
Operating	4,637,257	4,926,509	4,901,868	24,641
Capital outlay	1,062,786	1,603,347	1,493,487	109,860
Administrative fee	196,474	196,474	196,474	–
<b>Total expenditures</b>	<b>19,768,416</b>	<b>20,456,707</b>	<b>19,369,140</b>	<b>1,087,567</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,040,699)</b>	<b>(1,648,908)</b>	<b>38,022</b>	<b>1,686,930</b>
<b>Other financing uses:</b>				
Reserve for contingencies	(101,740)	(591,740)	–	591,740
<b>Total other financing uses</b>	<b>(101,740)</b>	<b>(591,740)</b>	<b>–</b>	<b>591,740</b>
<b>Excess of revenues over expenditures and other uses</b>	<b>(1,142,439)</b>	<b>(2,240,648)</b>	<b>38,022</b>	<b>2,278,670</b>
<b>Fund balance at beginning of year, as previously reported</b>	<b>1,142,439</b>	<b>2,240,648</b>	<b>2,240,648</b>	<b>–</b>
Correction of error – <i>Note 10</i>	–	–	170,383	170,383
Change in reserve for inventory	–	–	42,050	42,050
<b>Fund balance at end of year</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 2,491,103</b>	<b>\$ 2,491,103</b>

Lake-Sumter Emergency Medical Services, Inc.

Notes to Required Supplementary Information

September 30, 2006

**1. Summary of Significant Accounting Policies**

**Budgetary Process**

The budget is prepared annually by the executive director and presented to the Board for approval no later than May 1 of the current year. The budget is prepared on the modified accrual basis of accounting and on a basis consistent with accounting principles generally accepted in the United States.

Expenditures may not exceed appropriations at the major object code level. Budget amendments are defined as major object code changes that either increase or decrease the total budget. Budget amendments must be approved by the Board. A legally adopted budget is prepared for the General Fund.

# Other Reports

Report of Independent Certified Public Accountants on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an Audit of  
the Financial Statements Performed in Accordance With  
*Government Auditing Standards*

The Board of Directors  
Lake-Sumter Emergency Medical Services, Inc.

We have audited the financial statements of Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake-Sumter EMS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness, based on auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of management, Lake-Sumter EMS and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

December 14, 2006

## Management Letter

The Board of Directors  
Lake-Sumter Emergency Medical Services, Inc.

We have audited the accompanying financial statements of the Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 14, 2006.

We have issued our Report of Independent Certified Public Accountants an Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*, dated December 14, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The following suggestions, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls.

### **Calculation of Allowance for Doubtful Accounts and Contractual Adjustments**

We noted Lake-Sumter EMS appropriately applied its policy of calculating the allowance of doubtful accounts on its accounts receivable. Additionally, we noted the allowance for contractual adjustment was calculated consistent with the prior year by applying the percentage of Medicare and Medicaid accounts receivable over total accounts receivable multiplied by the total allowance calculated per Lake-Sumter EMS policy as noted above. However, we noted no historical support for the percentage applied to the accounts receivable balances. We recommend that management perform a hindsight analysis of its September 30, 2006 accounts receivable to determine if the percentages applied are reasonable in calculating its allowance for doubtful accounts and contractual adjustments.

### ***Management Response***

The total of contractual and general allowance for doubtful accounts has consistently been conservatively estimated at 42% of current billings, 80% of current billings over 90 days, and 100% of all collection accounts. These percentages and the process of allocating amounts for contractual and general allowance will be reviewed for next year's financial statements.

## **Recording Unbilled Accounts Receivable**

We noted that Lake-Sumter EMS had certain unbilled accounts receivable balances that were not recorded during the 2006 and 2005 year-end. This resulted in an adjustment in the current year of the revenue, accounts receivable, contractual allowance, and allowance for bad debt expense. Additionally, the prior year fund balance/net assets were restated. We recommend that management implement a process to properly record the unbilled accounts receivable and related allowance accounts at the end of each fiscal year.

### ***Management Response***

We agree with the current year adjustment/restatement, and will review and adjust this amount in future years.

We noted no internal control or compliance matters that required disclosure during the current and prior year's audit. The following are required disclosures:

We noted no instances of noncompliance with Section 218.415, *Florida Statutes*, related to the investment of public funds.

The Lake Sumter EMS filed its annual financial report for the year ended September 30, 2006, as required by Section 218.32, *Florida Statutes*, with the Department of Financial Services. Based on our review of the financial information contained in this report, no material differences were found in comparing this information to that of the financial statements.

This report is intended solely for the information and use of management, Lake-Sumter EMS and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Lake-Sumter EMS's staff for the courtesy and cooperation given to us during our examination. We look forward to a continued good relationship.

*Ernst & Young LLP*

December 14, 2006