

FINANCIAL STATEMENTS  
Lake-Sumter Emergency Medical Services, Inc.  
Year Ended September 30, 2005  
with Report of Independent Certified Public Accountants

Lake-Sumter Emergency Medical Services, Inc.

Financial Statements

Year Ended September 30, 2005

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## Financial Section

## Report of Independent Certified Public Accountants

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, 2005, which collectively comprise Lake-Sumter EMS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 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 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, as well as 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 respective financial position of the governmental activities and the general fund of Lake-Sumter EMS at September 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the Lake-Sumter EMS internal control over financial reporting and 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 10 and 21 through 22 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 inquires 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 16, 2005

## Management's Discussion and Analysis

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, 2005. 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, 2005 by \$4,283,177 (net assets). Of this amount, \$1,787,063 (unrestricted net assets) may be used to meet the organization's ongoing obligations to its customers and creditors.
- Lake-Sumter EMS total net assets decreased \$758,827 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, 2005, was \$453,585.

### 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.

## **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 11-12 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 11-12 of this report.

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 13 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 21 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.
- In 2004, an intergovernmental receivable for FEMA reimbursement for hurricane expenses was recorded and the related revenue was included in the Statement of Activities. An adjustment is made to the current year for the revenue of \$550,232 collected in 2005 but already recognized in 2004.

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 EMS Net Assets

	<u>2004</u>	<u>2005</u>
Current and other assets	\$3,728,379	\$2,954,935
Capital assets, net	2,247,622	2,496,114
Total assets	<u>\$5,976,001</u>	<u>\$5,451,049</u>
Current liabilities	\$933,997	\$1,167,872
Total liabilities	<u>\$933,997</u>	<u>\$1,167,872</u>
<b>Net Assets</b>		
Invested in capital assets	\$2,247,622	\$2,496,114
Unrestricted	2,794,382	1,787,063
Total net assets	<u>\$5,042,004</u>	<u>\$4,283,177</u>

Current assets of Lake-Sumter EMS consist primarily of pooled cash and investments of \$1,596,291, trade accounts receivable net of uncollectible amounts of \$1,088,378, intergovernmental receivables of \$134,049, and inventory of \$126,680. Noncurrent assets consist of capital assets, net of accumulated depreciation of \$2,496,114.

Current liabilities primarily consist of \$620,205 of accounts payable and accrued liabilities, and \$453,585 of short-term accrued compensated absences.

Net assets amounted to \$4,283,177 in fiscal year 2005. A major component of this category is Lake-Sumter EMS investment in capital assets of \$2,496,114 (original cost less accumulated depreciation). Lake-Sumter EMS also has unrestricted net assets of \$1,787,063, 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 EMS Statement of Activities

	2004	2005
Revenues:		
Program revenues:		
Contributions from member counties	\$ 6,279,619	\$ 6,279,619
Charges for services, net	9,115,717	9,918,585
Operating grants	590,415	193,665
Other	114,418	142,333
Total net revenues	16,100,169	16,534,202
Expenses:		
Current	15,332,851	16,744,039
Depreciation	540,994	548,990
Total expenses	15,873,845	17,293,029
Excess of revenues over (under) expenses		
Change in net assets	226,324	(758,827)
Beginning net assets	4,815,680	5,042,004
Ending net assets	\$ 5,042,004	\$ 4,283,177

Revenues consist primarily of the contribution from Lake and Sumter Counties of \$6,279,619 and of \$9,918,585, net of allowances, from charges for services.

Current expenses consist primarily of \$12,387,842 in personal services, which include salaries, wages, and related taxes, and fringe benefits paid to Lake-Sumter EMS personnel during fiscal year 2005.

## 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 of the resources available for spending for the next fiscal year. The unreserved fund balance was \$1,535,175 at September 30, 2005, compared to \$2,564,578 at the end of the prior year. The following is a comparison of operations from 2004 to 2005 at the fund level:

### Lake Sumter EMS Comparative Statement of Revenues, Expenditures and Changes in Fund Balance Years Ended September 30, 2005 and 2004

	2004	2005	Variance Increase (Decrease)
Revenues:			
Contributions from member counties	\$ 6,279,619	\$ 6,279,619	\$ -
Charges for services	14,601,720	16,015,916	1,414,196
Intergovernmental revenue - operating	40,183	743,897	703,714
Investment income	55,092	64,151	9,059
Miscellaneous income	59,326	78,182	18,856
Total revenues	21,035,940	23,181,765	2,145,825
Less contractual allowances	3,201,999	3,584,835	382,836
Less bad debt expense	2,284,004	2,512,496	228,492
Net revenues	15,549,937	17,084,434	1,534,497
Expenditures:			
Personal services	11,504,423	12,384,315	879,892
Operating	3,520,554	4,140,387	619,833
Capital outlay	599,170	813,868	214,698
Administrative fee	196,474	196,474	-
Total expenditures	15,820,621	17,535,044	1,714,423
Excess of revenues under Expenditures	(270,684)	(450,610)	(179,926)
Fund balance beginning of year	2,935,876	2,694,208	(241,668)
Change in reserve for inventory	29,016	(2,950)	(31,966)
Fund balance end of year	<u>\$ 2,694,208</u>	<u>\$ 2,240,648</u>	<u>\$ (453,560)</u>

Charges for services increased \$802,868 (net of contractual allowances and bad debt expense) due to increased fee structure implemented in 2005, and higher call volume of 3%. Intergovernmental revenue increased due to reimbursements for hurricanes. Florida experienced four hurricanes in 2004 and received reimbursements exceeding \$500,000 for these costs in 2005, in addition to approximately \$134,000 for hurricanes in 2005.

Personal services increased \$879,892 due to raises, including market adjustments, and increased staffing, including adding a service unit.

Operating expenses increased \$619,833 due to additional costs associated with call volume and the additional unit and high fuel costs in 2005.

Capital outlay for 2005 includes five new ambulances (an increase from three added in 2004), a dispatch console, and other equipment.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended budget for revenue was approximately \$632,000 due to an increase in intergovernmental revenue for reimbursements for hurricanes. Differences between the original and the final amended budget for expenditures of \$1,353,985 relates primarily to the radio project costs that were re-budgeted from 2004 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. Some of the more significant variances are discussed below:

- Although actual personal services increased from the prior year due to increased staffing and raises, the amounts were still \$220,953 less than the final budgeted amount. This variance was due to unfilled positions during the year and additional staffing added midyear even though it was budgeted for the full year.
- \$619,548 less spent for capital outlay than budgeted, as the radio project was not completed during 2005.

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

#### *Capital Assets*

As of September 30, 2005, Lake-Sumter EMS had \$2,496,114 (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 EMS Capital Assets

	2004	2005
Equipment	\$4,357,387	\$5,113,465
Construction in progress – equipment	43,840	64,667
Total capital assets	4,401,227	5,178,132
Accumulated depreciation	(2,153,605)	(2,682,018)
Net capital assets, net	\$2,247,622	\$2,496,114

During 2005, equipment additions amounting to \$861,810 included the following:

- Five new ambulances for approximately \$529,000 and one dispatch console of approximately \$50,000
- Approximately \$58,000 spent on the radio 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, 2005, Lake-Sumter EMS had \$453,585 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 4.0% and the rate for Sumter County is 3.6%. This is compared to the 4.1% for the state and 5.2% for the nation.
- Inflation nationally as indicated by the consumer price index is 4.3%.

All of these factors were considered in preparing Lake-Sumter EMS budget for the 2005-2006 year. The Lake-Sumter EMS Board adopted the 2006 budget at its June 6, 2005, meeting. The 2006 budget increases the budgeted funding from the participating counties to: \$6,963,812 for Lake County and \$1,528,642 for Sumter County. The amount of cash carried forward from 2005 was estimated at \$1,142,439.

## **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, 2005

	<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	\$1,596,291	\$ –	\$1,596,291
Trade accounts receivable, net	1,088,378	–	1,088,378
Intergovernmental receivable	134,049	–	134,049
Inventory	126,680	–	126,680
Other assets	9,537	–	9,537
Noncurrent assets:			
Capital assets, net	–	2,496,114	2,496,114
<b>Total assets</b>	<b>\$2,954,935</b>	<b>\$2,496,114</b>	<b>\$5,451,049</b>
<b>Liabilities and fund balances/Net assets</b>			
Current liabilities:			
Accounts payable	\$ 383,486	\$ –	\$ 383,486
Accrued liabilities	236,719	–	236,719
Deferred revenue	94,082	–	94,082
Compensated absences, current	–	453,585	453,585
<b>Total liabilities</b>	<b>714,287</b>	<b>453,585</b>	<b>1,167,872</b>
Fund balances/Net assets:			
Fund balances:			
Reserved for encumbrances	578,793	(578,793)	
Reserved for inventory	126,680	(126,680)	
Unreserved	1,535,175	(1,535,175)	
<b>Total fund balances</b>	<b>2,240,648</b>	<b>(2,240,648)</b>	
<b>Total liabilities and fund balances</b>	<b>\$2,954,935</b>		
Net assets:			
Invested in capital assets		2,496,114	2,496,114
Unrestricted		1,787,063	1,787,063
<b>Total net assets</b>		<b>\$4,283,177</b>	<b>\$4,283,177</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, 2005

	<b>Governmental Fund Balances General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
Revenues:			
Contributions from member counties	\$ 6,279,619	\$ –	\$ 6,279,619
Charges for services	16,015,916	–	16,015,916
Intergovernmental revenue-operating grants	743,897	(550,232)	193,665
Investment income	64,151	–	64,151
Miscellaneous income	78,182	–	78,182
Total revenues	23,181,765	(550,232)	22,631,533
Less contractual allowances	3,584,835	–	3,584,835
Less bad debt expense	2,512,496	–	2,512,496
Net revenues	17,084,434	(550,232)	16,534,202
Public safety expenditures:			
Personal services	12,384,315	3,527	12,387,842
Operating	4,140,387	19,336	4,159,723
Capital outlay	813,868	(813,868)	–
Depreciation expense	–	548,990	548,990
Administrative fee	196,474	–	196,474
Total expenditures/expenses	17,535,044	(242,015)	17,293,029
Excess of revenues under expenditures/ Change in net assets			
	(450,610)	(308,217)	(758,827)
Fund balances/Net assets at beginning of year	2,694,208	2,347,796	5,042,004
Change in reserve for inventory	(2,950)	2,950	–
Fund balance/Net assets at end of year	<u>\$ 2,240,648</u>	<u>\$2,042,529</u>	<u>\$ 4,283,177</u>

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

# Lake-Sumter Emergency Services, Inc.

## Notes to Financial Statements

September 30, 2005

### **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 2005, Lake County was responsible for 83% of such costs and expenses and Sumter County was responsible for 17% of such costs and expenses. 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 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 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 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. Construction work in progress (CWIP) consists of a radio project not yet completed and is not depreciated until the project is completed and the related asset is placed in service.

Lake-Sumter Emergency 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, 2005:

Fund balances	\$2,240,648
Add capital assets, net of accumulated depreciation as they are not financial resources and are therefore not reported in the funds	2,496,114
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	<u>(453,585)</u>
Net assets	<u><u>\$4,283,177</u></u>

Lake-Sumter Emergency 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, 2005:

Excess of revenues under expenditures	\$(450,610)
FEMA hurricane revenues recorded in the Statement of Activities in 2004 that were collected and reported in the Governmental Funds Statements in 2005	(550,232)
Add capital outlay expenditures as the cost of assets is allocated over their useful lives in the Statement of Activities	813,868
Less current-year depreciation on capital assets as the Governmental Funds Statements record an expenditure at the time of purchase	(548,990)
The net effect of miscellaneous transactions involving capital assets is to decrease net assets	(16,386)
Less net change in compensated absences	(3,527)
Adjustments and expenses not requiring the use of current financial resources	(2,950)
Change in net assets	<u><u>\$(758,827)</u></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 Services, Inc.

Notes to Financial Statements (continued)

**4. Accounts Receivable**

Trade accounts receivable consist of the following:

	<b>Balance September 30, 2005</b>
Medicare	\$ 1,412,961
Medicaid	72,038
Contract	1,073,083
Private pay	4,362,559
Gross receivables	<u>6,920,641</u>
Less contractual allowances	<u>(1,224,775)</u>
Subtotal	5,695,866
Less allowance for doubtful accounts	<u>(4,607,488)</u>
Net receivables	<u>\$ 1,088,378</u>

**5. Capital Assets**

A summary of the changes in capital assets follows:

	<b>Balance October 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2005</b>
Depreciable assets:				
Equipment	\$4,357,387	\$ 861,810	\$(105,732)	\$5,113,465
Less accumulated depreciation	(2,153,605)	(607,969)	79,556	(2,682,018)
Depreciable assets, net	<u>2,203,782</u>	<u>253,841</u>	<u>(26,176)</u>	<u>2,431,447</u>
CWIP – Equipment	43,840	20,827	-	64,667
Capital assets, net	<u>\$2,247,622</u>	<u>\$ 274,668</u>	<u>\$ (26,176)</u>	<u>\$2,496,114</u>

Lake-Sumter Emergency 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 \$96,468 for the year ended September 30, 2005. The future minimum lease payment for these leases total \$106,280, \$102,211 and \$17,145 for 2006, 2007, and 2008 respectively.

**7. Compensated Absences**

A summary of changes in compensated absences follows:

Balance at October 1, 2004	\$ 450,058
Additions	683,515
Payments	<u>(679,988)</u>
Balance at September 30, 2005 – All current	<u>\$ 453,585</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, 2005, there were 204 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 year ended September 30, 2005, 2004 and 2003 were \$499,039, \$510,800 and 435,377. 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, 2005 were \$1,433,764. 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.

## 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, 2005

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Contributions from member counties	\$ 6,279,619	\$ 6,279,619	\$ 6,279,619	\$ –
Charges for services	17,035,084	17,035,084	16,015,916	(1,019,168)
Intergovernmental revenue	40,000	671,830	743,897	72,067
Investment income	50,000	50,000	64,151	14,151
Miscellaneous income	75,500	75,500	78,182	2,682
<b>Total revenues</b>	<b>23,480,203</b>	<b>24,112,033</b>	<b>23,181,765</b>	<b>(930,268)</b>
Less contractual allowances	4,228,441	4,228,441	3,584,835	643,606
Less bad debt expense	2,852,795	2,852,795	2,512,496	340,299
<b>Net revenues</b>	<b>16,398,967</b>	<b>17,030,797</b>	<b>17,084,434</b>	<b>53,637</b>
<b>Expenditures:</b>				
Personal services	12,705,268	12,605,268	12,384,315	220,953
Operating	4,020,359	4,148,928	4,140,387	8,541
Capital outlay	108,000	1,433,416	813,868	619,548
Administrative fee	196,474	196,474	196,474	–
<b>Total expenditures</b>	<b>17,030,101</b>	<b>18,384,086</b>	<b>17,535,044</b>	<b>849,042</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(631,134)</b>	<b>(1,353,289)</b>	<b>(450,610)</b>	<b>902,679</b>
<b>Other financing uses:</b>				
Reserve for contingencies	(237,111)	(1,211,289)	–	1,211,289
<b>Total other financing uses</b>	<b>(237,111)</b>	<b>(1,211,289)</b>	<b>–</b>	<b>1,211,289</b>
<b>Excess of revenues over expenditures and other uses</b>	<b>(868,245)</b>	<b>(2,564,578)</b>	<b>(450,610)</b>	<b>2,113,968</b>
Fund balance at beginning of year	868,245	2,564,578	2,694,208	129,630
Change in reserve for inventory	–	–	(2,950)	(2,950)
<b>Fund balance at end of year</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$2,240,648</b>	<b>\$2,240,648</b>

Lake-Sumter Emergency Medical Services, Inc.

Notes to Required Supplementary Information

September 30, 2005

**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*

Lake-Sumter Emergency Medical Services, Inc.

We have audited the accompanying financial statements of Lake-Sumter Emergency Medical Services, Inc. (Lake-Sumter EMS) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 16, 2005. 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 internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness 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 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 herein 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 16, 2005

## Management Letter

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, 2005, and have issued our report thereon dated December 16, 2005.

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 of the Financial Statements Performed in Accordance with *Government Auditing Standards*, dated December 16, 2005.

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.

We noted no internal control or compliance matters that required disclosure during the current or 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.

During the course of our audit of the Lake-Sumter EMS, nothing came to our attention that would cause us to believe that the Lake-Sumter EMS is in a state of financial emergency as defined by Section 218.503(1), Florida Statutes.

The Lake Sumter EMS filed its annual financial report for the year ended September 30, 2005, 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.

In accordance with Sections 10.554(h)(6)c and 10.556 Rules of the Auditor General, State of Florida, we applied financial condition assessment procedures for the Lake-Sumter EMS as of September 30, 2005. It is management's responsibility to monitor for the Lake-Sumter EMS's financial condition, and our financial condition assessment was based in part on representations made by management and the review of information provided by management.

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 16, 2005