



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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October 7, 2011

Board of Directors  
Fulton County Emergency  
Medical Services, Inc.  
1400 E. 9<sup>th</sup> St.  
Rochester, IN 46975

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fulton County Emergency Medical Services, Inc., as of December 31, 2008 and 2007, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

# **FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

*CPAs / ADVISORS*



# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Fulton County Emergency Medical Services, Inc.  
Rochester, Indiana

We have audited the accompanying statements of financial position of Fulton County Emergency Medical Services, Inc. (the Corporation) as of December 31, 2008 and 2007 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2008 and 2007, and the results of its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blue & Co., LLC*

September 29, 2009

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 81,529	\$ 23,778
Patient accounts receivable, net of allowance for doubtful accounts of \$31,000 and \$32,000 for 2008 and 2007, respectively	76,381	82,896
Due from Fulton County	47,261	95,366
Due from Woodlawn Hospital	7,953	-0-
Prepaid expenses	24,830	27,738
Total current assets	<u>237,954</u>	<u>229,778</u>
 Total assets	 <u>\$ 237,954</u>	 <u>\$ 229,778</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 17,973	\$ 4,701
Due to Woodlawn Hospital	192,077	197,173
Total current liabilities	<u>210,050</u>	<u>201,874</u>
 <b>Net Assets</b>		
Unrestricted net assets	<u>27,904</u>	<u>27,904</u>
Total liabilities and net assets	<u>\$ 237,954</u>	<u>\$ 229,778</u>

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See accompanying notes to financial statements.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Net patient revenue	\$ 525,274	\$ 520,807
In-kind contributions	147,600	165,600
Other	2,934	1,622
Total operating revenues	<u>675,808</u>	<u>688,029</u>
<b>Expenses</b>		
Salaries and wages	559,661	560,661
Employee benefits	159,322	155,681
Professional fees	55,688	65,634
Supplies	48,117	42,371
Insurance	24,227	22,904
Vehicle expense	34,259	29,695
In-kind rental expense	147,600	165,600
Bad debts	130,059	111,265
Miscellaneous	2,896	6,603
Total operating expenses	<u>1,161,829</u>	<u>1,160,414</u>
Change in net assets from operations	(486,021)	(472,385)
<b>County subsidy</b>	<u>486,021</u>	<u>472,385</u>
Change in net assets	-0-	-0-
<b>Net assets</b>		
Beginning of year	27,904	27,904
End of year	<u>\$ 27,904</u>	<u>\$ 27,904</u>

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See accompanying notes to financial statements.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>Operating activities</b>		
Change in net assets	\$ -0-	\$ -0-
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debts	130,059	111,265
Changes in assets and liabilities		
Patient accounts receivable	(123,544)	(111,115)
Prepaid expenses	2,908	(603)
Due from Fulton County	48,105	(71,571)
Due from Woodlawn Hospital	(7,953)	-0-
Accounts payable	13,272	(367)
Due to Woodlawn Hospital	<u>(5,096)</u>	<u>28,899</u>
 Cash flows from operating activities	<u>57,751</u>	<u>(43,492)</u>
 Net change in cash and cash equivalents	57,751	(43,492)
 <b>Cash and cash equivalents</b>		
Beginning of year	<u>23,778</u>	<u>67,270</u>
End of year	<u>\$ 81,529</u>	<u>\$ 23,778</u>

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See accompanying notes to financial statements.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Fulton County Emergency Management Services, Inc. (the Corporation) is a freestanding ambulance service that operates pursuant to the provisions of the Indiana Not-For-Profit Corporation Act. The Corporation provides 24-hour emergency medical services, as outlined by the Indiana Emergency Medical Commission, to the residents of Fulton County from a base at Woodlawn Hospital in Rochester, Indiana.

In accordance with the bylaws, membership of the Corporation consists of the Class A - Board of Commissioners of Fulton County, Indiana, the Class B - Board of Trustees of Woodlawn Hospital (a county Hospital owned by Fulton County, Indiana), and the Class C - County Council of Fulton County, Indiana. Voting rights are as follows:

- Class A members shall elect one member to the Board of Directors chosen from among the Board of Commissioners of Fulton County, Indiana.
- Class B members shall elect one member to the Board of Directors chosen from among the Board of Trustees of Woodlawn Hospital
- Class C members shall elect one member to the Board of Directors chosen from amount the members of the County Council of Fulton County, Indiana.
- Class A, B, and C members shall elect two members to the Board of Directors, one of whom shall be the Chief Executive Officer of Woodlawn Hospital and the other shall be the Medical Director of the Emergency Room at Woodlawn Hospital.

All members shall have equal voting rights and each member shall have the right to one vote at every meeting of the members.

Due to the voting majority of the board being related to Woodlawn Hospital, the CEO and the Medical Director being employees of Woodlawn Hospital, and the relationship of the Hospital providing operational support to the Corporation, the Corporation is considered a component unit of Woodlawn Hospital.

#### Use of Estimates

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

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### Cash and Cash Equivalents

Cash and cash equivalents include all cash held for operating purposes with original maturity dates of 90 days or less. The Corporation maintains its cash in accounts, which at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes that it is not exposed to any significant credit risk on cash and cash equivalents.

### Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Corporation's customer base. Actual results could differ from estimated allowances.

The Corporation has agreements with third-party payers that provide for payments to the Corporation at prospectively determined amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Revenue from the Medicare and Medicaid programs accounted for approximately 54 percent and 13 percent, respectively, of the Corporation's net patient revenue for the year ended December 31, 2008, and 48 percent and 13 percent, respectively, of the Corporation's net patient revenue, for the year ended December 31, 2007. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates and discounts from established charges.

### Compassionate Care

The Corporation provides care to patients who meet certain criteria under its compassionate care policy without charge or at amounts less than its established rates. Because the Corporation does not collect amounts deemed to be compassionate care, they are not reported as revenue.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### Statements of Activities and Changes in Net Assets

The Corporation's statements of activities and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from providing emergency health care services. Contributions received for purposes other than healthcare services, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

### County Subsidy

The Corporation receives a county-appropriated subsidy from Fulton County for operating losses incurred in accordance with its agreement to provide emergency medical services on behalf of the county.

### Income Taxes

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal and State income taxes on related income pursuant to Section 501(a) of the Code.

### Accounting for Uncertainty in Income Taxes

The Accounting for Uncertainty in Income Taxes topic of the FASB Accounting Standards Codification requires certain disclosures, which clarifies generally acceptable accounting principles in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. This guidance applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by the standards, the Corporation elected to defer the application of this guidance until issuance of its June 30, 2010 financial statements. For financial statements covering periods prior to fiscal year 2010, the Corporation evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

### Litigation

The Corporation is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results from operations.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### Risk Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

## 2. PATIENT ACCOUNTS RECEIVABLE

Net patient accounts receivable consists of the following as of December 31, 2008 and 2007:

	2008	2007
Gross patient accounts receivable	\$ 166,998	\$ 174,822
Allowance for estimated contractual adjustments	(59,788)	(60,200)
Allowance for uncollectible accounts	(30,829)	(31,726)
Net patient accounts receivable	<u>\$ 76,381</u>	<u>\$ 82,896</u>

## 3. COMPASSIONATE CARE

Charges excluded from patient service revenue under the Corporation's compassionate care policy were \$33,403 and \$7,899 for 2008 and 2007, respectively.

## 4. NET PATIENT REVENUE

Net patient revenue for 2008 and 2007 consists of the following:

	2008	2007
Gross patient revenue	\$ 949,851	\$ 827,585
Contractual adjustments	(391,174)	(298,879)
Compassionate Care	(33,403)	(7,899)
Net patient revenue	<u>\$ 525,274</u>	<u>\$ 520,807</u>

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# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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### 5. CONCENTRATION OF CREDIT RISK

The Corporation grants credit without collateral to its patients, most of who are local residents and are generally insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2008 and 2007 is as follows:

	2008	2007
Medicare	26%	19%
Medicaid	8%	12%
Blue Cross	12%	14%
Commercial	33%	33%
Self Pay	21%	22%
	<u>100%</u>	<u>100%</u>

### 6. LEASES

The Corporation recognizes in-kind revenue and expense related to use of the Ambulances owned by Fulton County and occupancy of the Emergency Medical Department space within Woodlawn Hospital. The in-kind for the Ambulance is valued at rent rates for similar equipment and the in-kind for the space is valued at similar locations in the general area. Total in-kind recognized in 2008 and 2007 was \$147,600 and \$165,000, respectively.

### 7. RELATED PARTY

#### Woodlawn Hospital

The Corporation has entered into an agreement with Woodlawn Hospital (the Hospital) upon which the Hospital will provide operational support for the Corporation. The term of the agreement is effective January 1, 2007 and extends through December 31, 2011.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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The agreement contains the following stipulations:

1. The Chief Executive Officer of the Hospital shall serve as the Chief Executive Officer of the Corporation.
2. The Hospital allows the Corporation to utilize the ambulance garage and adjacent classroom and the Corporation is responsible for the rehabilitation, repair, maintenance and general housekeeping of the building and to pay the insurance and utilities for the building.
3. The Hospital sells to the Corporation all medical and clerical supplies and equipment necessary for the Corporation to perform its contracted service with Fulton County, said sale to be made at the Hospital's cost or amount allowed by group purchasing agreements.
4. The Hospital provides the Corporation with billing, collection, processing of insurance and other services related to collection of fees from patrons of the Corporation at a cost of \$15,800 per year, paid in monthly installments to the Hospital, with all cash receipts/payments received on behalf of the Corporation forwarded directly to the Corporation.
5. The Hospital provides the Corporation with accounting services, including the writing of checks and maintaining all accounting records at a cost of \$15,800 per year, paid in monthly installments to the Hospital.
6. The Corporation reimburses the Hospital one-half (1/2) of the payroll compensation and fringe benefits of emergency services employees of the Hospital who render services in the Hospital's emergency department while staffing the ambulance base.
7. The Corporation reimburses the Hospital for one-half (1/2) of the salary and fringe benefits of the Director of Emergency Services at the Hospital as compensation for said Director serving as Director of Emergency Services for the Corporation.
8. All sums payable at the end of each month are computed between the two parties with balance due to the appropriate party delivered in one payment.
9. The Corporation reimburses the Hospital \$1,250 per month for the services of its medical director, who also serves as the the Corporation medical director.

# FULTON COUNTY EMERGENCY MEDICAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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Related party transactions recognized in the financial statements resulting from this agreement are as follows for 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Receivable from the Hospital	\$ 7,953	\$ -0-
Payable to the Hospital	\$ 192,077	\$ 197,173
Expense	\$ 829,419	\$ 827,110

### Fulton County

The Corporation has entered into an agreement with Fulton County (the County) upon which the Corporation will provide emergency medical services to the residents of Fulton County on behalf of the County in exchange for receiving funds to offset the operating losses. The term of the agreement is effective January 1, 2007 and extends through December 31, 2011.

Total county subsidy recognized, under the agreement, in 2008 and 2007 was \$486,021 and \$472,385.

Receivables from the County, as of December 31, 2008 and 2007, under the agreement were \$47,261 and \$95,366, respectively.

## 8. COMMITMENTS AND CONTINGENCIES

Fulton County has appropriated the funds to support Fulton County EMS in 2009. Due to state requested changes during the budgeting process for 2009, Fulton County has begun to investigate alternative ways to continue to support Fulton County EMS in future years.