

**LAPEER COUNTY EMERGENCY
MEDICAL SERVICE AUTHORITY**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
FOR YEARS ENDED
DECEMBER 31, 2007 and 2006**

LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Lapeer County Emergency Medical Service Authority
Lapeer, MI 48446

We have audited the accompanying financial statements of the business type activity and each major fund of Lapeer County Emergency Medical Service Authority ("EMS"), Lapeer, Michigan, as of and for the years ended December 31, 2007 and 2006, which collectively comprise EMS's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of EMS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activity and each major fund of Lapeer County Emergency Medical Service Authority, at December 31, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages II through VI, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EMS's basic financial statements. The accompanying Other Supplemental Information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Other Supplemental Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P. C.

Certified Public Accountants

June 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY LAPEER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lapeer County Emergency Medical Service Authority ("EMS"), Lapeer County, Lapeer, Michigan, we offer readers of the EMS's financial statements this narrative overview and analysis of the EMS's financial activities for the fiscal years ended December 31, 2007 and 2006. We encourage readers to consider the information presented herein in conjunction with the EMS's financial statements.

FINANCIAL HIGHLIGHTS

- The EMS's total net assets increased \$247,556, approximately 18%, over the course of the year.
- Net Operating Revenues increased \$291,002 from the prior fiscal year.
- Total Operating Expense increased \$251,604 from the prior fiscal year.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the EMS's basic financial statements. The EMS's basic financial statements comprise two components: (1) Enterprise Funds financial statements, and (2) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Overview of the Financial Statements

Enterprise funds financial statements provide information about the activities of the EMS, presenting a broad long-term overview of the EMS's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statements of Net Assets present information on all of the EMS's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the EMS is improving or deteriorating.

The Statements of Revenues, Expenditures, and Changes in Fund Net Assets present information showing how the EMS's net assets changed during the 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.

The Statements of Net Assets and the Statements of Revenues, Expenditures, and Changes in Fund Net Assets report the governmental activities for the EMS, which encompasses all of the EMS's services.

The EMS operates using a single fund type:

Enterprise Funds – The EMS maintains one type of enterprise fund to account for its services. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE EMS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of December 31, 2007 and 2006.

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | \$ 1,195,923 | \$ 1,066,104 |
| Capital Assets – Net of Depreciation | <u>521,708</u> | <u>424,244</u> |
| Total Assets | 1,717,631 | 1,490,348 |
| Liabilities | | |
| Current Liabilities | 107,112 | 137,703 |
| Non-current Liabilities | 10,318 | - |
| Long-term Liabilities | <u>-</u> | <u>-</u> |
| Total Liabilities | 117,430 | 137,703 |
| Net Assets | | |
| Invested in Capital Assets | | |
| Net of Related Debt | 521,708 | 416,528 |
| Reserved | - | 130,000 |
| Unrestricted | <u>1,078,493</u> | <u>806,117</u> |
| Total Net Assets | <u>\$ 1,600,201</u> | <u>\$ 1,352,645</u> |

The EMS's total net assets reported in the Statement of Net Assets increased \$247,556 and \$217,540 for 2007 and 2006 over the prior fiscal year due in part to a special assessment subsidy of \$208,173 and \$208,173, respectively, from the municipalities that own the EMS.

The following table shows the changes of the net assets during the fiscal years ending December 31, 2007 and 2006.

| | <u>2007</u> | <u>2006</u> |
|--|--------------------|--------------------|
| Revenues | | |
| Operating Revenue | \$ 3,854,570 | \$ 3,413,165 |
| Adjustments to Revenue | <u>(1,630,725)</u> | <u>(1,480,322)</u> |
| Net Operating Revenue | 2,223,845 | 1,932,843 |
| Expenses | | |
| Operating Expenses | <u>2,215,319</u> | <u>1,963,715</u> |
| Operating Income (Loss) | 8,526 | (30,872) |
| Non-operating Revenues (Expenses) | | |
| Township Ambulance Service Buy-in | 11,418 | 14,273 |
| Assessment Subsidy | 208,173 | 208,173 |
| Gain on Disposal of Assets | (14,376) | - |
| Interest Income | 33,815 | 26,604 |
| Interest Expense | <u>-</u> | <u>(638)</u> |
| Non-operating Revenue | <u>239,030</u> | <u>248,412</u> |
| Change in Net Assets | <u>\$ 247,556</u> | <u>\$ 217,540</u> |

Lapeer County EMS's net operating revenues, shown in the Statement of Revenues, Expenditures and Changes in Net Assets increased \$291,002 over the prior fiscal year. This increase is due in part to the continued efforts of our billing department and personnel utilizing efficient, well-informed billing practices, diligent collection procedures/practices of outstanding and delinquent accounts, and concise and accurate documentation practices on the part of field staff which helps assure proper reimbursements from payors for services rendered. In addition, call volume has increased over the prior fiscal year.

The implementation of field data collection systems is anticipated to further improve reimbursements for fiscal year 2008 by helping to assure that all pertinent billing information is collected by field staff at the time patient care is rendered. The field data collection systems hardware and software have been ordered and will be in use by October 2008.

In addition, Lapeer County EMS continually provides documentation and ongoing training to all staff members in an effort to improve documentation which in turn will help assure proper reimbursements.

The operating expenses of Lapeer County EMS increased by \$251,604 over the prior fiscal year 2007. This increase is due in part to ever-increasing payroll related expenses. Other contributory factors are increased costs of vehicle maintenance, fuel, utilities, and medical supplies to name a few. It must be noted that with increased call volume all of the above mentioned items are affected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2007 and 2006, the EMS had \$521,708 and \$424,244 invested in a broad range of capital assets, including land, buildings and equipment. This amount represents a net change of \$97,464 and (\$109,211), respectively.

| | 2007 | 2006 |
|-------------------------------|------------|------------|
| Land | \$ 5,000 | \$ 5,000 |
| Buildings and Improvements | 106,733 | 72,431 |
| Vehicles | 849,084 | 822,125 |
| Equipment | 500,909 | 450,837 |
| | | |
| Total Capital Assets | 1,461,726 | 1,350,393 |
| | | |
| Less Accumulated Depreciation | 940,018 | 926,149 |
| | | |
| Net Capital Assets | \$ 521,708 | \$ 424,244 |

Major capital asset transactions this year include the purchase of 2 new ambulances, 2 new defibrillators and remodeling at station 1.

Debt Administration

As disclosed in the notes of the financial statements, the EMS had a lease for defibrillators that decreased \$7,716. Total outstanding capital leases are \$-0-.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the EMS amended the budget to take into account events during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As is the case each year, Lapeer County EMS anticipates an increase in call volume; however, as has always been stated each year as well, the average collected dollar for each call is reduced due to insurance revenues being lowered and the ever increasing number of unpaid accounts by private individuals. The anticipated "write-off" averages for 2008 are as follows:

| | |
|-----------------------|---|
| Medicare: | 47% for Advanced Life Support Calls 41% for Basic Life support Calls |
| Medicaid: | 63% for Advanced Life support Calls 65% for Basic Life Support Calls |
| Private Pay Accounts: | 90% for all calls. It should be noted that these accounts are the responsibility of individuals who are uninsured or underinsured which makes them responsible for payment of EMS services. It should also be noted that the anticipated write-off for Private Pay Accounts has increased by 16% over the fiscal year 2007 due in part to the economy in Michigan. It is anticipated that more and more accounts will be referred to collections or simply written off due to proven hardship and inability to pay. |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

During the 2007 billing year there were 478 delinquent accounts referred for collections. Those accounts represent a dollar figure of \$244,273.

In an effort to attempt to recover a portion of the lost revenues, Lapeer County EMS implemented an increase of \$1.00 per mile for mileage bringing the total billed for mileage for each loaded mile to \$10.00. As well, we have instituted a monthly pay program for patients who want to pay their accounts but may not be insured or who may have co-pays, and do not wish to have their accounts referred to collections. This program has worked fairly well in that we have collected agreed upon amounts on a monthly basis until the account is paid in full. It is further anticipated that operating expenses for the 2008 budget year will be \$131,702 over the actual operating expenses for the 2007 budget year. For the 2007 budget year, the Board of Directors approved a \$3.00 per capita assessment to be paid by all EMS owning municipalities for the period July 1 through June 30, 2008. The budget for 2008 anticipates a decrease of \$1.00, from \$3.00 to \$2.00 per capita assessment effective July 1, 2008 through June 30, 2009. It should be noted that the assessment monies have always been used for capital improvements, such as new ambulances, defibrillators, and major pieces of equipment which Lapeer County EMS would not otherwise be able to procure. It should be noted that since the assessment was implemented, there have been several new ambulances, 7 new defibrillators, and a \$150,000 field data system purchased. With the lowered assessment the amount received will decrease by \$69,391 from \$208,173 to \$138,782.

While management for Lapeer County EMS understands the position and reasoning for the decrease in the assessment monies, it should be noted that this will most certainly affect the replacement of new ambulances and major equipment that will become necessary as equipment wears and ages. It should be understood as well that while the call volume may go up, the possibilities of collecting for those calls becomes more and more difficult with today's economy. Therefore, replacing ambulances and major pieces of medical equipment and providing competitive wages and benefits for employees, becomes more and more challenging.

It will remain the goal of Lapeer County EMS Authority to utilize fiscal responsibility, which has enabled us to lower the per capita assessment and to add new vehicles and modern updated medical equipment. It is our goal to remain the preferred Emergency Medical Services provider in Lapeer County. As well, Lapeer County EMS will strive to maintain fair and competitive wages and benefits for our employees which will help enable us to retain professional, qualified providers.

Lapeer County EMS Authority will continue to offer and maintain professional, efficient, top quality emergency medical care to the residents of our owning municipalities by providing modern up-to-date medical equipment which will aid our staff in providing the very best medical care to the residents of our community.

CONTACTING EMS'S MANAGEMENT

This financial report is intended to provide our clients, customers and investors with a general overview of the EMS's finances and to show the EMS's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the financial administrator's office at 3056 Davison Road, Bldg. 1, Suite 1, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006

| | 2007 | 2006 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 858,948 | \$ 663,933 |
| Accounts Receivable, Net of Uncollectible Allowance | 273,240 | 329,034 |
| Prepaid Expense | 62,487 | 58,137 |
| Prepaid Retirement | 1,248 | - |
| Deposits on Equipment | - | 15,000 |
| Total Current Assets | 1,195,923 | 1,066,104 |
| Capital Assets | | |
| Land | 5,000 | 5,000 |
| Buildings and Improvements, Net of Depreciation | 39,274 | 6,404 |
| Vehicles, Net of Depreciation | 352,639 | 305,764 |
| Equipment, Net of Depreciation | 124,795 | 107,076 |
| Total Capital Assets | 521,708 | 424,244 |
| TOTAL ASSETS | \$ 1,717,631 | \$ 1,490,348 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 16,891 | \$ 30,987 |
| Accrued Payroll and Payroll Taxes | 37,240 | 33,484 |
| Accrued Retirement | - | 1,432 |
| Patient Overpayments | - | 24,079 |
| Deferred Revenue | 52,981 | 40,005 |
| Current Portion of Long-term Debt | - | 7,716 |
| Total Current Liabilities | 107,112 | 137,703 |
| Non-current Liabilities | | |
| Compensated Absences Payable | 10,318 | - |
| Total Non-current Liabilities | 10,318 | - |
| Long-term Debt | | |
| Leases Payable | - | - |
| Total Long-term Debt | - | - |
| TOTAL LIABILITIES | 117,430 | 137,703 |
| Net Assets | | |
| Invested in Capital Assets Net of Related Debt | 521,708 | 416,528 |
| Restricted | - | 130,000 |
| Unrestricted | 1,078,493 | 806,117 |
| Total Net Assets | 1,600,201 | 1,352,645 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,717,631 | \$ 1,490,348 |

The accompanying notes are an integral part of the financial statements.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | <u>2007</u> | <u>2006</u> |
|--|----------------------------|----------------------------|
| OPERATING REVENUES | | |
| Operating Revenues | \$ 3,727,711 | \$ 3,335,146 |
| Contract Revenue | 20,000 | 20,000 |
| Bad Debt Recovery | 61,622 | 33,094 |
| Education Income | 18,450 | 8,627 |
| Miscellaneous Income | <u>26,787</u> | <u>16,298</u> |
| TOTAL OPERATING REVENUES | 3,854,570 | 3,413,165 |
| ADJUSTMENTS TO OPERATING REVENUES | | |
| Insurance Write-downs and Adjustments | 1,368,690 | 1,253,721 |
| Patient Refunds and Adjustments | 17,762 | 14,182 |
| Uncollectible Accounts | <u>244,273</u> | <u>212,419</u> |
| TOTAL ADJUSTMENTS TO OPERATING REVENUES | <u>1,630,725</u> | <u>1,480,322</u> |
| NET OPERATING REVENUES | 2,223,845 | 1,932,843 |
| OPERATING EXPENSES | <u>2,215,319</u> | <u>1,963,715</u> |
| OPERATING INCOME (LOSS) | 8,526 | (30,872) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Township Ambulance Service Buy-in | 11,418 | 14,273 |
| Assessment Subsidy | 208,173 | 208,173 |
| Gain (Loss) on Disposal of Assets | (14,376) | - |
| Interest Income | 33,815 | 26,604 |
| Interest Expense | <u>-</u> | <u>(638)</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>239,030</u> | <u>248,412</u> |
| CHANGE IN NET ASSETS | 247,556 | 217,540 |
| NET ASSETS – BEGINNING OF YEAR | <u>1,352,645</u> | <u>1,135,105</u> |
| NET ASSETS – END OF YEAR | <u>\$ 1,600,201</u> | <u>\$ 1,352,645</u> |

The accompanying notes are an integral part of the financial statements.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 2,152,779 | \$ 1,727,000 |
| Contract Revenue | 20,000 | 20,000 |
| Bad Debt Recovery | 61,622 | 33,094 |
| Education Income | 18,450 | 8,626 |
| Miscellaneous Income | 26,787 | 16,299 |
| Payments to Suppliers | (796,782) | (728,056) |
| Payments to Employees | (1,315,080) | (1,146,041) |
| | <u>167,776</u> | <u>(69,078)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Township Ambulance Service Buy-in | 11,418 | 14,273 |
| Assessment Subsidy | 221,149 | 179,954 |
| | <u>232,567</u> | <u>194,227</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | (251,427) | (9,890) |
| Principal and Interest Paid on Capital Debt | (7,716) | (68,570) |
| Proceeds from Sale of Assets | 20,000 | - |
| | <u>(239,143)</u> | <u>(78,460)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | 33,815 | 26,604 |
| | <u>33,815</u> | <u>26,604</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 195,015 | 73,293 |
| CASH AND CASH EQUIVALENTS – Beginning of Year | <u>663,933</u> | <u>590,640</u> |
| CASH AND CASH EQUIVALENTS – End of Year | <u>\$ 858,948</u> | <u>\$ 663,933</u> |

The accompanying notes are an integral part of the financial statements.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006 (Continued)**

| | 2007 | 2006 |
|--|------------|-------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES | | |
| Operating Income | \$ 8,526 | \$ (30,872) |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation | 119,586 | 119,101 |
| (Increase) Decrease In: | | |
| Accounts Receivable | 55,794 | (127,823) |
| Prepaid Expense | (4,350) | (39,035) |
| Prepaid Retirement | (1,248) | - |
| Deposits on Equipment | 15,000 | (15,000) |
| Increase (Decrease) In: | | |
| Accounts Payable | (14,095) | 17,456 |
| Accrued Payroll and Payroll Taxes | 3,756 | 9,899 |
| Accrued Retirement | (1,432) | (25) |
| Compensated Absences | 10,318 | - |
| Patient Overpayments | (24,079) | (2,779) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 167,776 | \$ (69,078) |

The accompanying notes are an integral part of the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lapeer County Emergency Medical Service Authority ("EMS") operates under the Urban Corporation Act of 1967. Various local units of government within Lapeer County have elected to provide ambulance services to residents within their area by joining the EMS. Each local unit appoints one individual to serve without pay on the Board of Directors. The EMS has locations in Lapeer, North Branch, and Imlay City.

The accounting and reporting policies of the EMS conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of EMS are described below.

A. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the EMS consists of all funds, departments, boards, and agencies that are not legally separate from the EMS.

B. BASIS OF PRESENTATION

BASIC FINANCIAL STATEMENTS

The EMS's basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenditures and Changes in Fund Net Assets, and a Statement of Cash Flows, as required by GASB 34.

GASB 34 requires that Net Assets be classified into three components; 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. The components are defined as follows:

1. Invested in capital assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances, if any, of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – This component consists of constraints placed on net assets used by external constraints imposed through creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – This component consists of net assets that do not meet the definition of the other two components.

The EMS uses a single enterprise fund to account for its activities. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the EMS's enterprise fund are related to charges to customers for services. Operating expenses for enterprise funds include the costs of these services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, 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 measurement made, regardless of the measurement focus applied.

Enterprise funds use the economic resources measurement focus and the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The revenues susceptible to accrual are charges for service and interest income. All other revenues are recognized when received.

D. BUDGETS AND BUDGETARY ACCOUNTING

The EMS Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Board proposes an operating budget. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
2. The budgets are adopted by a majority vote of the EMS Board.
3. Formal budgetary integration is employed as a management control device during the year.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the EMS Board, as necessary.

E. CASH EQUIVALENTS

The EMS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Buildings and Improvements | 33 years |
| Equipment | 5-10 years |
| Vehicles | 6 years |

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the EMS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. ACCUMULATED UNPAID BENEFITS

Vacation days are earned by employees at a rate from 5 to 25 days per year with unused days at year-end being forfeited. Sick time of up to 96 hours for road staff and up to 80 hours for office staff can be earned each year. A maximum of 480 hours of unused sick time may be accumulated by an employee. Any amount in excess of 480 hours of unused sick time is eligible for a yearly payoff of the excess amount to be paid at ½ their regular hourly straight time rate payable in a lump sum payment on the first pay day in December. Upon retirement an employee would be eligible to be paid for all hours of earned, unpaid sick time at ½ their regular hourly straight time rate.

J. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

K. DEFERRED REVENUE

Deferred revenue relates primarily to the assessment subsidy that was imposed for July 1, 2007 to June 30, 2008 and July 1, 2006 to June 30, 2007, respectively. The assessment was to be collected in quarterly payments. The deferred revenue is money received in excess of one-half of the assessment.

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

CASH AND EQUIVALENTS

A summary of cash and equivalents as of December 31, 2007 follows:

| | <u>Carrying Value</u> | <u>Bank Balance</u> | <u>Covered By FDIC Insurance</u> |
|-----------------|---------------------------|-------------------------|--------------------------------------|
| Demand Deposits | \$ 858,948 | \$ 892,299 | \$ 188,947 |
| | <u>\$ 858,948</u> | <u>\$ 892,299</u> | <u>\$ 188,947</u> |

Bank balance does not reflect deposits in transit or outstanding checks.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

CASH AND EQUIVALENTS (Continued)

FDIC Regulation Number 330.8 provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

1. All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

NOTE 3 – LONG-TERM DEBT

The EMS has entered into capital lease agreements for the purchase of defibrillators.

The following is a summary of changes in long-term debt for the year ended December 31, 2007.

| | <u>Interest Rate</u> | <u>Maturing</u> | <u>Balance 12/31/06</u> | <u>Proceeds</u> | <u>Payments</u> | <u>Outstanding 12/31/07</u> |
|--------------------------|--------------------------|-----------------|-----------------------------|-----------------|-----------------|---------------------------------|
| Citicorp | 0.00% | 2/15/07 | <u>\$ 7,716</u> | <u>\$ -</u> | <u>\$ 7,716</u> | <u>\$ -</u> |
| Less Current Portion | | | | | | <u>-</u> |
| Total Long- term Debt | | | | | | <u>\$ -</u> |

Interest expense of \$-0- and \$638 has been charged to operations, no interest has been capitalized as of December 31, 2007 and 2006, respectively.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

| | Balance 12-31-06 | Additions | Deletions | Balance 12-31-07 |
|--|---------------------|------------|-----------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| Total Capital Assets Not Being Depreciated | 5,000 | - | - | 5,000 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 72,431 | 34,303 | - | 106,734 |
| Equipment | 450,837 | 52,754 | 2,682 | 500,909 |
| Vehicles | 822,125 | 164,370 | 137,412 | 849,083 |
| Total Capital Assets Being Depreciated | 1,345,393 | 251,427 | 140,094 | 1,456,726 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 66,027 | 1,433 | - | 67,460 |
| Equipment | 343,760 | 35,035 | 2,682 | 376,113 |
| Vehicles | 516,362 | 83,118 | 103,035 | 496,445 |
| Total Accumulated Depreciation | 926,149 | 119,586 | 105,717 | 940,018 |
| Total Capital Assets Being Depreciated, Net | 419,244 | 131,841 | 34,377 | 516,708 |
| Total Government Assets, Net | \$ 424,244 | \$ 131,841 | \$ 34,377 | \$ 521,708 |

Depreciation expense was \$119,586 and \$119,101 for the years ended December 31, 2007 and 2006, respectively, and was charged as direct expense to operating expenses.

NOTE 5 – OPERATING LEASES

The EMS maintains an office at 3056 Davison Road, Lapeer, MI. The lease covers the period from March 2007 through February 2010. The 2007 total rent expense was \$26,128.

The projected minimum lease payments are:

| | |
|------|----------|
| 2008 | \$28,269 |
| 2009 | \$29,742 |
| 2010 | \$ 4,893 |

NOTE 6 – RISK MANAGEMENT

The EMS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The EMS carries commercial insurance for risks to cover these losses. The EMS also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 7 – ACCOUNTS RECEIVABLE

Receivables as of December 31, 2007 and 2006 were as follows:

| | 2007 | 2006 |
|---|------------|------------|
| Governmental Units | \$ 770 | \$ 17,572 |
| Charges for Services | 559,967 | 594,449 |
| Less Allowance for Write-downs and Write-offs | (287,497) | (282,987) |
| | \$ 273,240 | \$ 329,034 |

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN

Effective January 1, 2005, the EMS provides pension benefits to all of its eligible employees through a defined contribution plan. EMS contributes 3 percent of employee's gross earnings and employees may contribute an amount not to exceed the Internal Revenue Service guidelines. Contributions to the plan for 2007 and 2006 were \$8,819 and \$16,262, respectively.

NOTE 9 – RESTRICTED NET ASSETS

On November 28, 2006, the EMS entered into a commitment to purchase two new ambulances at a price not to exceed \$144,370. A deposit of \$15,000 was issued on November 28, 2006. The deposit was listed as a current asset on the Statement of Net Assets. The remaining \$130,000 was shown as Restricted Net Assets on the Statement of Net Assets.

NOTE 10 – SUBSEQUENT EVENTS

At the March 2008 Board meeting, it was approved to purchase a field data system at a cost of \$135,273. This system includes software, laptops, and all hardware necessary to mount and use the system in their trucks.

In March 2008, after Marathon Township elected not to use the EMS as their provider, the Board approved to exclude Marathon Township from their license.

OTHER SUPPLEMENTAL INFORMATION

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|--------------|--------------|
| Ambulance and Medical Supplies | \$ 82,421 | \$ 60,817 |
| Bad Debt | 667 | - |
| Bank Service Charges | 496 | 2,067 |
| Collection Expenses | 20,131 | 825 |
| Communications | | |
| Paging | - | 20 |
| Telephone | 13,228 | 10,210 |
| Wireless | 9,006 | 7,002 |
| Computer Software/Hardware – Support/Upgrades | 5,723 | 4,491 |
| Computer Technical Support | 1,714 | 2,375 |
| Contract Services | 37,091 | 34,898 |
| Depreciation | 119,586 | 119,101 |
| Education Division Expenses | 11,900 | 5,273 |
| Education Personnel Expenses | 15,827 | 9,225 |
| Fuel | 79,772 | 67,763 |
| Identity Theft | 239 | - |
| Insurance | | |
| Health | 89,645 | 92,503 |
| Liability | 46,965 | 48,798 |
| Workers' Compensation | 54,220 | 47,968 |
| Internet Web Hosting | 750 | 550 |
| Licenses – Vehicles and Personnel | 1,110 | 1,130 |
| Lodging/Meals/Expense Account | 482 | 139 |
| Membership Dues | 2,253 | 2,224 |
| Office Supplies | 19,918 | 14,707 |
| Payroll Taxes | 112,520 | 95,415 |
| Professional Fees | | |
| Accounting | 8,740 | 10,923 |
| Legal | 5,383 | 36,236 |
| Rent | | |
| Office | 26,128 | 18,740 |
| Equipment | 3,880 | 3,992 |
| Records Storage | 441 | 588 |
| Repairs and Maintenance | | |
| Vehicle | 68,169 | 39,426 |
| Field Equipment | 4,671 | 7,137 |
| Grounds | 8,692 | 12,392 |
| Office Equipment | 53 | - |
| Retirement | 8,819 | 16,262 |
| Station Supplies | 2,151 | 2,300 |
| Uniforms | 7,788 | 14,528 |
| Utilities | 15,585 | 17,750 |
| Wages | 1,329,155 | 1,155,940 |
| | \$ 2,215,319 | \$ 1,963,715 |
| TOTAL OPERATING EXPENSES | | |



BROWN & KENT, P.C.

Certified Public Accountants

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To the Board Members
Lapeer County Emergency
Medical Service Authority
Lapeer, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Emergency Medical Service Authority (LCEMS) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Lapeer County Emergency Medical Service Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCEMS's internal control. Accordingly, we do not express an opinion on the effectiveness of LCEMS's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiency to be a significant deficiency in internal control:

Lack of adequate controls to produce full-disclosure GAAP financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accept accounting principles (GAAP). This is the responsibility of the LCEMS's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: LCEMS, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, LCEMS's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Effect: The result of this condition is that LCEMS lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate that as required by professional standards.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be control deficiencies or material weaknesses, as defined above. We believe the significant deficiency described above is not a material weakness.

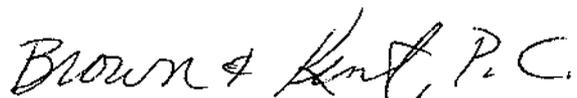
The following comments relate to some of LCEMS's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards but are intended to strengthen internal controls. This letter does not affect our report dated June 2, 2008 on the financial statements of Lapeer County Emergency Medical Service Authority.

BANK RECONCILIATIONS – Due to the size of office staff, there is a lack of segregation of duties regarding the bank reconciliation. The person responsible for preparing the checks also prepares the bank reconciliation. It is recommended that someone independent of bank reconciliation should open the bank statement to review cancelled checks, review the bank reconciliation after completion, and initial and date the report.

BUDGETING – A budget is a tool used to help guide an organization and sets expectation for expenditures. A budget makes sure expenditures are appropriately budgeted for at the time of purchase. Any final amendments to the budget should be done within the fiscal year.

This communication is intended solely for the information and use of management, Board Members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board for the opportunity to serve as auditors for the Lapeer County Emergency Medical Service Authority. We would also like to thank the director and staff for the courtesy and assistance provided to us during our audit. Please contact us, if you have any questions regarding these or any other matters.



Certified Public Accountants

June 2, 2008