

**JEFFERSON COUNTY  
EMERGENCY SERVICES AGENCY**

\*\*\*\*\*

**INDEPENDENT AUDITOR'S REPORT AND  
RELATED FINANCIAL STATEMENTS**

\*\*\*\*\*

**FOR THE YEAR ENDED JUNE 30, 2012**  
*RFP #12-119 (Jefferson County)*

## TABLE OF CONTENTS

	Page
Board of Directors	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4
Statement of Net Assets	5
Statement of Activities	6
Fund Balance Sheet – Governmental Funds	7
Reconciliation of Fund Balance Sheet – Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 BOARD OF DIRECTORS  
 JUNE 30, 2012

Name	Office	Term Expires
Pete Kelly	President	November 2, 2012
Dave Withers	Vice President	November 2, 2014
Marty Freeman	Treasurer	November 2, 2014
Ed Boober	Board Member	November 2, 2012
Brenda Engle	Board Member	November 2, 2013
Michael Mood	Board Member	November 2, 2014
Robert Murto	Board Member	November 2, 2013
Russell Kitchner	Board Member	November 2, 2012
Sid White	Board Member	November 2, 2013
Alan Williams	Board Member	November 2, 2014
Robert Jones	Medical Director	
Dale Manuel	County Commissioner	
Doug Pittinger	Director	
Ed Hannon	Deputy Director	



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Jefferson County Emergency Services Agency  
Ranson, West Virginia

We have audited the accompanying financial statements of the governmental activities of the Jefferson County Emergency Services Agency, a component unit of Jefferson County, as of and for the year ended June 30, 2012, which collectively comprise the Jefferson County Emergency Services Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson County Emergency Services Agency'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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 financial position of the governmental activities of the Jefferson County Emergency Services Agency, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2013, on our consideration of the Jefferson County Emergency Services Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Jefferson County Emergency Services Agency

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Detrick, Bawert, Phd*

February 9, 2013

## JEFFERSON COUNTY EMERGENCY SERVICES AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Jefferson County Emergency Services Agency (JCESA) provides pre-hospital emergency care to all citizens and visitors of Jefferson County, West Virginia through a partnership with the seven volunteer Fire Companies in the County. Our goal is to provide these services in a non-discriminatory manner with compassion, integrity and commitment to all those in need in a timely and professional manner.

The Agency was formed in 1995 by an Act of the Jefferson County Commission to keep pace with a growing EMS workload and to address a decline in the availability of volunteer personnel. JCESA was further reorganized in 2008 by an act of the State Legislature via Senate Bill 224 which designated the JCESA Board as the County Fire Board and Ambulance Authority adding to the duties and responsibilities already undertaken. The agency is governed by an eleven member board that serves without compensation.

In January 2011 the Board contracted with an outside vendor to perform a review of the Fire and EMS services in the County which resulted in a Five Year Strategic Plan recommending additional staffing and funding that was to be provided through a County-wide user fee. Although modified somewhat in 2012, the Plan remains the basis for planning and direction for the Agency.

Through this fiscal year, funding was provided almost entirely by the Jefferson County Commission which covers salary and benefits for full time and part-time personnel and operational costs which include a building. However, the Agency placed an ambulance in service and began earning income from ambulance fees billed through a third party agency.

The Agency is experiencing growth in both the number of emergency calls responded to and in the agency mission. Due to a continued decline in volunteers available throughout the County and due to the severity of calls required trained Paramedic support has placed strain on the existing resources.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

ASSETS

<b>Current Assets</b>	\$ 168,187
Cash	36,097
Receivables (net of allowance for uncollectibles of \$4,228)	27,781
Prepaid expenses	81,000
Restricted assets – cash	<u>1,981,895</u>
Capital assets, net	\$ <u>2,294,960</u>
 <b>TOTAL ASSETS</b>	

LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>	\$ 22,728
Accounts payable	19,116
Accrued payroll	1,238
Accrued interest payable	24,976
Long-term liabilities:	<u>1,238,404</u>
Due within one year	<u>1,306,462</u>
Due after one year	
Total liabilities	726,302
 <b>Net Assets</b>	81,000
Invested in capital assets, net of related debt	<u>181,196</u>
Restricted	<u>988,498</u>
Unrestricted	
Total net assets	\$ <u>2,294,960</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	PROGRAM REVENUES			Net (Expenses) Revenues and Changes in Net Assets
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
General Government	\$ <u>2,135,515</u>	\$ <u>59,909</u>	\$ <u>2,078,615</u>	\$ <u>57,325</u>	\$ 60,334
<b>General Revenues</b>					1,962
Interest income					<u>25,827</u>
Miscellaneous income					<u>27,789</u>
Total general revenues					88,123
Change in net assets					<u>900,375</u>
Net assets -- beginning -- restated					<u>\$ 988,498</u>
Net assets -- ending					

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 FUND BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2012

**ASSETS**

	\$ 249,187
Cash	
Receivables (net of allowance for uncollectibles of \$4,228)	36,097
Prepaid expenses	<u>27,781</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>313,065</u></b>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>	\$ 22,728
Accounts payable	19,116
Accrued payroll	<u>1,238</u>
Accrued interest payable	\$ 43,082
<b>Total liabilities</b>	
 <b>Fund Balances</b>	 81,000
Restricted	<u>188,983</u>
Unassigned	269,983
<b>Total fund balances</b>	 \$ <u>313,065</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 RECONCILIATION OF FUND BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

Fund balance, fund level statement June 30, 2012	\$ 269,983
<p>The total fund balance of the Jefferson County Emergency Services Agency's governmental fund differs from the net assets of the governmental activities reported on the Statement of Net Assets as follows:</p>	
<p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>	
Accrued compensated absences	( 7,787)
Notes payable	(1,255,593)
<p>Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.</p>	
	<u>1,981,895</u>
Net assets of governmental activities	\$ <u>988,498</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

<b>Revenues</b>	\$ 59,909	
Charges for services		
Intergovernmental -	2,078,615	
County	57,325	
In kind contributions	1,962	
Interest	<u>25,827</u>	
Miscellaneous		\$ 2,223,638
<b>Expenditures</b>	972,030	
Salaries and wages	74,728	
Payroll taxes	79,754	
Retirement expense	91,822	
Group insurance	81,290	
Workers compensation	24,476	
Contract labor	427,098	
Payments to fire departments	31,643	
Telephone and utilities	438	
Travel	6,639	
Repairs and maintenance - building	25,884	
Repairs and maintenance - equipment	84,725	
Equipment	244	
Rent	1,029	
Advertising	4,920	
Training and education	39,899	
Professional fees	2,175	
Dues and subscriptions	39,475	
Insurance	51,245	
Medical supplies	6,723	
Other supplies	10,941	
Vehicle expense	6,307	
Uniforms	13,323	
Office expense	25,882	
Debt service - principal	<u>57,067</u>	
Debt service - interest		<u>2,159,757</u>
Total expenditures		63,881
Net change in fund balance		<u>206,102</u>
Fund balance at beginning of year - restated		\$ <u>269,983</u>
Fund balance at end of year		

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE -  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances – governmental funds	\$ 63,881
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.	( 4,729)
Capital leases provide current financial resources to governmental funds, but entering into capital leases increases long-term liabilities in the Statement of Net Assets. Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Repayment of obligation under capital lease	2,009
Notes payable provide current financial resources to governmental funds, but entering into notes payable increases long-term liabilities in the Statement of Net Assets. Repayment of notes payable is an expenditure of the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Repayment of notes payable	23,873
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>3,089</u>
Change in Net Assets of Governmental Activities	\$ <u>88,123</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

The Jefferson County Emergency Services Agency complies with accounting principles generally accepted in the United States of America. The Agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The remainder of the Notes are organized to provide explanations, including required disclosures, of the Agency's financial activities for the fiscal year ended June 30, 2012.

The Jefferson County Emergency Services Agency was created by the Jefferson County Commission in fiscal year 2009, pursuant to the provisions of Chapter 7, Article 15 of the West Virginia Code. The Agency is intended to provide ambulance services, fire protection services and emergency medical services in Jefferson County.

The Commission further provided for the creation of the Joint Emergency Services Board to oversee the management and control of the Agency. The Commission has provided that the Agency shall consist of ten members, each servicing a three year staggered term. The members are appointed by the county commission. The Chairman and the Vice Chairman of the Agency are elected from the membership.

In February 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for periods that begin after June 15, 2010. The objective of GASB 54 is to enhance the usefulness of fund balance information by 1) clarifying existing governmental fund type definitions and 2) providing clearer fund balance classifications that can be more consistently applied. The Jefferson County Emergency Services Agency implemented GASB 54 for the year ended June 30, 2010.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Agency's overall financial position and results of operation.

Financial statements prepared using the full accounting for all of the Agency's activities, including infrastructure (roads, bridges, etc.).

The accompanying independent auditor's report is an integral part of these notes.

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Agency elected to implement the general provisions of the Statement in the year ended June 30, 2003.

Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

In June 2001, GASB issued Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus" which amends Statement No. 34. The amendments clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application and modifies other provisions that GASB believes may have unintended consequences in some circumstances.

Also in June 2001, GASB issued Statement No. 38 "Certain Financial Statement Note Disclosures." Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements. Existing disclosures that are modified include interfund balances, debt service requirements, short-term debt activity, lease disclosures and expanded definitions and activity descriptions. Additional not disclosures established include certain interest rate disclosures, major components of receivables and payables and descriptions of interfund transfers.

The adoption of Statement 37 and 38 had no effect on the basic financial statements except for expanded disclosures for interfund activity.

**Basic Financial Statements – Government Wide Statements**

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

In the government-wide Statement of Net Assets the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Agency first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

**(a) Reporting Entity**

The Jefferson County Emergency Services Agency was created by the Jefferson County Commission in fiscal year 2009, pursuant to the provisions of Chapter 7, Article 15 of the West Virginia Code. The Agency is intended to provide ambulance services, fire protection services and emergency medical services in Jefferson County.

The accompanying financial statements present the government and its component units as required by accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of: (1) its corporate name, (2) the right to sue and be sued, and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on: (1) the appointment of the governing authority, and (2) the ability to impose will, or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Agency.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

(b) **Government-Wide Financial Statements**

The government-wide financial statements report information on all the nonfiduciary activities of the government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(c) **Measurement Focus and Financial Statement Presentation – Government-Wide Financial Statements**

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for governmental activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public through service charges or user fees. Fiduciary funds are used to account for assets held by the Agency in a trustee or agency capacity. The fund types used by the Jefferson County Emergency Services Agency are described as follows:

**Governmental Fund Types**

*General Fund:* The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

The Jefferson County Emergency Services Agency reports the following major governmental funds:

General Fund

*General Fund:* The General Fund is the general operating fund of the Agency.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

(d) **Funds and Account Groups – Fund Financial Statements**

The accounts of the Agency are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups for the fund financial statements are:

**Governmental Fund Types**

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

*General Fund:* The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

(e) **Cash, Cash Equivalents and Investments**

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash and cash equivalent in the accompanying financial statements.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: (a) obligations of the United States or any agency thereof, (b) certificates of deposit (which mature in less than one year), (c) general and direct obligations of the State of West Virginia, (d) obligations of the Federal National Mortgage Association, (e) indebtedness secured by first lien deed of trust for property situated within the State if the payment is substantially insured or guaranteed by the federal government, (f) pooled mortgage trusts (subject to limitations), (g) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, (h) interest earning deposits which are fully insured or collateralized, and (i) mutual funds registered with the Security and Exchange Commission which have fund assets over three hundred million dollars. State statute limitations concerning the aforementioned investments include the following:

- (1) at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporations nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

- (2) at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association.
- (3) at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Investment risk is categorized as follows:

**Interest rate risk** – The risk that changes in interest rates will adversely affect the fair value of an investment.

**Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**Custodial credit risk** – The risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

- (f) **Receivables**  
All receivables are shown net of allowance for uncollectibles of \$4,228.

(g) **Capital Assets**

The accounting and reporting treatment applied to capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The Jefferson County Emergency Services Agency records the purchase of capital assets used in governmental fund type operations as expenditures in the governmental funds. The government-wide financial statements of the Jefferson County Emergency Services Agency are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets.

The accompanying independent auditor's report is an integral part of these notes.

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012**

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net assets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

**Governmental Funds**

Buildings and improvements	40 years
Machinery and equipment	3 - 10 years
Vehicles	5 years

**Proprietary Funds**

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	3 - 10 years

**(h) Basis of Accounting**

**Fund Financial Statements**

**Modified Accrual Basis of Accounting**

The Agency used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: charges for services

The accompanying independent auditor's report is an integral part of these notes.

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds (when appropriate) and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

**(i) Committed – Fund Financial Statements**

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

**(j) Inventories**

The Agency considers inventories of materials and supplies utilized in operations as expended at the time of purchase therefore, they do not appear in the Agency's financial statements.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

(k) **Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) **Pension Plans**

All eligible employees are covered under the West Virginia Emergency Medical Services Retirement System due to the Agency's electing to be a participating employer.

(m) **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenses during the reporting period. Actual results could differ from those estimates.

(n) **Equity Classification**

Effective July 1, 2010, the Agency adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards for accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

Government-wide net assets are divided into three components:

- a. Invested in capital assets, net of related debt – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted net assets – Consists of net assets that are restricted by the Agency's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributions.
- c. Unrestricted net assets – All other net assets are reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the Agency's code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the Agency's board of directors.
- d. Assigned – Amounts that are designed by the Agency board of directors for a particular purpose but are not spendable until there is a majority vote approval by the Agency's board of directors.
- e. Unassigned – All amounts not included in other spendable classifications.

(o) **Restricted Assets**

Certain proceeds of the water and sewer enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012

2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported on the government-wide statement of net assets. The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government – wide statement of activities. The individual elements of those reconciliations are included with the statements.

3. Deposits and Investments

The Jefferson County Emergency Services Agency considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Deposits**

It is the Agency's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Agency's deposits are categorized to give an indication of the level of risk assumed by the Agency at June 30, 2012. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized.

	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General Fund	\$ <u>271,155</u>	\$ <u>271,155</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>249,187</u>

The accompanying independent auditor's report is an integral part of these notes.

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012**

Cash is presented in the Statement of Net Assets:

Cash	\$ 168,187
Restricted assets	<u>81,000</u>
	<b>\$ <u>249,187</u></b>

The Jefferson County Emergency Services Agency has no investments at June 30, 2012.

**4. Capital Assets and Capital Assets Net of Depreciation**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Nondepreciable Assets</b>				
Land	\$ <u>550,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>550,000</u>
<b>Depreciable Assets</b>				
Buildings	1,366,998	-0-	-0-	1,366,998
Equipment	<u>487,999</u>	<u>84,725</u>	<u>26,161</u>	<u>546,563</u>
Total at historical cost	<u>1,854,997</u>	<u>84,725</u>	<u>26,161</u>	<u>1,913,561</u>
<b>Less: Accumulated depreciation</b>				
Buildings	42,336	34,175	-0-	76,511
Equipment	<u>376,037</u>	<u>55,279</u>	<u>26,161</u>	<u>405,155</u>
Total accumulated depreciation	<u>418,373</u>	<u>89,454</u>	<u>26,161</u>	<u>481,666</u>
Total depreciable assets, net	<u>1,436,624</u>	<u>( 4,729)</u>	<u>-0-</u>	<u>1,431,895</u>
Total capital assets, net	<b>\$ <u>1,986,624</u></b>	<b>\$ <u>(4,729)</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>1,981,895</u></b>

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012

5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
General obligation notes payable	\$ 1,279,466	\$ -0-	\$ 23,873	\$ 1,255,593	\$ 24,976	\$ 1,230,617
Obligation under capital lease	2,009	-0-	2,009	-0-	-0-	-0-
Compensated absences	<u>10,876</u>	<u>-0-</u>	<u>3,089</u>	<u>7,787</u>	<u>-0-</u>	<u>7,787</u>
Total	\$ <u>1,292,351</u>	\$ <u>-0-</u>	\$ <u>28,971</u>	\$ <u>1,263,380</u>	\$ <u>24,976</u>	\$ <u>1,238,404</u>

**USDA Loan**

The Jefferson County Emergency Services Agency received approval for a loan from the USDA on April 22, 2009, in the amount of \$1,310,000. The loan funds were for the construction of a new operations center and other loan costs.

Loan funds were advanced during the construction period as requested by the Agency. As of June 30, 2012, the outstanding loan principal balance was \$1,255,593. The Agency undertook operations in the new facility prior to the close of the fiscal year ending June 30, 2010. Part of the loan was received after July 1, 2010.

The loan terms require amortized monthly installments of \$6,747 that began May 22, 2010. The interest is a fixed rate of 4.5% for 29 years.

Total loans payable at June 30, 2012	\$ 1,255,593
Less: Current portion due in upcoming year	( 24,976)
Long-term loans payable at June 30, 2012	\$ <u>1,230,617</u>

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012

The annual debt service requirements to maturity for long term debt as of June 30, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 24,976	\$ 55,988	\$ 80,964
2014	26,121	54,843	80,964
2015	27,320	53,644	80,964
2016	28,576	52,388	80,964
2017	29,888	51,076	80,964
2018 – 2022	171,343	233,477	404,820
2023 – 2027	214,487	190,333	404,820
2028 – 2032	268,494	136,326	404,820
2033 – 2037	336,099	68,721	404,820
2038 – 2039	<u>128,292</u>	<u>5,036</u>	<u>133,328</u>
	\$ <u>1,255,596</u>	\$ <u>901,832</u>	\$ <u>2,157,428</u>

**6. Operating Leases**

The government leases a certain Ricoh copier under a non-cancelable operating lease. The future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ <u>2,008</u>

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012

7. Employees Retirement Systems and Pension Plans

*West Virginia Emergency Medical Services Retirement System (EMSRS)*

The governing body of the Jefferson County Emergency Services Agency has elected to become a participant in the West Virginia Emergency Medical Services Retirement System (EMSRS).

Plan Description, Contribution Information, and Funding Policies

Emergency Medical Services Retirement System (EMSRS)

Eligibility to participate: All Authority full-time EMS employees

Authority establishing contribution obligations and benefit provisions: State Statute

Plan member's contribution rate: 8.50%

Agency's contribution rate: 10.50%

Period required to vest: 5 years

Benefits and eligibility for distribution:

The statute prohibits any payout of benefits from the EMRS fund prior to January 1, 2011, with the exception of duty disability retirement. An EMRS member is eligible for "normal" retirement as follows:

A member who has attained age 50 and has 20 or more years of contributing service; or age 50 if the sum of his/her age plus years of credited service is equal to or greater than 70 while still in covered employment; or age 60 and has 10 years of credited service while still in covered service; or age 62 with completion of 5 years of credited service.

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012

Plan Description, Contribution Information, and Funding Policies (Cont'd)

The final average salary (highest annual salary during covered employment for any 5 consecutive plan years in the last 10) times the number of years of service times 2.6% equals the annual retirement benefit for years 1-20, 2.0% for years 21-25 and 1.0% for years 26-30.

Maximum benefit allowed by Federal law for governmental retirement plan is 67% if plan is less than 75% funded.

In accordance with provisions in statute, upon reaching a 75% funded level as of an actuarial valuation date, the CPRB (Consolidated Public Employees Retirement Board) shall increase the annual retirement benefit multiplier from 2.6% of the final average salary to 2.75% of final average salary for years one through twenty of service credited.

Provisions for:	
Disability benefits	Yes
Death benefits	Yes

***Trend Information:***

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>
2012	\$ 75,240	100%
2011	\$ 152,169	100%
2010	\$ 118,326	100%

The accompanying independent auditor's report is an integral part of these notes.

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2012**

EMSRS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Emergency Medical Services Retirement System, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

**8. Restricted**

Certain assets are restricted for repayment of long-term debt. Reserved net assets include the excess of assets over certain liabilities restricted for the debt service on revenue bonds.

**9. Restatement of Fund Balance/Net Assets**

It was determined during this examination that the beginning net assets of the Governmental Fund Types required restatement as follows:

Net assets as previously reported	\$ 874,349
Understatement of prepaid expenses	24,018
Overstatement of obligation under capital lease	<u>2,008</u>
Net assets restated	\$ <u>900,375</u>

It was determined during this examination that the beginning fund balance of General Fund required restatement as follows:

Fund balance as previously reported	\$ 182,084
Understatement of prepaid expenses	<u>24,018</u>
Fund balance restated	\$ <u>206,102</u>

The accompanying independent auditor's report is an integral part of these notes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012

**10. Subsequent Events**

The Agency has considered all subsequent events through February 9, 2013, the date the financial statements were made available.

**11. Financial Support**

The Agency is funded primarily by contributions from the Jefferson County Commission. Any change in that revenue would have a significant impact upon the ability of the Jefferson County Emergency Services Agency to function at its current level.

**12. Risk Management**

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; employees' work related injuries and natural disasters for which the government carries insurance purchased from private insurers or state agencies for these various risks.

The accompanying independent auditor's report is an integral part of these notes.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Jefferson County Emergency Services Agency  
Ranson, West Virginia

We have audited the financial statements of the governmental activities of Jefferson County Emergency Services Agency as of and for the year ended June 30, 2012, which collectively comprise the Jefferson County Emergency Services Agency's basic financial statements and have issued our report thereon dated February 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Jefferson County Emergency Services Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jefferson County Emergency Services Agency's internal control over financial reporting 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 Jefferson County Emergency Services Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Jefferson County Emergency Services Agency in a separate letter dated February 9, 2013.

This report is intended solely for the information and use of the management, Board of Directors of the Jefferson County Emergency Services Agency, others within the entity and federal and state awarding agencies, pass-through entities, Jefferson County Commission and the West Virginia State Auditor's Office, Chief Inspector Division and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

*D. Strick + Boudet, PLLC*

February 9, 2013