VALLEY AMBULANCE AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2019 AND 2018
&
INDEPENDENT AUDITORS' REPORT

McCall Scanlon & Tice, LLC
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Valley Ambulance Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Ambulance Authority (the "Authority"), as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of net position of the Authority as of May 31, 2019, and the related statements of support, revenues, expenses, and changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 historic 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.

Other Matter

The financial statements of Valley Ambulance Authority for the year ended May 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on November 9, 2018.

McCall Scanlon & Tice, LLC

Pittsburgh, Pennsylvania
October 15, 2019

Valley Ambulance Authority's management's discussion and analysis is intended to provide an overview of the Authority's financial condition and activities for the fiscal year ended May 31, 2019, and should be read in conjunction with the financial statements.

Brief Discussion of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned, and expenses are recorded when incurred. The financial statements include three separate statements that together reflect the results of the operational activities for the fiscal year.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities as of the close of business on the last day of the fiscal year. The *Statement of Support, Revenues, Expenses, and Changes in Net Position* presents revenues and expenses for the fiscal year financial activities, recorded as soon as the event occurs, regardless of timing related to cash flow. The *Statement of Cash Flows* reports the change in cash resulting from the operating activities, investments, and purchase or sale of capital assets during the fiscal year.

Condensed Comparative Financial Statements

Condensed Statements of Net Position

	May 31, 2019	May 31, 2018	May 31, 2017
Current assets	$ 2,404,399	$ 2,584,474	$ 2,722,240
Property and equipment, net	615,042	657,717	705,412
Total assets	$ 3,019,441	$ 3,242,191	$ 3,427,652
Current liabilities	$ 209,941	$ 245,359	$ 269,727
Net position:			
Net investment in capital assets	615,042	657,717	705,412
Restricted	7,155	-	-
Unrestricted	2,187,303	2,339,115	2,452,513
Total net position	2,809,500	2,996,832	3,157,925
Total liabilities and net position	$ 3,019,441	$ 3,242,191	$ 3,427,652

Condensed Statements of Support, Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended May 31,		
	2019	2018	2017
Total support	$ 42,826	$ 43,279	$ 49,302
Total operating revenues	3,326,616	3,430,598	3,623,102
Total operating expenses	(2,949,496)	(2,980,164)	(2,951,440)
Total expenses not subject to reimbursement	(655,313)	(680,520)	(731,725)
Operating income (loss)	(235,367)	(186,807)	(10,761)
Total nonoperating revenues (expenses)	48,035	25,714	24,823
Change in net position	(187,332)	(161,093)	14,062
Net position:			
Beginning of year	2,996,832	3,157,925	3,143,863
End of year	$ 2,809,500	$ 2,996,832	$ 3,157,925

As can be seen from the above comparative financial information, revenues and expenses have decreased slightly over the last three years. A more detailed comparison can be seen on pages 10 through 13. The analysis that follows identifies items affecting the financial information over the past fiscal period, also referencing items that will affect future periods.

Analysis of Financial Position and Results of Operations

The following is a summary of key plans, programs and policies which were implemented at Valley Ambulance Authority *("VAA")* during FY 2018 - 19. These initiatives are designed to enhance the overall delivery of high quality pre-hospital care and medical transportation within the Authority's service area. This list also contains a description of major capital purchases made throughout the fiscal year.

1) **Ambulance Call Volume:** Ambulance call volume for the fiscal year (n=5,254) decreased as compared to the previous fiscal year (n=5,693);

2) **Wheelchair Van Call Volume:** Wheelchair van *("WCV")* call volume (n=1,030) decreased from the previous fiscal year; (n=1,450). This reduction is related to a decrease in WCV requests from Sewickley Valley Hospital and West Hills Health and Rehabilitation. Both facilities are now using multiple WCV service providers;

3) **Ambulance Remount:** VAA authorized the purchase of a new chassis and remounting of Ambulance 791. The cost to remount the unit is being offset by a grant of $7,155 from the Office of the State Fire Commissioner;

4) **New Union Contract:** VAA and the Fraternal Association of Professional Paramedics (Local 2) with the help of a state mediator, agreed to a new three (3) year contract in September, 2018. The contract was retroactive to June 1, 2018 and is set to expire on June 1, 2021. There were no Step II grievances filed on behalf of union employees in the fiscal year;

5) **Workers' Compensation and Property/ Liability Insurance Dividends:** VAA received a dividend of $48,708 from the Municipal Risk Management ("MRM") Workers' Compensation Pooled Trust which was a result of overall lower loss ratios by the members of the trust. The Authority also received a dividend of $15,936 from the MRM Property and Liability Insurance Trust;

6) **Employee Training Activities:** Operational employees were provided with 32 hours of mandatory training; also many employees voluntarily engaged in additional hours of internal and external training activities;

7) **New Medicaid Broker Contracts:** VAA became a contractor with several transport brokers including CTS and MTM. These brokers are used by many of the insurance plans to coordinate and schedule non-emergency medical transports for Community Health Choices members (PA's new Medicaid HMO program);

8) **Dispatch Transition:** The Authority transitioned its internal Dispatch services to the Allegheny County 911 Center. The implementation date of the dispatch transition was effective on December 31, 2018;

9) **Naloxone Administration Program**: VAA, in conjunction with Heritage Valley Health System, provided training, medications and equipment to local first responders and police agencies, who choose to administer Naloxone to potential opioid overdose patients, prior to the arrival of an ambulance;

10) **"Stop the Bleed" Training Program**: In conjunction with UPMC, VAA employees continue to provide training to the general public and local school districts, police, and fire departments to use tourniquets to control bleeding. Ongoing planning is also underway with local police departments and schools related to response procedures for active shooter events and other types of mass casualty incidents (MCI);

11) **Cardiac Arrest Register:** VAA is currently participating in a national research study called the Cardiac Arrest Register to Enhance Survival *("CARES")* project, a collaborative effort of the Centers for Disease Control and Prevention (CDC), the American Heart Association (AHA) and Emory University. The project analyses data from cardiac arrest patients and provides benchmarking tools;

12) **Natural Gas Supply Issue:** Since 1974, VAA obtained it natural gas supply from a neighboring business called Fab-Tec. The natural gas usage for VAA was determined through monthly readings and invoices supplied by Fab-Tec. It was determined in May 2018 that the meter readings were unintentionally being misinterpreted by Fab-Tec. Based upon records which were available for review, for the time period of October 2005 through May 2018, VAA agreed to pay Fab-Tac a lump sum of $51,234 for its natural gas consumption. VAA contracted with Columbia Natural Gas to install its own service line in June 2018;

13) **New Senior Living Centers:** VAA is developing disaster and operational plans related to the opening of two (2) new senior living centers in Moon Township. The Tapestry (~230 units) and Apple Blossom (~130 units) facilities are expected to open sometime in 2019. Both facilities are expected to generate the need for emergency medical responses and additional non-emergency medical transports;

14) VAA renewed relationships and **enhanced its communication with participating municipalities and local public safety agencies,** including enhanced reporting, training, site visits, and submission of informational articles to various municipal publications; and the delivery of comprehensive firefighter rehab services to local fire departments;

15) The Authority provided **medical standby coverage** for sporting and large scale regional events including but not limited to:

- Provided medical stand-by coverage at more than **300 sporting and other public events** within the combined VAA/QVAA service area;

- Coordinated disaster, operational planning and stand-by services related to the opening of a **new UPMC Events Center, a 4,000 seat venue, located on the campus of Robert Morris University** which hosts sporting events, concerts and other events;

- Presentation of awareness programs outlining the risks associated with impaired and/or distracted driving to local high school students and other public health and safety community programs;

- Disaster planning and drills related to the Pittsburgh International Airport were held throughout the year;

- Participation in various mass casualty incident (MCI) responses and exercises. VAA/QVAA are part of a special "first due" task force for local and regional disaster and mass casualty incidents (MCI);

- VAA also participates in regular mass casualty response exercises as a part of its contract with AMR, who administers the federal disaster response contract;

Capital Asset and Long Term Debt Activity

Capital assets at cost, net of depreciation, are recorded as Property and Equipment. There is no outstanding debt on any property or purchase of equipment. The Authority has historically replaced vehicles approximately every 5 years.

Currently Known Facts, Decisions or Conditions

Valley Ambulance Authority revenue is largely dependent on the reimbursement of ambulance and medical transportation services provided to Medicare beneficiaries within its service area. Changes in these reimbursement levels have a material effect on Authority revenue as Medicare and related insurance programs account for the largest payer category.

- **2019 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of 2.3% for dates of service on or after January 1, 2019.

  The increase was based upon a number of factors including: 1) an annual inflation factor established by CMS; 2) a mandatory 2% decrease (or a net 1.6%) of Medicare approved rates created by a 2013 Congressional mandate called "sequestration"; and 3) the Geographic Practice Cost Index or "GPCI".

  The Geographic Practice Cost Index (GPCI) is used by Medicare to determine allowable payment amounts for medical procedures. The GPCI which is reviewed on a bi-annual basis allows Medicare to adjust reimbursement rates by taking into account regional and physician practice-specific cost factors. The Geographic Practice Cost Index (GPCI) remained the same for suburban PA health care providers for dates of service on or after January 1, 2019.

  All of the factors together created a net increase of Medicare ambulance base rates and mileage of 2.3% for Valley Ambulance Authority and other local EMS providers.

- **Status of Temporary Increases:** Temporary fee increases for ambulance services began in 2006-07. The temporary increases have been established for urban ambulance services including VAA & QVAA at 2%. Rural ambulance services receive 3% along with a mileage bonus for loaded miles 1-17. Super Rural ambulance services receive a 22.7% increase along with the rural mileage bonus.

  Since 2007, Congress has reviewed and extended these increases for various time frames. The most recent extension, approved by Congress in late 2017, extends these increases until December 31, 2022;

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION
MAY 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash:		
Unrestricted cash	$ 294,253	$ 399,222
Restricted cash	7,155	-
Total cash	301,408	399,222
Certificates of deposit	693,796	693,796
Short term investments	821,825	795,791
Accounts receivable, net of allowance	373,236	448,003
Accounts receivable, Quaker Valley Ambulance Authority	95,855	94,668
Accounts receivable, other	83	11,557
Accrued interest receivable	16,402	1,485
Prepaid expenses and other assets	101,794	139,952
Total current assets	2,404,399	2,584,474
PROPERTY AND EQUIPMENT, net	615,042	657,717
TOTAL	$ 3,019,441	$ 3,242,191

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:		
Accounts payable	$ 30,405	$ 74,355
Accrued payroll and payroll taxes	86,371	74,389
Deferred income	93,165	96,615
Total current liabilities	209,941	245,359
NET POSITION:		
Net investment in capital assets	615,042	657,717
Restricted	7,155	-
Unrestricted	2,187,303	2,339,115
Total net position	2,809,500	2,996,832
TOTAL	$ 3,019,441	$ 3,242,191

See Notes To Financial Statements

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
SUPPORT:		
Community contributions	$ 2,700	$ 2,700
Contributions, other	40,126	40,579
Total support	42,826	43,279
OPERATING REVENUES:		
Ambulance service	2,090,132	2,224,022
Ambulance service, stand-by	34,595	34,904
Van service	63,360	90,158
QVAA reimbursement	942,912	892,180
Citizens' subscriptions	129,490	135,079
Rent, QVAA	12,000	12,000
Bad debts recovered	53,583	40,994
Miscellaneous revenue	544	1,261
Total operating revenues	3,326,616	3,430,598
OPERATING EXPENSES:		
Wages	1,987,684	2,011,285
Payroll taxes	160,612	165,998
Workers compensation	76,942	67,146
Health insurance	236,489	260,467
Employee benefits	29,346	23,434
TDA contribution	87,936	91,983
Computer expense	18,858	26,759
Shared equipment depreciation	11,287	22,601
Employee education	2,238	4,380
Fuel, fleet	66,827	51,596
Insurance	50,067	41,611
Maintenance, building	20,085	14,819
Maintenance, equipment	27,441	20,399
Maintenance, communication equipment	3,912	4,534
Maintenance, vehicles	35,849	58,804
Maintenance, other	6,820	3,226
Marketing/PR	14,438	7,422
Medical supplies	20,959	22,376
Meeting and travel	3,944	1,478
Office expense	15,226	14,906

See Notes To Financial Statements

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
Professional services	21,483	19,814
Telephone	16,996	14,345
Uniforms	14,805	10,961
Utilities	19,252	19,820
Total operating expenses	2,949,496	2,980,164
Expenses not subject to reimbursement:		
Auditing	14,890	13,020
Bad debt expense	453,156	484,990
Credit card fees and bank service charges	5,115	4,108
Board expense	1,352	1,269
Collection expense	22,884	12,574
Depreciation	140,337	145,487
Dues/Membership	200	250
Legal expense	-	505
Subscription expense	11,033	11,033
Miscellaneous expense	212	1,123
Fund drive expense	6,134	6,161
Total expenses not subject to reimbursement	655,313	680,520
OPERATING INCOME (LOSS)	(235,367)	(186,807)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	14,919	9,168
FNB investment income	16,489	14,900
FNB wealth management fees	(2,482)	(2,515)
Unrealized gain (loss) on investments	12,027	(17,213)
Grant income	7,082	21,374
Total non-operating revenues (expenses)	48,035	25,714
CHANGE IN NET POSITION	(187,332)	(161,093)
NET POSITION, BEGINNING OF YEAR	2,996,832	3,157,925
NET POSITION, END OF YEAR	$ 2,809,500	$ 2,996,832

See Notes To Financial Statements

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 1,863,281	$1,852,998
Receipts for subscriptions and contributions	168,866	173,419
Receipts from Quaker Valley Ambulance for expenses	953,725	884,189
Other receipts	12,018	96,832
Cash paid to suppliers and others	(862,291)	(948,257)
Payments to or on behalf of employees	(2,131,548)	(2,216,727)
Net cash provided by (used in) operating activities	4,051	(157,546)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of property and equipment	(108,949)	(105,155)
Capital grant received	7,082	21,374
Net cash used in capital activities	(101,867)	(83,781)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	2	8,530
Redemption of certificates of deposit	-	677,070
Purchase of certificates of deposit	-	(693,796)
Net cash provided by (used in) investing activities	2	(8,196)
NET DECREASE IN CASH	(97,814)	(249,523)
CASH, BEGINNING OF YEAR	399,222	648,745
CASH, END OF YEAR	$ 301,408	$ 399,222
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ (235,367)	$ (186,807)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	151,624	168,088
Bad debt expense	453,156	484,990
Equipment donation	-	(15,239)
(Increase) decrease in:		
Accounts receivable, net of allowance	(378,389)	(546,837)
Accounts receivable, government units	(1,187)	(8,292)
Accounts receivable, other	11,474	(10,594)
Prepaid expenses and other assets	38,158	(18,487)
Increase (decrease) in:		
Accounts payable	(43,950)	18,091
Accrued payroll and payroll taxes	11,982	(38,630)
Deferred income	(3,450)	(3,829)
Net cash provided by (used in) operating activities	$ 4,051	$ (157,546)

See Notes To Financial Statements

1. ORGANIZATION

Valley Ambulance Authority (the "Authority") was established in compliance with the Pennsylvania Municipal Authorities Act of 1945, as amended. The Authority was initially created in 1972 to serve the Borough of Coraopolis, the Townships of Moon, Neville, and Crescent. Effective August 16, 2002, by Certificate of Joinder granted by the Commonwealth of Pennsylvania, the Township of Findlay officially became a part of Valley Ambulance Authority. Effective March 1, 2017, the Township of Findlay was granted the authority to withdraw from the Authority pursuant to Section 5604(b) of the Municipal Authorities Act.

The primary purpose of the Authority is to furnish ambulance and other related emergency health services to the inhabitants of a primary service area, to the inhabitants of adjoining political subdivisions or areas who may require or desire such services while temporarily within such service area.

The Authority is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, based on the following criteria: the Board members are appointed by multiple sponsoring municipalities; and the Board is independent in the following areas: the decision making process, the power to designate management, the ability to significantly influence operations and accountability for fiscal matters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The Authority's significant accounting policies are as follows:

BASIS OF ACCOUNTING

The Authority's accounts are reported as an Enterprise Fund on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist primarily of charges to customers for sales and services. Non-operating revenues and expenses consist of investment related revenues and expenses.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

CLASSIFICATION OF NET POSITION

Accounting standards require the classification of net position into three components, net investments in capital assets, restricted, and unrestricted. The classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets as of May 31, 2019 were $7,155. The Authority had no restricted assets as of May 31, 2018.

Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

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 certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, the Authority considers cash in bank as cash or cash equivalents. Short term investments, consisting of certificates of deposit with an original maturity of more than three (3) months, are not considered cash or cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at net realizable value. An allowance for doubtful accounts is recorded to report the receivables for services at their estimated net realizable value. The allowance for doubtful accounts is adjusted on a monthly basis by applying historical percentages to the aged accounts receivable. Monthly contractual allowance amounts come from the accounts receivable system, and are automatically written off the accounts receivable balances and correspondingly charged against ambulance service revenue in the month billed. Other monthly write-off amounts are generated when actual payments on accounts receivable are received, or when correspondence or other indications are received that would require write-off. The Authority's policy is to write-off receivables when they are turned over to an outside collection agency. Any recovery after it is turned over is recorded as bad debts recovered in the statements of support, revenues, expenses, and changes in net position. The allowance for doubtful account balance was $244,350 and $249,900 as of May 31, 2019 and 2018, respectively.

FAIR VALUE MEASUREMENTS

The Authority follows Accounting Standards that define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Authority for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

SUPPORT AND REVENUE

Contributions to the Authority are credited directly to public support income. Non-cash contributions, if any, are recorded at fair market value as of the date of the gift.

The operations of the Authority are financed primarily through fees charged for services and subscriptions for ambulance service. The term of the subscriptions are principally for a twelve month period ending February 28 of any year and the revenue is recognized ratably over the subscription year. The portions of subscriptions that are for the periods subsequent to May 31 are deferred as income to the future period. Costs incurred for the yearly subscription drive are also deferred in order to "match" the costs with the revenues, and are allocated to expense ratably over the subscription year.

Fees charged for services are recorded when earned. Effective March 1, 2013, the Authority changed the terms of its citizen's subscription agreement. In an effort to limit the amount written-off after payments from third parties, which was previously written-off at 100%, only 50% of the remaining balance for subscribers will be written off. The other 50% is to be paid by the subscriber.

PROPERTY AND EQUIPMENT

Property and equipment are defined as assets with an initial individual cost of $500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Depreciation is computed using a straight-line basis over the following estimated useful lives:

Building and improvements	5-40 years
Ambulance and other vehicles	5 years
Ambulance equipment	5 years
Radio equipment	5 years
Office equipment	3-5 years
Shared equipment	3-5 years

ORGANIZATION OF OPERATION EMPLOYEES

Effective March 19, 1995, the Authority entered into a collective bargaining agreement with the Fraternal Association of Professional Paramedics, which covers all full-time and regular part-time non-professional employees including, but not limited to, emergency medical technicians, paramedics, dispatchers and mechanics; and excluding management level employees, supervisors, first level supervisors, confidential employees and guards by definition. The original agreement was in effect until March 19, 1998, with a new agreement that was in effect for a five year term through May 31, 2003, and shall be renewed from year to year thereafter, provided that either party may reopen or terminate. The contract has been renewed effective June 1, 2018 to May 31, 2021.

INCOME TAX STATUS

The Authority is a tax exempt organization under the Pennsylvania Municipal Authorities Act of 1945 and Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Internal Revenue Service has ruled that it is not a private foundation within the meaning of Section 170(b)(1)(A)(v) of the Code.

The Authority accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2019 and 2018.

In general, the Authority's tax positions for open tax years remain subject to examination by the tax authorities in the jurisdictions in which the Authority operates.

SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 15, 2019, the date the financial statements were available to be issued.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

PENDING PRONOUNCEMENTS

GASB has issued the following statements that will become effective in future years as shown below. Management does not believe the adoption of this guidance will have a significant impact on the Authority's basic financial statements.

GASB Statement No. 83, *"Certain Asset Retirement Obligations"* is effective for reporting periods beginning after June 15, 2018. This statement addresses certain Asset Retirement Obligations and establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations.

GASB Statement No. 84, *"Fiduciary Activities"* is effective for reporting periods beginning after December 15, 2018. The purpose of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *"Leases"* is effective for reporting periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases.

GASB Statement No. 88, *"Certain disclosures Related to Debt, including Direct Borrowings and Direct Placements"* is effective for reporting periods beginning after June 15, 2018. The purpose of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, as well as to clarify which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* is effective for reporting periods beginning after December 15, 2019. The purposes of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *"Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61"* is effective for reporting periods after December 15, 2018. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

3. SHORT TERM INVESTMENTS

The Authority measures its short term investments on a recurring basis using Level 1 inputs as follows at May 31:

	2019	2018
Money market	$ 21,367	$ 17,578
Certificates of deposit	750,300	728,536
Municipal bond	50,158	49,677
	$ 821,825	$ 795,791

Although the Authority's investments are invested in certificates of deposits and municipal bonds managed by an investment advisor, the fair values, reported in the statements of net position, are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying statements of financial position could change materially in the near term.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies used at May 31, 2019 and 2018.

4. CASH AND DEPOSITS

The investment and deposit policy of Authority funds is governed by the by-laws of the Authority and Act 72 of the Pennsylvania State Legislature. In accordance with these regulations, the Authority has established investment procedures that require monies to be deposited with FDIC-insured banks in demand deposit accounts or certificates of deposit (which are required to be 100% collateralized by separately identified United States obligations, if not covered by FDIC insurance).

GASB Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority's deposit and investment risks:

CUSTODIAL CREDIT RISK – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of May 31, 2019 and 2018, respectively, $522,097 and $624,526 of the Authority's bank balance of $1,022,097 and $1,124,526 were exposed to custodial credit risk. Uninsured deposits, if any, are collateralized by securities issued by United States federal agencies that are held by the Authority's FDIC insured depository institutions. These deposits have carrying amounts of $995,004 and $1,092,723 as of May 31, 2019 and 2018, respectively.

INTEREST RATE RISK – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The Authority's investment policy limits the Authority's exposure to interest rate risk by requiring that no less than 80% of the funds invested be in maturities of no more than two years from the date of purchase.

CREDIT RISK – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. Statutes do not prescribe regulations related to demand deposits; however, they do allow pooling of governmental funds for investment. The Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the statutes or the policy of the Authority.

CONCENTRATION OF CREDIT RISK – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer. As a matter of policy, the Authority maintains cash balances only with financial institutions having a high credit quality.

5. PROPERTY AND EQUIPMENT

Property and equipment activity for the years ended May 31, 2019 and 2018 is as follows:

	Balance at June 1, 2018	Additions	Disposals	Balance at May 31, 2019
Land (not depreciated)	$ 78,350	$ -	$ -	$ 78,350
Building and improvements	1,287,062	2,600	-	1,289,662
Ambulance and other vehicles	673,915	88,438	(110,510)	651,843
Ambulance equipment	382,438	-	-	382,438
Radio equipment	70,835	8,393	-	79,228
Office equipment	238,154	4,709	-	242,863
Shared equipment	218,527	4,809	(1,255)	222,081
Total	2,949,281	108,949	(111,765)	2,946,465
Less accumulated depreciation	(2,291,564)	(151,624)	111,765	(2,331,423)
Property and equipment, net	$ 657,717	$ (42,675)	$ -	$ 615,042

	Balance at June 1, 2017	Additions	Disposals	Balance at May 31, 2018
Land (not depreciated)	$ 78,350	$ -	$ -	$ 78,350
Building and improvements	1,287,062	-	-	1,287,062
Ambulance and other vehicles	696,855	90,885	(113,825)	673,915
Ambulance equipment	389,812	4,513	(11,887)	382,438
Radio equipment	70,835	-	-	70,835
Office equipment	238,024	130	-	238,154
Shared equipment	214,441	24,866	(20,780)	218,527
Total	2,975,379	120,394	(146,492)	2,949,281
Less accumulated depreciation	(2,269,968)	(168,088)	146,492	(2,291,564)
Property and equipment, net	$ 705,411	$ (47,694)	$ -	$ 657,717

Various items included in ambulance, ambulance equipment, and radio equipment were purchased through grants received from Emergency Medical Services West ("EMS West"). EMS West is a non-profit Pennsylvania corporation, and normally awards 50% of the cost of such equipment and other expendable supplies. According to the terms of the contract entered into at the time of these grants, EMS West stipulates, among other things, that the title of such equipment shall be considered to be owned jointly by EMS West and the Authority in the same proportion as their respective financial contributions toward the purchase of it. The current method of recording the amount of grants received on such equipment is a reduction of the cost of the equipment. Effective June 1, 2015, the Authority is no longer receiving grants from EMS West.

6. EXPENSE REIMBURSEMENT

The Authority has an agreement with Quaker Valley Ambulance Authority ("QVAA") wherein both parties have agreed to act jointly for the purpose of sharing certain expenses. Effective June 1, 2002, the Authority is to pay all operating expenses, and QVAA is to reimburse the Authority for a minimum of 25% and a maximum of 40% of the expenses, with certain expenses excluded.

Wheelchair van trips are a significant part of the total trips taken by the Authority and QVAA. As a result of the continued review of the expense reimbursement methods employed, and specifically how the wheelchair van trips effect this calculation, a "revised" calculation was implemented. The "revised" calculation handles the wheelchair van trips and their associated cost separately. Each authority is charged a $50 cost assessment for each wheelchair van trip. This amount is then subtracted from the total monthly reimbursable expenses, and the remaining expenses are split based on the number of ambulance trips only.

During the years ended May 31, 2019 and 2018, the Authority invoiced QVAA $942,912 and $892,180, respectively, under this agreement. As of May 31, 2019 and 2018, $95,855 and $94,668, respectively, were included in accounts receivable on the statements of net position.

QVAA is also to pay the Authority a monthly rental of $1,000. Rent income for both years ended May 31, 2019 and 2018 was $12,000.

7. DEFINED CONTRIBUTION PLAN

The Authority sponsors an IRC 403(b) Tax Deferred Annuity ("TDA") Plan for full-time employees. The plan was established June 1, 1989 and amended to a "non-ERISA" plan effective January 1, 2015. The plan year is from June 1 to May 31. Employees can elect to contribute a percentage of their salary to the plan. The Authority contributes 4% of participating employees' annual salary regardless of the employees' contributions. In addition, the Authority then matches $0.40 for every $1.00, up to 10% of the employee's base wage. The total maximum annual plan liability of the Authority is 8%. Employees are 100% vested immediately in their own contributions and after three years in matching contributions. The TDA contribution for the years ended May 31, 2019 and 2018 were $87,936 and $91,983, respectively.

The Authority also established an IRC 457(b) Deferred Compensation Plan effective September 1, 2002. This plan was established to provide deferred compensation payments for a select group of management employees or independent contractors of the Authority. This plan operates independent of, and in addition to, any other plan maintained by the Authority. The Authority does not match eligible employees elective deferrals.

8. TRANSACTION WITH RELATED PARTY

For the years ended May 31, 2019 and 2018, respectively, the Authority paid $7,705 and $7,670 to Public Safety Marketing, a division of J.R. Henry Consulting, Inc., for mailings connected with the recent subscription/fund drive. The President of J.R. Henry Consulting Inc. is J.R. Henry, the Executive Director of the Authority, and the Vice President is Michael Henry, the Executive Director's son. Initially, when selecting the vendor for this service, management, excluding J.R. Henry, solicited three estimates for the mailings. The Board of Directors chose Public Safety Marketing based on these three estimates and also on some features that only Public Safety Marketing offered.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to the following: torts and civil rights claims (including patient care and employment related exposures); theft, damage and destruction of its real and personal assets; workers' compensation losses; errors and omissions of Authority employees and officials; and natural disasters. The Authority carries commercial insurance to cover risks of losses. The commercial insurance coverage is provided through the Municipal Risk Management ("MRM") Property and Liability Insurance Trust. There have been no reductions in insurance coverage or settlements exceeding insurance coverage for each of the past three years.

The MRM is a trust of which the Authority is a voting member. The Authority's initial commitment to this trust was a four year period commencing June 1, 1994, and afterwards annually. The fund self-insures for the first $750,000 per occurrence, and reinsures the liability over $750,000 to insure against catastrophic losses. Premium payments are paid directly to the trust, and the trust pays all workers' compensation claims. The premiums paid to the trust are based on the remuneration and assigned rates for different job classifications, further modified by an experience modifier based on the particular member's claims experience.

10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of trade accounts receivable from insurance companies, Medicare/Medicaid, and patients. The patients are local residents and are insured under third-party payor agreements. Concentrations are limited due to the large number of patients served by the Authority.

11. CONTINGENCIES

In the normal course of business, the Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimated amount of the claims. It is the opinion of Authority management that the ultimate resolution of these contingencies, if any, will not have a material effect on the financial position of the Authority.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Authority is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.