Quaker Valley Ambulance Authority

Financial Statements
For The Years Ended
May 31, 2021 and 2020
&
Independent Auditors' Report
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Required Supplementary Information

McCall Scanlon & Tice, LLC
Certified Public Accountants

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McCall Scanlon & Tice, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Quaker Valley Ambulance Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Quaker Valley Ambulance Authority (the "Authority"), as of and for the years ended May 31, 2021 and 2020, 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 audits. We conducted our audits 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of net position of the Authority as of May 31, 2021 and 2020, and the related statements of support, revenues, expenses, and changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 8 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 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.

McCall Scanlon & Tice, LLC

Pittsburgh, Pennsylvania
September 3, 2021

Quaker 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, 2021, 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 recognized when control of the promised goods or services is transferred to the Authority's customers in an amount that reflects the consideration the Authority expects to be entitled to in exchange for those goods or services 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's financial activity, 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, 2021	May 31, 2020	May 31, 2019
Current assets	$ 1,134,751	$ 1,114,764	$ 1,093,077
Property and equipment, net	49,917	98,200	148,955
Total assets	$ 1,184,668	$ 1,212,964	$ 1,242,032
Current liabilities	$ 76,736	$ 102,117	$ 106,457
Net position:			
Net investment in capital assets	49,917	98,200	148,955
Restricted	-	-	1,286
Unrestricted	1,058,015	1,012,647	985,334
Total net position	1,107,932	1,110,847	1,135,575
Total liabilities and net position	$ 1,184,668	$ 1,212,964	$ 1,242,032

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

	Fiscal Year Ended May 31, 2021	2020	2019
Total support	$ 41,209	$ 37,657	$ 35,445
Total operating revenues	870,473	882,061	929,648
Total operating expenses	(970,126)	(992,777)	(1,044,091)
Operating income (loss)	(58,444)	(73,059)	(78,998)
Total nonoperating revenues (expenses)	55,529	48,331	25,934
Change in net position	(2,915)	(24,728)	(53,064)
Net position:			
Beginning of year	1,110,847	1,135,575	1,188,639
End of year	$ 1,107,932	$ 1,110,847	$ 1,135,575

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 9 through 11. 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 by Quaker Valley Ambulance Authority *("QVAA")*, in conjunction with Valley Ambulance Authority, *("VAA")* during FY 2020 - 2021. 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) **COVID-19 Pandemic:** The pandemic, which began in the first quarter of 2020, continues to affect patient care and overall ambulance operations. Call volume and resultant revenue is rebounding but remains lower than pre-pandemic levels.

2) **Ambulance Call Volume:** Ambulance call volume (n=2,172) decreased by 1.8% as compared to the previous fiscal year (n=2,213).

3) **Wheelchair Van Transports:** Wheelchair van *("WCV")* decreased by 10% (n=1,226) as compared to the previous FY (n=1,364) due to the pandemic and increased competition from other local WCV providers.

4) **Pandemic Related Grant:** QVAA received several federal and state pandemic related grants totaling $51,143 which are being used to help offset the negative financial impact, revenue losses and increased expenses which are associated with the COVID-19 pandemic.

5) **Municipal Per Capita Rate Maintained:** The municipal per capita rate of $9.00, effective January 1, 2020; was continued by the QVAA Board of Directors for FY 2020 – 2021.

6) **Resident Billing Policy Change:** QVAA residents are now provided a 50% discount on any applicable co-payment, deductible or other required out of pocket amounts, which are not covered by their insurance. This policy change became effective on January 1, 2021. Prior to the policy change, QVAA residents were not charged for any cost sharing amounts. The policy change was implemented to help offset increasing EMS system expenses and declining per trip revenue.

Valley Ambulance Authority, serving as QVAA's administrative and operational contractor, developed, and implemented various key plans, programs and purchases which directly affect QVAA including:

7) **Employee Retention Bonus Payment:** Due to the admirable work of VAA employees in dealing with the difficult and challenging pandemic related circumstances, VAA authorized a second round of employee retention payments ($2,000 for each full-time employee and lesser amounts for part-time employees) which totaled approximately $63,000. The employee bonus payments were fully offset with federal grant funds.

8) **Collective Bargaining Agreement Ratified:** A new three (3) year collective bargaining agreement was ratified by VAA and the Fraternal Association of Professional Paramedics *("FAPP")* in May 2021. The new agreement included a one-time hourly employee increase of $1.75 and a 3% pay increase in the second and third years of the agreement.

9) **Patient Care Record Management:** A new PCR system (EmsCharts) was implemented on January 1, 2021.

10) **New Telephone System:** A new VOIP telephone system was installed to replace outdated equipment and to facilitate improved customer communication with employees who may be working remotely.

11) **Crew Lounge / Kitchen Renovation Project:** A complete renovation of the first-floor crew lounge and kitchen was completed in February 2021.

12) **Worker's Compensation and Property/Liability Insurance Dividends:** VAA received a dividend of $35,707 (36.7% of the 2021 premium) from the Municipal Risk Management 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 $21,629 (61.5% of the 2021 premium) from the MRM Property and Liability Insurance Trust.

13) **Employee Training Activities:** Operational employees were provided with 32 hours of mandatory training. Many VAA employees also voluntarily engaged in additional hours of internal and external training activities.

14) **Cardiac Arrest Registry:** VAA and QVAA currently participate 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.

15) VAA and QVAA renewed relationships and enhanced their **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.

16) VAA and QVAA provided **medical standby coverage** for sporting and large-scale regional events including but not limited to:

   - Provided medical stand-by coverage at more than **100 sporting and other public events** within the combined VAA/QVAA service area.

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

Currently Known Facts, Decisions or Conditions

Quaker 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 QVAA's revenue as Medicare and related insurance programs account for the largest payer category.

- **2021 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of 2% for dates of service on or after January 1, 2021.

  The increase was based upon several factors including: 1) an annual inflation factor established by CMS; 2) a mandatory 2% decrease (or a net 1.6%) of Medicare approved base 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 considering regional and physician practice-specific cost factors. The GPCI remained the same for suburban PA health care providers for dates of service on or after January 1, 2019.

  These factors created a net increase of Medicare ambulance base rates and mileage of .9% for Quaker Valley Ambulance Authority and other local EMS providers for dates of service on or after January 1, 2020.

  Due to the COVID-19 pandemic, the federal government suspended the sequestration deduction amounts in April 2020, which has temporarily increased Medicare reimbursement per trip rates by a net of 1.6%.

- **Status of Temporary Medicare Fee Increases:** Temporary fee increases for ambulance services began in 2006-07. The temporary increases have been established for urban ambulance services including VAA and 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.

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION
MAY 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS:		
Cash,		
Unrestricted cash	$ 318,588	$ 305,958
Total cash	318,588	305,958
Certificates of deposit	478,477	278,477
Short term investments	234,889	429,575
Accounts receivable	98,661	100,522
Accrued interest receivable	4,136	232
Total current assets	1,134,751	1,114,764
PROPERTY AND EQUIPMENT, net	49,917	98,200
TOTAL	$ 1,184,668	$ 1,212,964

LIABILITIES AND NET POSITION

	2021	2020
CURRENT LIABILITIES:		
Accounts payable	$ 71	$ 71
Accounts payable, Valley Ambulance Authority	66,214	91,595
Deferred municipal assessments and donations	10,451	10,451
Total current liabilities	76,736	102,117
NET POSITION:		
Net investment in capital assets	49,917	98,200
Unrestricted	1,058,015	1,012,647
Total net position	1,107,932	1,110,847
TOTAL	$ 1,184,668	$ 1,212,964

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
SUPPORT,		
Contributions	$ 41,209	$ 37,657
Total support	41,209	37,657
OPERATING REVENUES:		
Ambulance service, net	665,416	664,695
Van service, net	70,143	84,589
Municipal assessments	125,406	125,406
Miscellaneous income	9,508	7,371
Total operating revenues	870,473	882,061
OPERATING EXPENSES:		
Expenses reimbursed to Valley Ambulance Authority	892,456	905,023
Rent paid to Valley Ambulance Authority	12,000	12,000
Depreciation	49,340	59,864
Audit and accounting	6,250	6,000
Legal	225	75
Board expense	700	630
Bank and credit card fees	1,725	2,334
Miscellaneous expense	100	100
Collection expense	4,247	3,682
Fund drive expense	3,083	3,069
Total operating expenses	970,126	992,777
OPERATING INCOME (LOSS)	(58,444)	(73,059)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of property and equipment	-	(2,555)
Interest income	4,072	5,278
FNB investment income	5,441	8,857
FNB wealth management fees	(1,054)	(1,349)
Unrealized gain (loss) on investments	(4,073)	11,346
Grant income	51,143	26,754
Total non-operating revenues (expenses)	55,529	48,331
CHANGE IN NET POSITION	(2,915)	(24,728)
NET POSITION, BEGINNING OF YEAR	1,110,847	1,135,575
NET POSITION, END OF YEAR	$ 1,107,932	$ 1,110,847

See Notes To Financial Statements

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for services	$ 746,738	$ 781,420
Receipts from municipal assessments	125,406	125,406
Contributions	41,209	37,657
Other receipts	190	181
Payments to Valley Ambulance Authority for expenses	(929,837)	(921,283)
Cash paid to suppliers and others	(16,330)	(15,970)
Net cash provided by (used in) operating activities	(32,624)	7,411
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of property and equipment	(1,057)	(12,599)
Proceeds from sale of property and equipment	-	935
Capital grant received	-	26,754
Net cash provided by (used in) capital activities	(1,057)	15,090
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,		
Grant received	51,143	-
Net cash provided by non-capital financing activities	51,143	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificates of deposit	(200,000)	(11,123)
Proceeds from sale of short term investments	195,000	-
Interest income	168	11,273
Net cash provided by (used in) investing activities	(4,832)	150
NET INCREASE IN CASH	12,630	22,651
CASH, BEGINNING OF YEAR	305,958	283,307
CASH, END OF YEAR	$ 318,588	$ 305,958
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ (58,444)	$ (73,059)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	49,340	59,864
(Increase) decrease in,		
Accounts receivable	1,861	24,946
Increase (decrease) in:		
Accounts payable	-	(80)
Accounts payable, Valley Ambulance Authority	(25,381)	(4,260)
Net cash provided by (used in) operating activities	$ (32,624)	$ 7,411

See Notes To Financial Statements

1. ORGANIZATION

Quaker Valley Ambulance Authority (the "Authority") was established in compliance with the Pennsylvania Municipal Authorities Act of 1945, as amended, in December 1974 to serve the Townships of Aleppo and Leet, and the Boroughs of Bell Acres, Edgeworth, Glenfield, Haysville, Leetsdale, Osborne, Sewickley, Sewickley Heights, and Sewickley Hills.

The primary purpose of the Authority is to furnish ambulance and other related emergency health services to the inhabitants of the primary service area, and 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, and 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 recognized when control of the promised goods or services is transferred to the Authority's customers, in an amount that reflects the consideration the Authority expects to be entitled to in exchange for those goods or services 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 those revenues and expenses that are related to grants and other financing and investing types of activities.

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 investment 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. The Authority had no restricted assets as of May 31, 2021 and 2020.

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 disclosures. Accordingly, actual results could differ from those estimates.

CASH

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

ACCOUNTS RECEIVABLE

Under the provisions of ASU 2014-09, which the Authority adopted effective June 1, 2019, when an unconditional right to payment exists, subject only to the passage of time, the right is treated as a receivable. Accounts receivable, including billed accounts and unbilled accounts for which the unconditional right to payment exists, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if the right to consideration is due. The estimated uncollectable amounts are based on the aging of accounts receivable, historical collection experience, and other relevant factors and are generally considered implicit price concessions that are a direct reduction to accounts receivable.

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

Revenues are recognized when control of the promised goods or services is transferred to the Authority's members or customers, in an amount that reflects the consideration the Authority expects to be entitled to in exchange for providing those goods or services. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlements. Generally, the Authority bills the patients and third-party payors after the services are performed. Revenue is recognized as the performance obligations are satisfied.

The Authority determines the transaction price based on established rates at the time of service, reduced by contractual allowances, discounts provided to members, or implicit price concessions. The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Authority expects to collect based on historical collection experience.

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 to patients who are not residents and "third party billing" to residents of the covered service area. This procedure allows the Authority to bill "third parties" (i.e. Medicare, private insurance) of residents of the Authority's service area. If the trip is not covered by a "third party", the Authority continues to have the authority to bill the resident, but has not pursued these bills as it has been included in the assessments to the municipalities, which is part of the tax base paid by the residents.

The Authority has the power to assess the eleven municipalities for ambulance service on a per capita basis. The municipality assessment was set by the Board at $9 per capita for the years ended May 31, 2021 and 2020.

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:

Ambulance and equipment	5 years
Communication equipment	3-5 years

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 2021 and 2020.

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 September 3, 2021, 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. 87, *"Leases"* is effective for reporting periods beginning after June 15, 2021. 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. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* is effective for reporting periods beginning after December 15, 2020. 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. 91, "*Conduit Debt Obligations*" is effective for reporting periods beginning after December 15, 2021. The purposes of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" is effective for reporting periods beginning after June 15, 2021. The purposes of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements.

GASB Statement No. 93, "*Replacement of Interbank Offered Rates*" is effective for reporting periods beginning after June 15, 2021. The purpose of this statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" is effective for reporting periods beginning after June 15, 2022. The purpose of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" is effective for reporting periods beginning after June 15, 2022. The purpose of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

GASB Statement No. 97, "*Certain Component Unit Criteria, and accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*" is effective for reporting periods beginning after June 15, 2021. The purposes of this statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

3. SHORT TERM INVESTMENTS

The Authority values its short term investments based on the quoted market prices, which are measured on a recurring basis using Level 1 inputs as follows at May 31:

	2021	2020
Money market	$ 3,356	$ 17,829
Certificates of deposit	231,533	386,669
Municipal bond	-	25,077
	$ 234,889	$ 429,575

Although the Authority's investments are invested in certificates of deposits and a municipal bond 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, 2021 and 2020.

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, 2021 and 2020, respectively, $329,143 and $129,005 of the Authority's bank balance of $783,273 and $577,369 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 $797,065 and $584,435 as of May 31, 2021 and 2020, 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, 2021 and 2020 is as follows:

	Balance at June 1, 2020	Additions	Disposals	Balance at May 31, 2021
Ambulance and equipment	$ 439,808	$ 1,057	$ -	$ 440,865
Communication equipment	24,202	-	-	24,202
Total	464,010	1,057	-	465,067
Less accumulated depreciation	(365,810)	(49,340)	-	(415,150)
Property and equipment, net	$ 98,200	$ (48,283)	$ -	$ 49,917

	Balance at June 1, 2019	Additions	Disposals	Balance at May 31, 2020
Ambulance and equipment	$ 437,255	$ 3,903	$ (1,350)	$ 439,808
Communication equipment	20,491	8,696	(4,985)	24,202
Total	457,746	12,599	(6,335)	464,010
Less accumulated depreciation	(308,791)	(59,864)	2,845	(365,810)
Property and equipment, net	$ 148,955	$ (47,265)	$ (3,490)	$ 98,200

Various items included in ambulance, ambulance equipment, and communication 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 Valley Ambulance Authority ("VAA"), wherein both parties have agreed to act jointly for the purpose of sharing certain expenses. Effective June 1, 2002, the Authority is to reimburse VAA 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 VAA. 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, 2021 and 2020, VAA invoiced the Authority $892,456 and $905,023, respectively, under this agreement. As of May 31, 2021 and 2020, $66,214 and $91,595, respectively, were included in accounts payable on the statements of net position.

The Authority is also to pay VAA a monthly rental of $1,000. Rent expense for both years ended May 31, 2021 and 2020 was $12,000.

7. TRANSACTION WITH RELATED PARTY

For both years ended May 31, 2021 and 2020, the Authority paid $1,388 to Public Safety Marketing, a division of J.R. Henry Consulting, Inc., for mailings connected with the recent 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.

8. 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's commercial insurance to cover risks of losses is carried by VAA. Insurance expense is reimbursed to VAA by the Authority through the expense reimbursement calculation. 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.

9. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of 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.

10. 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.