

QUAKER VALLEY AMBULANCE AUTHORITY

AUDIT REPORT

YEARS ENDED MAY 31, 2018 AND 2017

***Davis, Baker & Co.***  
600 Commerce Drive, Suite 603  
Moon Township, PA 15108

QUAKER VALLEY AMBULANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Quaker Valley Ambulance Authority  
Moon Township, Pennsylvania 15108

I have audited the accompanying financial statements of Quaker Valley Ambulance Authority as of and for the years ended May 31, 2018 and 2017, and the related notes to the financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quaker Valley Ambulance Authority as of May 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Douglas J. Baker  
Certified Public Accountant  
Moon Township, Pennsylvania 15108

November 9, 2018

## Quaker Valley Ambulance Authority Management's Discussion and Analysis

Quaker Valley Ambulance Authority's management discussion and analysis is intended to provide an overview of the Authority's financial condition and activities for the fiscal year 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 generally accepted accounting principles, 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* present 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 and Expenses and Change in Net Position* present revenue 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 Statement of Net Position

	<u>May 31, 2018</u>	(Restated) <u>May 31, 2017</u>	(Restated) <u>May 31, 2016</u>
Current and Other Assets	\$ 818,096	\$ 1,093,421	\$ 1,145,345
Property and Equipment	207,147	185,641	96,390
Other Assets	<u>267,354</u>	<u>0</u>	<u>0</u>
 Total Assets	 1,292,597	 1,279,062	 1,241,735
 Total Liabilities and Deferred Income (all current)	 <u>103,958</u>	 <u>94,504</u>	 <u>99,894</u>
 Net Position (unrestricted)	 <u>\$1,188,639</u>	 <u>\$ 1,184,558</u>	 <u>\$ 1,141,841</u>

#### Condensed Statement of Support, Revenue, Expenses, and Changes in Net Position

	<u>Fiscal Year Ended May 31,</u>		
	<u>2018</u>	(Restated) <u>2017</u>	(Restated) <u>2016</u>
Contributions (Support)	\$ 35,155	\$ 37,180	\$ 33,607
Program Operating Revenue	1,030,926	1,039,501	973,686
General Revenue	<u>1,000</u>	<u>3,574</u>	<u>2,642</u>
Total Revenue	1,067,081	1,080,255	1,009,935
Total Expenses (Program)	<u>1,063,000</u>	<u>1,037,538</u>	<u>965,870</u>
 Change in Net Position [Increase]	 4,081	 42,717	 44,065
Prior Period Adjustment	<u>-0-</u>	<u>-0-</u>	<u>(8,711)</u>
Ending Net Position	<u>\$1,188,639</u>	<u>\$ 1,184,558</u>	<u>\$ 1,141,841</u>

As can be seen from the above comparative financial information, the revenues have increased slightly over the last two years, but expenses continue to increase. The prior period adjustment is more fully explained in Note 8. A more detailed comparison can be seen on pages 7-9. The analysis that follows identifies items effecting the financial information over the past fiscal period, also referencing items that will affect future periods.

# Quaker Valley Ambulance Authority Management's Discussion and Analysis

## 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 2017 - 18. 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 (n=2,331) decreased by ~5% as compared to the previous fiscal year (n=2,463);
- 2) **Wheelchair Van Transports:** Wheelchair van ("WCV") increased by ~3% (n=1,858) as compared to the previous FY (n=1,805).
- 3) **Grant obtained to perform an Ambulance Remount:** QVAA received a 50% matching grant from the State Fire Commissioner's Office for \$7,031 to help offset the total price of purchasing a new chassis and remounting of Ambulance 795;
- 4) **Medicare Provider Revalidation:** QVAA successfully revalidated it's provider credentials as required every five (5) years by the Centers for Medicare and Medicaid Services;

**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:

- 5) **Worker's Compensation and Property/ Liability Insurance Dividends:** VAA received a dividend of \$40,037 from the Municipal Risk Management Pooled Trust which was a result of overall lower loss ratios by the members of the Trust. The Authority also received a dividend of \$26,859 from the MRM Property and Liability Insurance Trust;
- 6) **Employee Training Activities:** Mandatory training sessions totaling 32 hours or greater were provided to all operational employees; also many employees voluntary engaged in additional hours of training activities;
- 7) **Firewall Software and Hardware Upgrade:** VAA replaced the firewall software and hardware to help maintain and strengthen computer and internet security;
- 8) **Dispatch Transition:** The Authority decided to begin a transition its internal Dispatch services to Allegheny County 911. The target date for full dispatch transition is December 31, 2018;
- 9) **Operational Employee Schedule Change:** In an effort to assist employees with their scheduling demands and to reduce overall costs; the Authority collaborated with the Union to develop a new 12 hour operational schedule which was implemented on September 3, 2017;
- 10) **Naloxone Administration Program:** VAA, in conjunction with the Heritage Valley Health System, provided training, medications and equipment to local first responders and police agencies who choose to participate in a program of initial support and administration of Naloxone to help those who may have overdosed on an opioid based substance;
- 11) **"Stop the Bleed" Training Program:** In conjunction with UPMC, VAA employees provided training to local school districts and police agencies related to mass casualty incident response and the use of tourniquets to control bleeding;

## Quaker Valley Ambulance Authority Management's Discussion and Analysis

- 12) **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;
- 13) **Medical Transportation Broker Contracts:** VAA negotiated several contracts with national brokers (CTS and MTM) to provide local ambulance and wheelchair van transports for subscribers to various insurance companies;
- 14) **Pilot Program for on scene Treatment of patients who are not transported:** VAA worked in conjunction with Highmark, AHN Health Network and eight (8) other ambulance services in Western PA to develop and participate in a pilot program which studies various aspects of patients who are treated on scene but do not require transportation. This pilot program also provides for reimbursement for these on scene treatment which was previously not available unless the patient was transported to a to a medical facility;
- 15) **Union Grievances and Contract Negotiation:** There were no Step II grievances filed on behalf of union employees in the fiscal year .The Authority also began contract negotiations in anticipation for the current contract's expiration date of June 1, 2018. In 2017, VAA and the Union agreed to a contract amendment which increased employee contributions from 13% to 14%. to offset health care benefits costs;
- 16) **Grants obtained to purchase new Patient Care Equipment:** VAA received \$15,000 from the Secoro Foundation to purchase a new Lucas Chest Compression devise. VAA also received a 50% matching grant from the State Fire Commissioner's Office for \$6,134 to purchase miscellaneous new medical equipment;
- 17) VAA renewed relationships and **enhanced communication with participating municipalities and local public safety agencies,** including enhanced reporting, training, site visits, and submission of informational articles various municipal publications; and the delivery of comprehensive firefighter rehab services to local fire departments;
- 18) 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;
  - 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 ;
  - Medical coverage and significant disaster planning related to the Pittsburgh International Airport including a large regional air show which was held on May, 13-14, 2017;
  - 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;

## **Quaker Valley Ambulance Authority Management's Discussion and Analysis**

### **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.

- **2018 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of 1.3% for dates of service on or after January 1, 2018.

The increase was based upon a number of factors including: 1) an annual inflation factor established by CMS and; 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) increased slightly (.936 vs. .933 in 2017) for suburban PA health care providers for dates of service on or after January 1, 2018.

All of the factors together created a net increase of Medicare ambulance base rates and mileage of 1.3% 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 was approved by Congress in late 2017, which extends these 2% increases until December 31, 2022;



QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION

YEARS ENDED MAY 31, 2018 AND 2017

	May 31, 2018	(Restated) May 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$255,182.49	\$280,309.09
Short term investments	397,766.98	664,183.84
Accounts receivable - net of allowance	164,667.98	148,129.77
Other prepayments	0.00	225.00
Accrued interest receivable	479.00	573.46
<b>Total Current Assets</b>	<b>818,096.45</b>	<b>1,093,421.16</b>
<b>Property and Equipment</b>		
Ambulance and equipment	434,640.67	469,558.27
Communication equipment	9,708.88	9,708.88
Accumulated depreciation	<u>(237,202.71)</u>	<u>(293,625.99)</u>
<b>Total Property and Equipment</b>	<b>207,146.84</b>	<b>185,641.16</b>
<b>Other Assets</b>		
Certificate of Deposits Over 1 Year	<u>267,354.05</u>	<u>0.00</u>
<b>Total Other Assets</b>	<b>267,354.05</b>	<b>0.00</b>
<b>Total Assets</b>	<b><u>\$1,292,597.34</u></b>	<b><u>\$1,279,062.32</u></b>

LIABILITIES AND NET POSITION

<b>Current Liabilities</b>		
Accounts payable - Valley Ambulance Authority	\$94,668.42	\$86,375.88
Deferred municipal assessments & donations	<u>9,290.00</u>	<u>8,128.25</u>
<b>Total Current Liabilities</b>	<b>103,958.42</b>	<b>94,504.13</b>
<b>Net Position</b>		
Unrestricted (unassigned)	<u>1,188,638.92</u>	<u>1,184,558.19</u>
<b>Total Net Position</b>	<b>1,188,638.92</b>	<b>1,184,558.19</b>
<b>Total Liabilities and Net Position</b>	<b><u>\$1,292,597.34</u></b>	<b><u>\$1,279,062.32</u></b>

See accompanying notes to the financial statements and independent accountant's report.

QUAKER VALLEY AMBULANCE AUTHORITY  
STATEMENTS OF SUPPORT, REVENUES AND EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

	May 31, 2018	(Restated) May 31, 2017
Support		
Contributions	\$35,155.00	\$37,180.00
Operating Revenues		
Ambulance service - net of contractual allowances	788,245.83	811,412.53
Van Service	127,328.27	121,500.39
Municipal assessments	103,343.25	97,538.25
Bad debts recovered	4,809.91	2,031.30
Grant income	7,037.40	6,580.28
Miscellaneous income	161.49	438.04
Total Operating Revenues	<u>1,030,926.15</u>	<u>1,039,500.79</u>
Operating Expenses		
Expenses reimbursed to Valley Ambulance Authority	892,180.15	884,050.80
Rent paid to Valley Ambulance Authority	12,000.00	12,000.00
Depreciation	62,329.82	50,663.75
Uncollectible revenues	79,354.32	75,363.16
Audit and accounting	6,320.00	6,140.00
Legal	505.00	3,000.00
Board expenses	1,362.30	891.00
Bank and credit card fees	2,192.06	1,704.06
Dues and memberships	250.00	450.00
Miscellaneous expense	1,765.71	0.05
Collection expense	1,617.37	839.54
Fund drive expenses	3,124.02	2,435.45
Total Operating Expenses	<u>1,063,000.75</u>	<u>1,037,537.81</u>
Operating Income (Loss)	3,080.40	39,142.98
Nonoperating Revenues/Expense		
Interest income	3,542.61	3,574.51
FNB Investment Income	7,454.16	0.00
FNB Wealth Management fees	(1,390.14)	0.00
Unrealized Loss on Investments	(8,606.30)	0.00
Total Nonoperating (Revenues)/Expense	<u>1,000.33</u>	<u>3,574.51</u>
Change-Net Position	4,080.73	42,717.49
Net Position-Beginning Before Prior Period Adjustment	<u>1,194,998.86</u>	<u>1,152,281.37</u>
Net Position-Ending Before Prior Period Adjustment	1,199,079.59	1,194,998.86
Prior Period Adjustment - Total	(12,420.52)	(10,440.67)
Adjustment included in 5/31/2017 restated amounts	<u>1,979.85</u>	<u>0.00</u>
Net Position-Ending	<u>\$1,188,638.92</u>	<u>\$1,184,558.19</u>

See accompanying notes to the financial statements and independent accountant's report.

QUAKER VALLEY AMBULANCE AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

	May 31, 2018	(Restated) May 31, 2017
<b>Cash Flows from Operating Activities:</b>		
Receipts for services	\$828,412.25	\$841,664.14
Receipts from municipal assessments	104,505.00	97,896.75
Contributions	35,135.00	37,180.00
Other receipts	9,917.52	10,558.46
Payments to Valley Ambulance Authority for expenses	(885,520.18)	(888,882.39)
Payments to suppliers	(33,898.29)	(36,567.45)
Net cash provided by operating activities	58,551.30	61,849.51
<b>Cash Flows from Capital Activities:</b>		
Purchase of fixed assets	(83,835.50)	(139,914.46)
Proceeds on disposition of assets	0.00	0.00
Net cash used by capital activities	(83,835.50)	(139,914.46)
<b>Cash Flows from Investment Activities:</b>		
Interest income received	3,327.81	3,257.90
Redemption of CD's	264,183.84	513,736.27
Purchase of Short term investments	(267,354.05)	(664,183.84)
Net cash used by investing activities	157.60	(147,189.67)
Net Decrease in Cash	(25,126.60)	(225,254.62)
Cash at Beginning of Period	280,309.09	505,563.71
Cash at End of Period	\$255,182.49	\$280,309.09
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities</b>		
Operating income	\$3,080.40	\$39,142.98
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	62,329.82	50,663.75
Change in assets and liabilities:		
Change in accounts receivable	(16,538.21)	(22,341.77)
Change in prepaid expenses and other current assets	225.00	(225.00)
Change in accounts payable	8,292.54	(5,390.20)
Change in deferred income	1,161.75	(0.25)
Net cash provided by operating activities	\$58,551.30	\$61,849.51

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See accompanying notes to the financial statements and independent accountant's report.

QUAKER VALLEY AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018 AND 2017

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Reporting Entity

Quaker Valley Ambulance Authority, in compliance with the Municipal Authorities Act of 1945, its supplements and amendments, was granted a charter on December 23, 1974. It was created by identical ordinances duly adopted by the following municipalities: Townships of Aleppo and Leet, the Boroughs of Bell Acres, Edgeworth, Glenfield, Haysville, Leetsdale, Osborne, Sewickley, Sewickley Heights and Sewickley Hills. All of the above are municipal corporations of the Commonwealth of Pennsylvania, and all situate in the County of Allegheny.

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 also exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Quaker Valley Ambulance 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 serviced municipalities; and the Board is independent in the following areas: the decision making process, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Accounting

The Authority uses the accrual method of accounting and is accounted for as an "enterprise fund" in conformity with generally accepted accounting principles as applied to governmental units. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Authority are described below.

Support and Revenue

The Authority's operations 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 Quaker Valley Ambulance Authority to bill "third parties" (i.e. Medicare, private insurance) of residents of the Quaker Valley Ambulance 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 at \$7.00 per capita for the calendar years of 2016 and 2017 and \$8.00 per capita for 2018.

Investments and Certificates of Deposit (at fair value)

Below is a detail of the investments held at fair value at May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Certificates of Deposit (at cost, which approximates fair value)	\$ 267,354.05	\$ 264,183.84
FNB Wealth Management	<u>397,766.98</u>	<u>400,000.00</u>
	<u>\$ 665,121.03</u>	<u>\$ 664,183.84</u>

The investment balance of \$397,766.98 at May 31, 2018 and \$400,000.00 at May 31, 2017 is held in an account with FNB Wealth Management that is invested in Certificates of Deposit (non-negotiable) with FDIC insurance coverage, and PA General Obligation municipal bonds. These invested funds are in compliance with the recent amendment covering allowed investments by municipal authorities (Act of March 25, 2016, P.L. 72, No. 10 – Investment of Public Corporation or Authority Funds).

QUAKER VALLEY AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018 AND 2017

Note 1 – Organization and Summary of Significant Accounting Policies (Cont'd.)

Investments and Certificates of Deposit (at fair value) (Cont'd.)

Fair values are based on the quoted market prices, and are recurring level 1 financial assets. Realized and unrealized gains and (losses) on marketable securities are recorded as a change in net assets each year on the Statement of Activities. The following table sets forth by level, within the fair value hierarchy, the investments as of May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Level 1	\$ 665,121.03	\$ 664,183.84
Level 2	0.00	0.00
Level 3	0.00	0.00
	<u>\$ 665,121.03</u>	<u>\$ 664,183.84</u>

Property and Equipment

Property and equipment is stated at cost and depreciated over their estimated useful lives on a straight-line method. The estimated useful lives of the ambulance and equipment and communication equipment have been set at five (5) years.

Various items included in ambulance and equipment and communication equipment were purchased through grants received from EMSI (Emergency Medical Services Institute). EMSI is a non-profit Pennsylvania Corporation, and normally grants 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, EMSI stipulates, among other things, that the title of such equipment shall be considered to be owned jointly by the Institute 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 this grant received on such equipment is a reduction of the cost of the equipment recorded on the books of the Authority. EMSI grants have been discontinued effective June 1, 2015.

Property and equipment activity for the year ended May 31, 2018 and 2017 was as follows:

<u>May 31, 2018</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Ambulance and equipment	\$ 469,558.27	\$ 83,835.50	\$(118,753.10)	\$ 434,640.67
Communication equipment	<u>9,708.88</u>	<u>0.00</u>	<u>0.00</u>	<u>9,708.88</u>
	479,267.15	83,835.50	(118,753.10)	444,349.55
Less: Accumulated depreciation	<u>(293,625.99)</u>	<u>(62,329.82)</u>	<u>118,753.10</u>	<u>(237,202.71)</u>
	<u>\$ 185,641.16</u>	<u>\$ 21,505.68</u>	<u>\$ 0.00</u>	<u>\$ 207,146.84</u>
 <u>May 31, 2017</u>	 <u>Beginning</u> <u>Balance</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Ending</u> <u>Balance</u>
Ambulance and equipment	\$ 430,192.81	\$ 139,914.46	\$(100,549.00)	\$ 469,558.27
Communication equipment	<u>9,708.88</u>	<u>0.00</u>	<u>0.00</u>	<u>9,708.88</u>
	439,901.69	139,914.46	(100,549.00)	479,267.15
Less: Accumulated depreciation	<u>(343,511.24)</u>	<u>(50,663.75)</u>	<u>100,549.00</u>	<u>(293,625.99)</u>
	<u>\$ 96,390.45</u>	<u>\$ 89,250.71</u>	<u>\$ 0.00</u>	<u>\$ 185,641.16</u>

Bad Debts – Allowance for Doubtful Accounts Receivable

The balance in the allowance for doubtful accounts receivable 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 taken 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 and Expenses and Changes in Net Position". The allowance for doubtful account receivable is \$61,936.40 at May 31, 2018 and \$62,700.00 at May 31, 2017.

QUAKER VALLEY AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018 AND 2017

Note 1 – Organization and Summary of Significant Accounting Policies (Cont'd.)

Net Working Capital

The Authority's net working capital (current assets less current liabilities) is \$714,138.03 at May 31, 2018 and \$998,917.03 at May 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Authority has evaluated subsequent events through November 9, 2018, the date which the financial statements were available to be issued.

Note 2 – Expense Reimbursement

On June 10, 1975, Quaker Valley Ambulance Authority and Valley Ambulance Authority entered into an agreement wherein both parties have agreed to act jointly for the purpose of sharing certain expenses. Valley Ambulance Authority is to pay all operating expenses, and Quaker Valley Ambulance Authority was then to reimburse Valley for 40% of the expenses, with certain expenses excepted. Effective January 1987, a 25%-40% sliding scale based on the number of calls per month was instituted instead of the straight 40% as called for under the June 10, 1975 agreement. This range was again amended to reflect a minimum and maximum of 20%-40% effective June 1, 2002, compensating for the growth of Valley Ambulance Authority's service with the addition of the Township of Findlay and the Allegheny County Airport Authority.

In January 1992, there was an amendment of the above-mentioned agreement. This amendment established a monthly rent of \$750.00 for sixty (60) months, till January 1997 (thereafter said rent to be re-determined) to be paid to Valley Ambulance Authority, and exempted interest expense from the joint operating expenses. It has been agreed by both boards to increase the monthly rental to \$1,000.00 effective June 1, 2015.

Wheelchair van trips are a significant part of the total trips taken by the two- (2) Authorities. 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 in the fiscal year ended May 31, 2000, and has been used since then. This "revised" calculation handles the wheelchair van trips and their associated cost separately. Each authority is charged a cost assessment for each wheelchair van trip (\$50.00 for fiscal years ended May 31, 2018 and 2017). This amount is then subtracted from the total monthly reimbursable expenses, and the remaining expenses are split based on the number of ambulance and coach trips only. The percentage used again must fall within the 20%-40% range.

Note 3 – Cash Flow Information

The Authority considers cash in bank and cash investment accounts 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 for purposes of the Statement of Cash Flows.

The Statement of Cash Flows is prepared on the "Direct Method", which complies with the requirements of GASB 34.

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Note 4 – Cash and Investments

The carrying amount of the Authority's deposits (cash and certificates of deposit) was \$522,536.54 at May 31, 2018 and \$544,492.93 at May 31, 2017. The bank balances for these years were \$523,220.57 and \$550,274.55 respectively.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to place deposits in Federal Deposit Insurance Corporation (FDIC) insured institutions. Deposits in excess of the FDIC limit are collateralized pursuant to the Commonwealth of Pennsylvania Public Law 72 of 1971 (as amended), which allows depositories to satisfy collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. As of May 31, 2018, of the Authority's \$523,220.57 bank balance, \$405,715.24 was covered by FDIC insurance and \$117,505.33 was exposed to custodial credit risk and was included in this pool of eligible investments.

Note 5 – Risk Management

Areas of significant risk to the Authority are covered by commercial insurance obtained with Valley Ambulance Authority. There have been no significant reductions in commercial insurance coverage from the prior year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 6 – Transaction with Related Party

The Authority has incurred and paid \$1,275.00 in the year ended May 31, 2018 and \$1,330.00 in the year ended May 31, 2017 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) 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, and the Board of Directors chose Public Safety Marketing based on these three estimates and also on some features that only Public Safety Marketing offered.

Note 7 – Subsequent Events

There is an increase in the Medicaid reimbursement rate that is to be effective January 1, 2019. The reimbursement will go from \$120.00 to \$200.00 on basic life support (BLS) trips and from \$200.00 to \$300.00 on advanced life support (ALS) trips.

Note 8- Prior Period Adjustment (PPA)/Restatement of Previously Issued Financial Statements/Subsequent Event

The gas supply for the heating of the Valley Ambulance and Quaker Valley Ambulance Authority's headquarters building has been supplied through Fabtec Incorporated for many years. In August 2018, it was discovered that the meter used to record the gas usage by the headquarters building was incorrectly read by Fabtec. The decimal point on the monthly reading was moved one place too far to the left, making the monthly billing sent to the Authority understated. Upon discovery of this error, the management of Fabtec brought this to the attention of Valley Ambulance Authority's management. An agreement was negotiated with Fabtec on October 30, 2018 that covered the gas billings for the periods back to October 2005 (as far back as the records that Fabtec had retained), which amounted to an additional amount owed of \$51,233.71. Because the gas utility is a shared expense with Quaker Valley Ambulance Authority, a reimbursement amount has been calculated in total of \$14,106.00. The additional reimbursement amount of \$1,685.48 for the year ended May 31, 2018 is included in "Expenses reimbursed to Valley Ambulance Authority" under Operating Expenses in the Statements of Support, Revenues and Expenses and Changes in Net Position. Below is a table showing the effect of this prior period adjustment on the financial statements of the Authority.

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Note 8- Prior Period Adjustment (PPA)/Restatement of Previously Issued Financial Statements/Subsequent Event (cont'd.)

<u>Year ended</u>	<u>Adjustment</u>	<u>QVAA %</u>
5/31/2017 (in restated numbers)	\$ 6,731.90	\$ 1,979.85
5/31/2016 and prior (PPA)	<u>38,697.80</u>	<u>10,440.67</u>
Totals	<u>\$ 45,429.70</u>	<u>\$ 12,420.52</u>

Previously issued financial statements have been restated to reflect the correction of this error in those previous periods. The additional amount due of \$12,420.52 is included in "Accounts payable-Valley Ambulance Authority" on the Statements of Net Position. The additional reimbursement amount of \$1,979.85 for the year ended May 31, 2017 is included in "Expenses reimbursed to Valley Ambulance Authority" under Operating Expenses in the Statements of Support, Revenues and Expenses and Changes in Net Position. Any adjustments prior to the May 31, 2017 year end are shown as a "Prior Period Adjustment" on the same statement. The May 31, 2018 period reflects the correct expense reimbursement for that year.

Note 9 – Other Information

As a result of the continued interest by Medicare/CMS in fraud and abuse in various health care provider industries, including the ambulance industry, CMS issued final regulations that took effect April 14, 2003 making a "compliance program" mandatory for the ambulance industry. A compliance program represents a commitment by the health care provider to both adhere to all laws and regulations and to follow controlled methods and procedures to reduce risk of violations. In a combined effort with Valley Ambulance Authority, the Authorities initiated their compliance program on 5/24/2000. The development, implementation and training under this compliance program is an ongoing process, and the Authority has continued in its efforts to comply with this program.