

QUAKER VALLEY AMBULANCE AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2023 AND 2022
&
INDEPENDENT AUDITORS' REPORT
&
REQUIRED SUPPLEMENTARY INFORMATION**



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McCall Scanlon & Tice, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Quaker Valley Ambulance Authority:

Opinion

We have audited the statements of net position of Quaker Valley Ambulance Authority (the "Authority") as of May 31, 2023 and 2022, and the related statements of support, revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of May 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. GAAS, 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

October 16, 2023

**Quaker Valley Ambulance Authority
Management's Discussion And Analysis**

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, 2023, 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

	<u>May 31, 2023</u>	<u>May 31, 2022</u>	<u>May 31, 2021</u>
Current assets	\$ 1,063,846	\$ 1,149,035	\$ 1,134,751
Property and equipment, net	<u>194,843</u>	<u>115,127</u>	<u>49,917</u>
Total assets	<u>\$ 1,258,689</u>	<u>\$ 1,264,162</u>	<u>\$ 1,184,668</u>
Current liabilities	\$ 83,678	\$ 76,886	\$ 76,736
Net position:			
Net investment in capital assets	194,843	115,127	49,917
Restricted	-	-	-
Unrestricted	<u>980,168</u>	<u>1,072,149</u>	<u>1,058,015</u>
Total net position	<u>1,175,011</u>	<u>1,187,276</u>	<u>1,107,932</u>
Total liabilities and net position	<u>\$ 1,258,689</u>	<u>\$ 1,264,162</u>	<u>\$ 1,184,668</u>

**Quaker Valley Ambulance Authority
Management's Discussion And Analysis**

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

	Fiscal Year Ended May 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total support	\$ 43,984	\$ 43,006	\$ 41,209
Total operating revenues	815,760	865,593	870,473
Total operating expenses	<u>(923,946)</u>	<u>(904,414)</u>	<u>(970,126)</u>
Operating income (loss)	(64,202)	4,185	(58,444)
Total non-operating revenues (expenses)	<u>51,937</u>	<u>75,159</u>	<u>55,529</u>
Change in net position	(12,265)	79,344	(2,915)
Net position:			
Beginning of year	<u>1,187,276</u>	<u>1,107,932</u>	<u>1,110,847</u>
End of year	<u><u>\$ 1,175,011</u></u>	<u><u>\$ 1,187,276</u></u>	<u><u>\$ 1,107,932</u></u>

As can be seen from the above comparative financial information, revenues have decreased slightly over the last three years, and expenses have remained comparable. A more detailed comparison can be seen on pages 10 through 12. The analysis that follows identifies items affecting 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 2022-2023. 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=1,754) decreased by 13.2% as compared to the previous fiscal year (n=2,021). This decrease was primarily related to a significant reduction of interfacility and non-emergency transports originating from the Heritage Valley Hospital System ("HVHS") – Sewickley Campus as outlined below.
- 2) **Reduction in Interfacility Transports:** Effective March 15, 2022, the HVHS – Sewickley Campus, changed its policy related to the preferred ambulance provider for interfacility transports originating at the HVHS – Sewickley Campus. Historically, VAA and QVAA served as the preferred ambulance provider for these types of emergent and non-emergent transports. The policy change was apparently the result of HVHS acquiring NorthWest EMS, who has now been designated as the HVHS preferred ambulance provider. This policy change resulted in a significant reduction in VAA and QVAA interfacility transports and overall call volume.
- 3) **Wheelchair Van Transports:** Wheelchair van ("WCV") (n=957) decreased by 22.3% as compared to the previous fiscal year (n=1,232). This significant reduction can largely be attributed to the change in the non-emergency transport policy at the HVHS – Sewickley Campus.
- 4) **Highmark Contract Termination:** To secure increased per transport reimbursement as an out of network provider, QVAA elected to terminate its contract with Highmark, effective on December 31, 2022.
- 5) **Aetna Overpayment Issue:** QVAA was notified in late 2022, that Aetna Medicare had made a series of errors in 2020, 2021 and 2022 causing ambulance claims in Pennsylvania to be underpaid. These errors were related to hospital-based claims which were processed by Aetna Medicare as observation claims instead of admission claims. That erroneous misclassification caused Part B ambulance claims to be subject to significant copayments. However, at the time of the claim, since Aetna Medicare indicated that the patient was responsible for these copay amounts, QVAA appropriately invoiced and collected some of the required copay amounts from Aetna Medicare patients. These patients included certain VAA subscribers. In December 2022, Aetna Medicare rectified their errors and issued VAA reclassified payments plus interest. This created a situation in which our office staff had to review each claim and determine the amount that VAA was permitted to keep and amounts that were required to be refunded to affected patients. The amount of the Aetna Medicare repayment to QVAA in December 2022 totaled \$11,988. A total of \$3,140 was refunded to various patients, and QVAA was permitted to retain the remaining \$8,848.

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

- 6) **Grants:** QVAA received a PA Act 10 grant in the amount of \$37,237 related to the pandemic. QVAA also received a \$10,000 grant from the Office of the State Fire Commissioner which was used to offset the cost of an ambulance purchase.
- 7) **Municipal Per Capita Rate:** The municipal per capita rate was increased from \$9.50 to \$10.00, effective January 1, 2022, to help offset rising system related expenses.
- 8) **Ambulance Purchases:** QVAA previously authorized the purchase of two (2) new ambulances (794 & 795) at a unit cost not to exceed \$120,000. These ambulance purchases were made in conjunction with VAA, who also authorized the purchase of two (2) new ambulances. Unit 794 was delivered in February 2022. The second ambulance is expected to be delivered in late 2023.

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

- 9) **Ambulance Call Volume:** Ambulance call volume for the fiscal year (n=4,992) decreased by 13.8% as compared to the previous fiscal year (n=5,795). This decrease was primarily related to a significant reduction of interfacility and non-emergency transports originating from the HVHS – Sewickley Campus.
- 10) **Employee Recruitment and Retention:** Due to the dynamic workforce changes and the admirable work of VAA employees, VAA authorized several initiatives to help with employee recruitment and retention efforts. The initiatives included referral and sign-on bonus programs, and employee wage increases in June and September.
- 11) **Employee Health Care Benefits:** Effective November 1, 2022, VAA elected to implement changes to its employee health care benefits program and implemented new cost saving measures to help reduce health care related premiums, while enhancing employee benefits.
- 12) **Ambulance Purchases:** VAA took delivery of a new ambulance (791) in September 2022. The next ambulance purchase (796) was authorized and has been ordered. Delivery is expected by late 2023.
- 13) **Worker's Compensation and Property / Liability Insurance Dividends:** Municipal Risk Management ("MRM") has issued dividend checks for the Worker's Compensation and the Property & Liability Trusts. This year's dividends totaled \$28,450 for the workers compensation program and \$20,673 for the property & liability program.
- 14) **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. VAA also implemented a new field training officer program which enhances and expands our current preceptor program.

Quaker Valley Ambulance Authority Management's Discussion and Analysis

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

- **2023 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of 8.7% for dates of service on or after January 1, 2023.

Annual adjustments are typically based on 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" which was reinstated in August 2022 after a pandemic related suspension of these cuts in 2020; 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 Geographic Practice Cost Index ("GPCI") decreased by .6% for suburban PA health care providers for dates of service on or after January 1, 2023.

- **Status of Temporary Medicare Fee Increases:** Temporary fee increases for ambulance services began in 2006-2007. 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 2022, extends these increases until December 31, 2024.

- **2023 Medicaid Reimbursement Increase:** Effective on January 1, 2023, the Commonwealth of PA authorized an increase in Medicaid reimbursement of ambulance base rates and loaded mileage (over 20 miles). Basic life support ("BLS") base rates increased from \$180 to \$325. Advanced life support ("ALS") base rates increased from \$300 to \$400. Loaded mileage rates increase from \$2 to \$4, but only for transports which exceed 20 miles.

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION
MAY 31, 2023 AND 2022

	<u>ASSETS</u>		<u>2023</u>		<u>2022</u>
CURRENT ASSETS:					
Cash,					
Unrestricted cash		\$	260,612	\$	341,754
Total cash			260,612		341,754
Certificates of deposit			-		482,679
Short term investments			705,298		221,869
Accounts receivable			79,567		76,006
Prepaid expenses			18,369		23,507
Accrued interest receivable			-		3,220
Total current assets			1,063,846		1,149,035
PROPERTY AND EQUIPMENT, net			194,843		115,127
TOTAL		\$	<u>1,258,689</u>	\$	<u>1,264,162</u>
<u>LIABILITIES AND NET POSITION</u>					
CURRENT LIABILITIES:					
Accounts payable		\$	2,566	\$	954
Accounts payable, Valley Ambulance Authority			69,553		64,907
Deferred municipal assessments and donations			11,559		11,025
Total current liabilities			83,678		76,886
NET POSITION:					
Net investment in capital assets			194,843		115,127
Unrestricted			980,168		1,072,149
Total net position			1,175,011		1,187,276
TOTAL		\$	<u>1,258,689</u>	\$	<u>1,264,162</u>

See Notes To Financial Statements

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
SUPPORT,		
Contributions	\$ 43,984	\$ 43,006
Total support	43,984	43,006
OPERATING REVENUES:		
Ambulance service, net	600,202	655,149
Van service, net	68,397	76,372
Municipal assessments	134,708	128,016
Miscellaneous income	12,453	6,056
Total operating revenues	815,760	865,593
OPERATING EXPENSES:		
Expenses reimbursed to Valley Ambulance Authority	846,142	830,955
Rent paid to Valley Ambulance Authority	12,000	12,000
Depreciation	44,968	42,965
Maintenance, equipment	5,137	176
Audit and accounting	6,750	6,500
Legal	75	729
Board expense	1,177	860
Bank and credit card fees	1,927	2,006
Miscellaneous expense	376	957
Collection expense	1,971	4,178
Fund drive expense	3,423	3,088
Total operating expenses	923,946	904,414
OPERATING INCOME (LOSS)	(64,202)	4,185
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,271	3,326
FNB investment income	11,473	5,419
FNB wealth management fees	(1,151)	(695)
Unrealized gain (loss) on investments	(6,893)	(17,744)
Grant income	47,237	84,853
Total non-operating revenues (expenses)	51,937	75,159
CHANGE IN NET POSITION	(12,265)	79,344
NET POSITION, BEGINNING OF YEAR	1,187,276	1,107,932
NET POSITION, END OF YEAR	<u>\$ 1,175,011</u>	<u>\$ 1,187,276</u>

See Notes To Financial Statements

QUAKER VALLEY AMBULANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for services	\$ 677,333	\$ 760,117
Receipts from municipal assessments	135,242	128,590
Contributions	43,984	43,006
Other receipts	158	115
Payments to Valley Ambulance Authority for expenses	(853,496)	(844,262)
Cash paid to suppliers and others	(14,086)	(41,118)
Net cash provided by (used in) operating activities	(10,865)	46,448
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchases of property and equipment	(124,684)	(108,175)
Capital grants received	47,237	44,585
Net cash used in capital activities	(77,447)	(63,590)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,		
Grant received	-	40,268
Net cash provided by non-capital financing activities	-	40,268
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificates of deposit	2,679	(4,202)
Interest income	4,491	4,242
Net cash provided by investing activities	7,170	40
NET INCREASE (DECREASE) IN CASH	(81,142)	23,166
CASH, BEGINNING OF YEAR	341,754	318,588
CASH, END OF YEAR	\$ 260,612	\$ 341,754
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (64,202)	\$ 4,185
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation	44,968	42,965
(Increase) decrease in:		
Accounts receivable	(3,561)	22,655
Prepaid expenses	5,138	(23,507)
Increase (decrease) in:		
Accounts payable	1,612	883
Accounts payable, Valley Ambulance Authority	4,646	(1,307)
Deferred municipal assessments and donations	534	574
Net cash provided by (used in) operating activities	\$ (10,865)	\$ 46,448

See Notes To Financial Statements

QUAKER VALLEY AMBULANCE AUTHORITY

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 Government Accounting Standards Board ("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. 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, 2023 and 2022.

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, 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 \$10.00 and \$9.50 per capita for the years ended May 31, 2023 and 2022, respectively.

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 2023 and 2022.

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 16, 2023, 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. 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. 99, "*Omnibus 2022*": The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements, and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, "*Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*" is effective for fiscal years beginning after June 15, 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, “*Compensated Absences*” is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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 2 inputs as follows at May 31:

	<u>2023</u>	<u>2022</u>
Money market	\$ 19,942	\$ 8,232
Certificates of deposit	<u>685,356</u>	<u>213,637</u>
	<u>\$705,298</u>	<u>\$221,869</u>

Although the Authority’s investments are invested in certificates of deposits 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, 2023 and 2022.

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, 2023 and 2022, respectively, \$8,382 and \$320,605 of the Authority’s bank balance of \$258,382 and \$820,605 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 \$260,612 and \$824,433 as of May 31, 2023 and 2022, 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, 2023 and 2022 is as follows:

	<u>Balance at June 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at May 31, 2023</u>
Ambulance and equipment	\$ 489,728	\$ 124,684	\$ (85,650)	\$ 528,762
Communication equipment	24,202	-	-	24,202
Total	513,930	124,684	(85,650)	552,964
Less accumulated depreciation	<u>(398,803)</u>	<u>(44,968)</u>	<u>85,650</u>	<u>(358,121)</u>
Property and equipment, net	<u>\$ 115,127</u>	<u>\$ 79,716</u>	<u>\$ -</u>	<u>\$ 194,843</u>
	<u>Balance at June 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at May 31, 2022</u>
Ambulance and equipment	\$ 440,865	\$ 108,175	\$ (59,312)	\$ 489,728
Communication equipment	24,202	-	-	24,202
Total	465,067	108,175	(59,312)	513,930
Less accumulated depreciation	<u>(415,150)</u>	<u>(42,965)</u>	<u>59,312</u>	<u>(398,803)</u>
Property and equipment, net	<u>\$ 49,917</u>	<u>\$ 65,210</u>	<u>\$ -</u>	<u>\$ 115,127</u>

Various items 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 stipulated, 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, 2023 and 2022, VAA invoiced the Authority \$846,142 and \$830,955, respectively, under this agreement. As of May 31, 2023 and 2022, \$65,553 and \$64,907, 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, 2023 and 2022 was \$12,000.

7. TRANSACTION WITH RELATED PARTY

For the years ended May 31, 2023 and 2022, the Authority paid \$1,500 and \$1,388, respectively, 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.
