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Property and equipment activity for the years ended May 31, 2022 and 2021 is as follows:

	<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>
	<u>Balance at June 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at May 31, 2021</u>
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	<u>(365,810)</u>	<u>(49,340)</u>	<u>-</u>	<u>(415,150)</u>
Property and equipment, net	<u>\$ 98,200</u>	<u>\$ (48,283)</u>	<u>\$ -</u>	<u>\$ 49,917</u>

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, 2022 and 2021, VAA invoiced the Authority \$830,955 and \$892,456, respectively, under this agreement. As of May 31, 2022 and 2021, \$64,907 and \$66,214, 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, 2022 and 2021 was \$12,000.

## **7. TRANSACTION WITH RELATED PARTY**

For both years ended May 31, 2022 and 2021, 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.

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