

**VALLEY AMBULANCE AUTHORITY**

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**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MAY 31, 2020 AND 2019  
&  
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  
Valley Ambulance Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Valley Ambulance Authority (the "Authority"), as of and for the years ended May 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of May 31, 2020 and 2019, and the results of its operation and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 2 to the financial statements, the Authority adopted new accounting policies related to the recognition of revenue, equity investments, and contributions received. Prior year disclosures have been revised to reflect the modified retrospective and prospective applications of adopting these changes in accounting. Our opinion is not modified with respect to this matter.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*McCall Scaron & Tice, LLC*

Pittsburgh, Pennsylvania  
August 24, 2020

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

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, 2020, 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 at the time liabilities are incurred. The financial statements include three separate statements that together reflect the results of the operational activities for the fiscal year.

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

**Condensed Comparative Financial Statements**

**Condensed Statements of Net Position**

	<u>May 31, 2020</u>	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Current assets	\$ 2,704,373	\$ 2,404,399	\$ 2,584,474
Property and equipment, net	<u>583,677</u>	<u>615,042</u>	<u>657,717</u>
Total assets	<u>\$ 3,288,050</u>	<u>\$ 3,019,441</u>	<u>\$ 3,242,191</u>
Current liabilities	\$ 380,306	\$ 209,941	\$ 245,359
PPP loan	244,488	-	-
Net position:			
Net investment in capital assets	583,677	615,042	657,717
Restricted	84,192	7,155	-
Unrestricted	<u>1,995,387</u>	<u>2,187,303</u>	<u>2,339,115</u>
Total net position	<u>2,663,256</u>	<u>2,809,500</u>	<u>2,996,832</u>
Total liabilities and net position	<u>\$ 3,288,050</u>	<u>\$ 3,019,441</u>	<u>\$ 3,242,191</u>

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

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

	Fiscal Year Ended May 31,		
	2020	2019	2018
Total support	\$ 55,718	\$ 42,826	43,279
Total operating revenues	2,770,676	2,873,460	2,945,608
Total operating expenses	(2,986,158)	(2,949,496)	(2,980,164)
Total expenses not subject to reimbursement	(177,592)	(202,157)	(195,530)
Operating income (loss)	(337,356)	(235,367)	(186,807)
Total nonoperating revenues (expenses)	191,112	48,035	25,714
Change in net position	(146,244)	(187,332)	(161,093)
Net position:			
Beginning of year	2,809,500	2,996,832	3,157,925
End of year	<u>\$ 2,663,256</u>	<u>\$ 2,809,500</u>	<u>\$ 2,996,832</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 over the last three years. A more detailed comparison can be seen on pages 9 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.

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

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**Analysis of Financial Position and Results of Operations**

The following is a summary of key plans, programs and policies which were implemented at Valley Ambulance Authority (“VAA”) during FY 2019-2020. These initiatives are designed to enhance the overall delivery of high-quality pre-hospital care and medical transportation within the Authority’s service area. This list also contains a description of major capital purchases made throughout the fiscal year.

- 1) **Ambulance Call Volume:** Ambulance call volume for the fiscal year (n=5,017) decreased 4.5% as compared to the previous fiscal year (n=5,254).
- 2) **Wheelchair Van Call Volume:** Wheelchair van (“WCV”) call volume (n=1,019) decreased 1% from the previous fiscal year; (n=1,030).
- 3) **COVID-19 Pandemic:** The pandemic began affecting patients and ambulance operations in March 2020. Call volume and resultant revenue was significantly reduced for March, April and May. Increased expenses related to purchase of personal protective equipment, staff training, policy and protocol changes were experienced during this quarter.
- 4) **Pandemic Related Grants:** VAA received several stimulus grants totaling \$63,120; from the federal government (\$62,620) and a private foundation (\$500) to help offset the negative financial impact and revenue losses associated with the COVID-19 pandemic. A \$10,000 donation was also received from a local business to help purchase new personal protective equipment and offset other operational expenses.
- 5) **Hazard Pay Employee Bonus:** Employee hazard pay bonuses were awarded to all VAA employees in May 2020 due to their extraordinary efforts in treatment and transport of patients during the pandemic. The bonus amount and other payroll expenses incurred during an 8-week period in April and May 2020 were offset by a payroll protection loan in the amount of \$396,800. The loan, secured through First National Bank, is scheduled to be forgiven and converted to a pandemic related grant from the federal government, by the end of 2020.
- 6) **Ambulance Remount:** VAA authorized the purchase of a new gasoline chassis and remounting of Ambulance 797, the lone remaining diesel engine chassis. The cost to remount the unit (\$96,000) is offset by a grant of \$9,192 from the Office of the State Fire Commissioner.
- 7) **Grants:** In addition to the \$9,192 grant from the Office of the State Fire Commissioner listed above, VAA also received \$75,000 from the Commonwealth of PA to repave its parking areas and access roads. The paving project was jointly bid with Moon Township and several surrounding municipalities.
- 8) **Ambulance Service Licensure Renewal:** VAA successfully passed its triennial inspection in April 2020 and was granted a new three-year ambulance service license from the Commonwealth of Pennsylvania – Department of Health.

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

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- 9) **Worker's Compensation and Property/Liability Insurance Dividends:** VAA received a dividend of \$53,945 from the Municipal Risk Management Workers Compensation Pooled Trust which was a result of overall lower loss ratios by the members of the Trust. The Authority also received a dividend of \$16,585 from the MRM Property and Liability Insurance Trust.
- 10) **403(b) Plan Restatement and Conversion:** VAA took steps to review and restate its 403(b) plan in 2019. The plan was administered by the Lincoln Financial Group ("LFG"). VAA converted all plan assets from LFG to Empower, effective May 31, 2020.
- 11) **Employee Training Activities:** Operational employees were provided with 32 hours of mandatory training; also, many employees voluntarily engaged in additional hours of internal and external training activities.
- 12) **Cardiac Arrest Registry:** VAA currently participates in a national research study called the Cardiac Arrest Registry 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) VAA renewed relationships and **enhanced its communication with participating municipalities and local public safety agencies,** including enhanced reporting, training, site visits, and submission of informational articles to various municipal publications; and the delivery of comprehensive firefighter rehab services to local fire departments.
- 14) 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 **175 sporting and other public events** within the combined VAA/QVAA service area;
  - Coordinated local disaster, operational planning and stand-by services related to the **UPMC Events Center**, a 4,000-seat venue, located on the campus of Robert Morris University which hosts sporting events, concerts and other events;
  - Disaster planning and drills related to the Pittsburgh International Airport were held throughout the year;
  - Participation in various mass casualty incident (MCI) responses and exercises. VAA/QVAA are part of a special "first due" task force for local and regional disaster and mass casualty incidents (MCI); and
  - VAA also participates in regular mass casualty response exercises as a part of its contract with AMR, who administers the federal disaster response contract.

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

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

- **2020 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of .9% for dates of service on or after January 1, 2020.

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

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

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

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

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

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

**VALLEY AMBULANCE AUTHORITY**

STATEMENTS OF NET POSITION  
MAY 31, 2020 AND 2019

<u>ASSETS</u>		
	2020	2019
<b>CURRENT ASSETS:</b>		
Cash:		
Unrestricted cash	\$ 793,080	\$ 294,253
Restricted cash	84,192	7,155
Total cash	877,272	301,408
Certificate of deposit	504,373	693,796
Short term investments	859,668	821,825
Accounts receivable	268,103	373,236
Accounts receivable, Quaker Valley Ambulance Authority	91,595	95,855
Accounts receivable, other	1,573	83
Accrued interest receivable	420	16,402
Prepaid expenses and other assets	101,369	101,794
Total current assets	2,704,373	2,404,399
PROPERTY AND EQUIPMENT, net	583,677	615,042
TOTAL	\$ 3,288,050	\$ 3,019,441
<u>LIABILITIES AND NET POSITION</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 26,706	\$ 30,405
Accrued payroll and payroll taxes	71,788	50,440
Accrued compensated absences	36,322	35,931
Deferred income	93,178	93,165
Current portion of PPP loan	152,312	-
Total current liabilities	380,306	209,941
PPP LOAN	244,488	-
<b>NET POSITION:</b>		
Net investment in capital assets	583,677	615,042
Restricted	84,192	7,155
Unrestricted	1,995,387	2,187,303
Total net position	2,663,256	2,809,500
TOTAL	\$ 3,288,050	\$ 3,019,441

See Notes To Financial Statements

## VALLEY AMBULANCE AUTHORITY

### STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
<b>SUPPORT:</b>		
Community contributions	\$ 2,700	\$ 2,700
Contributions, other	53,018	40,126
Total support	55,718	42,826
<b>OPERATING REVENUES:</b>		
Ambulance service, net	1,573,432	1,648,771
Ambulance service, stand-by	63,062	34,595
Van service, net	46,378	51,565
QVAA reimbursement	905,023	942,912
Citizens' subscriptions	126,308	129,490
Rent, QVAA	12,000	12,000
Miscellaneous revenue	44,473	54,127
Total operating revenues	2,770,676	2,873,460
<b>OPERATING EXPENSES:</b>		
Wages	2,019,254	1,987,684
Payroll taxes	164,486	160,612
Workers compensation	84,474	76,942
Health insurance	238,477	236,489
Employee benefits	26,691	29,346
TDA contribution	83,633	87,936
Computer expense	18,386	18,858
Shared equipment depreciation	10,400	11,287
Employee education	3,508	2,238
Fuel, fleet	58,920	66,827
Insurance	50,562	50,067
Maintenance, building	16,756	20,085
Maintenance, equipment	25,589	27,441
Maintenance, communication equipment	1,877	3,912
Maintenance, vehicles	49,298	35,849
Maintenance, other	6,145	6,820
Marketing/PR	10,400	14,438
Medical supplies	30,046	20,959
Meeting and travel	1,176	3,944
Office expense	13,532	15,226

See Notes To Financial Statements

## VALLEY AMBULANCE AUTHORITY

### STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
Professional services	23,333	21,483
Telephone	16,344	16,996
Uniforms	10,073	14,805
Utilities	22,798	19,252
Total operating expenses	2,986,158	2,949,496
Expenses not subject to reimbursement:		
Auditing	12,000	14,890
Credit card fees and bank service charges	8,237	5,115
Board expense	630	1,352
Collection expense	19,410	22,884
Depreciation	118,529	140,337
Dues/Membership	-	200
Legal expense	345	-
Subscription expense	11,442	11,033
Miscellaneous expense	585	212
Fund drive expense	6,414	6,134
Total expenses not subject to reimbursement	177,592	202,157
OPERATING INCOME (LOSS)	(337,356)	(235,367)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of property and equipment	(5,037)	-
Interest income	10,994	14,919
FNB investment income	17,722	16,489
FNB wealth management fees	(2,572)	(2,482)
Unrealized gain (loss) on investments	22,693	12,027
Grant income	147,312	7,082
Total non-operating revenues (expenses)	191,112	48,035
CHANGE IN NET POSITION	(146,244)	(187,332)
NET POSITION, BEGINNING OF YEAR	2,809,500	2,996,832
NET POSITION, END OF YEAR	\$ 2,663,256	\$ 2,809,500

See Notes To Financial Statements

**VALLEY AMBULANCE AUTHORITY**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 1,830,464	\$ 1,863,281
Receipts for subscriptions and contributions	182,039	168,866
Receipts from Quaker Valley Ambulance for expenses	921,283	953,725
Other receipts	524	12,018
Cash paid to suppliers and others	(850,455)	(862,291)
Payments to or on behalf of employees	(2,165,901)	(2,131,548)
Net cash provided by (used in) operating activities	(82,046)	4,051
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>		
Purchase of property and equipment	(103,859)	(108,949)
Proceeds from sale of property and equipment	1,258	-
Capital grant received	147,312	7,082
Net cash provided by (used in) capital activities	44,711	(101,867)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,</b>		
Proceeds from PPP loan	396,800	-
Net cash provided by non-capital financing activities	396,800	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in certificates of deposit	189,423	-
Interest income	26,976	2
Net cash provided by investing activities	216,399	2
<b>NET INCREASE (DECREASE) IN CASH</b>	575,864	(97,814)
<b>CASH, BEGINNING OF YEAR</b>	301,408	399,222
<b>CASH, END OF YEAR</b>	\$ 877,272	\$ 301,408
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>		
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (337,356)	\$ (235,367)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	128,929	151,624
(Increase) decrease in:		
Accounts receivable	105,133	74,767
Accounts receivable, Quaker Valley Ambulance Authority	4,260	(1,187)
Accounts receivable, other	(1,490)	11,474
Prepaid expenses and other assets	425	38,158
Increase (decrease) in:		
Accounts payable	(3,699)	(43,950)
Accrued payroll and payroll taxes	21,348	(23,949)
Accrued compensated absences	391	35,931
Deferred income	13	(3,450)
Net cash provided by (used in) operating activities	\$ (82,046)	\$ 4,051

See Notes To Financial Statements

# VALLEY AMBULANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 1. ORGANIZATION

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

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **BASIS OF ACCOUNTING**

The Authority's accounts are reported as an Enterprise Fund on the accrual basis of accounting. Under this method, revenues are 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 investments in capital assets, restricted, and unrestricted. The classifications are defined as follows:

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

*Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets as of May 31, 2020 and 2019 were \$84,192 and \$7,155, respectively.

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

#### **USE OF ESTIMATES**

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

#### **CASH**

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**

For accounts receivable resulting from revenue recognized prior to June 1, 2019, an allowance for doubtful accounts was established to reduce the carrying value of such receivables to their net realizable value. Generally, this allowance was estimated based on the aging of accounts receivable, historical collection experience and other relevant factors. At May 31, 2019, the allowance for doubtful accounts was \$244,350. Under the provisions of ASU 2014-09, which the Authority adopted effective June 1, 2019, when an unconditional right to payment exists, subject only to the passage of time, the right is treated as a receivable. Accounts receivable, including billed accounts and unbilled accounts for which the unconditional right to payment exists, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if the right to consideration is due. For accounts receivable subsequent to the adoption of ASU 2014-09 on June 1, 2019, the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient receivable rather than an allowance for doubtful accounts.

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

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

## PROPERTY AND EQUIPMENT

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

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

## ORGANIZATION OF OPERATION EMPLOYEES

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

## INCOME TAX STATUS

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

The Authority accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2020 and 2019.

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 August 24, 2020, the date the financial statements were available to be issued.

## **COMPARATIVE DATA**

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

## **PENDING PRONOUNCEMENTS**

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

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" is effective for reporting periods beginning after June 15, 2019. This statement addresses certain Asset Retirement Obligations and establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations.

GASB Statement No. 84, "*Fiduciary Activities*" is effective for reporting periods beginning after December 15, 2019. The purpose of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, "*Leases*" is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases.

GASB Statement No. 88, "*Certain disclosures Related to Debt, including Direct Borrowings and Direct Placements*" is effective for reporting periods beginning after June 15, 2019. The purpose of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, as well as to clarify which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" is effective for reporting periods beginning after December 15, 2020. The purposes of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *“Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”* is effective for reporting periods after December 15, 2019. The purpose of this statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *“Conduit Debt Obligations”* is effective for reporting periods beginning after December 15, 2021. The purposes of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

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

GASB Statement No. 93, *“Replacement of Interbank Offered Rates”* is effective for reporting periods beginning after June 15, 2020. The purpose of this statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate.

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

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

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

#### **ADOPTED PRONOUNCEMENTS**

The requirements of the following Financial Accounting Standards Board (“FASB”) statements were adopted for the Authority’s financial statements.

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is a comprehensive new revenue recognition standard that supersedes most existing revenue recognition guidance under GAAP. The standard’s core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 prescribes a five-step process to accomplish this core principle, including: (1) identification of the contract with the customer; (2) identification of the performance obligation(s) under the contract; (3) determination of the transaction prices; (4) allocation of the transaction price to the identified performance obligation(s); and (5) recognition of revenue as (or when) an entity satisfies the identified performance obligation(s). The Authority adopted the new standard effective June 1, 2019, which did not result in any material changes to the Authority’s revenue recognition.

In January 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 changes accounting for equity investments, financial liabilities under the fair value option, and presentation and disclosure requirement for financial instruments. ASU 2016-01 does not apply to equity investment in consolidated subsidiaries or those accounted for under the equity method of accounting. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. Equity investments with readily determinable fair values will be measured at fair value with changes in fair value recognized in net income. The Authority adopted the new standard effective June 1, 2019, and there were no material changes to the statements of net position, statements of support, revenues, expenses, and changes in net position, or statements of cash flows as a result of the adoption.

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which reduces diversity in reporting by clarifying (1) whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance, and (2) whether a contribution is conditional. The amendment in ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 and has been adopted utilizing the modified prospective approach. The Authority adopted the new standard as of and for the year ended May 31, 2020, and there were no material changes to the statements of net position, statements of support, revenues, expenses, and changes in net position, or statements of cash flows as a result of the adoption.

### 3. SHORT TERM INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Money market	\$ 36,176	\$ 21,367
Certificates of deposit	773,339	750,300
Municipal bond	<u>50,153</u>	<u>50,158</u>
	<u>\$ 859,668</u>	<u>\$ 821,825</u>

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

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

There have been no changes in the methodologies used at May 31, 2020 and 2019.

#### 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, 2020 and 2019, respectively, \$866,580 and \$522,097 of the Authority's bank balance of \$1,366,580 and \$1,022,097 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 \$1,381,646 and \$995,204 as of May 31, 2020 and 2019, 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, 2020 and 2019 is as follows:

	<u>Balance at</u> <u>June 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>May 31, 2020</u>
Land (not depreciated)	\$ 78,350	\$ -	\$ -	\$ 78,350
Building and improvements	1,289,662	-	-	1,289,662
Ambulance and other vehicles	651,843	91,525	(123,211)	620,157
Ambulance equipment	382,438	-	(2,700)	379,738
Radio equipment	79,228	-	(8,393)	70,835
Office equipment	242,863	3,099	(49,267)	196,695
Shared equipment	<u>222,081</u>	<u>9,235</u>	<u>(43,411)</u>	<u>187,905</u>
Total	2,946,465	103,859	(226,982)	2,823,342
Less accumulated depreciation	<u>(2,331,423)</u>	<u>(128,929)</u>	<u>220,687</u>	<u>(2,239,665)</u>
Property and equipment, net	<u>\$ 615,042</u>	<u>\$ (25,070)</u>	<u>\$ (6,295)</u>	<u>\$ 583,677</u>

VALLEY AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

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

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

## 6. PAYCHECK PROTECTION PROGRAM LOAN

On April 10, 2020, the Authority was granted a loan from First National Bank of Pennsylvania in the amount of \$396,800 under the Paycheck Protection Program (“PPP”), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan matures on April 21, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing November 2020. The loan may be prepaid by the Authority at any time prior to maturity with no prepayment penalties. The loan and accrued interest are forgivable as long as the Authority uses the loan proceeds for eligible purposes, including payroll costs, mortgage interest payments, rent, and utilities.

Scheduled principal and interest payments on the loan are as follows:

<u>Years Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 152,312	\$ 4,050	\$ 156,362
2022	<u>244,488</u>	<u>1,224</u>	<u>245,712</u>
Total	<u>\$ 396,800</u>	<u>\$ 5,274</u>	<u>\$ 402,074</u>

The Authority used the entire loan amount for qualifying expenses and believes the loan will be forgiven.

## 7. EXPENSE REIMBURSEMENT

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

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

During the years ended May 31, 2020 and 2019, the Authority invoiced QVAA \$905,023 and \$942,912, respectively, under this agreement. As of May 31, 2020 and 2019, \$91,595 and \$95,855, respectively, were included in accounts receivable on the statements of net position.

QVAA is also to pay the Authority a monthly rental of \$1,000. Rent income for both years ended May 31, 2020 and 2019 was \$12,000.

## **8. DEFINED CONTRIBUTION PLAN**

The Authority sponsors an IRC 403(b) Tax Deferred Annuity (“TDA”) Plan for full-time employees. The plan was established June 1, 1989 and amended to a “non-ERISA” plan effective January 1, 2015. The plan year is from June 1 to May 31. Employees can elect to contribute a percentage of their salary to the plan. The Authority contributes 4% of participating employees’ annual salary regardless of the employees’ contributions. In addition, the Authority then matches \$0.40 for every \$1.00, up to 10% of the employee’s base wage. The total maximum annual plan liability of the Authority is 8%. Employees are 100% vested immediately in their own contributions and after three years in matching contributions. The TDA contribution for the years ended May 31, 2020 and 2019 were \$83,633 and \$87,936, respectively.

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

## **9. TRANSACTION WITH RELATED PARTY**

For the years ended May 31, 2020 and 2019, respectively, the Authority paid \$8,616 and \$7,705 to Public Safety Marketing, a division of J.R. Henry Consulting, Inc., for mailings connected with the recent subscription/fund drive. The President of J.R. Henry Consulting Inc. is J.R. Henry, the Executive Director of the Authority, and the Vice President is Michael Henry, the Executive Director’s son. Initially, when selecting the vendor for this service, management, excluding J.R. Henry, solicited three estimates for the mailings. The Board of Directors chose Public Safety Marketing based on these three estimates and also on some features that only Public Safety Marketing offered.

## **10. RISK MANAGEMENT**

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

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

## **11. 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.

## **12. 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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