Valley Ambulance Authority

Financial Statements
For The Years Ended
May 31, 2022 and 2021
&
Independent Auditors' Report
&
Required Supplementary Information

McCall Scanlon & Tice, LLC
Certified Public Accountants

Table Of Contents

McCall Scanlon & Tice, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Valley Ambulance Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the statements of net position of Valley Ambulance Authority (the "Authority"), as of May 31, 2022 and 2021, 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 respective financial position of the Authority as of May 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 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.

5500 Corporate Drive, Suite 240
Pittsburgh, PA 15237
412.635.9314 Fax:412.635.9358

11931 State Route 85, Suite G
Kittanning, PA 16201
724.543.1135 Fax:724.919.8587

480 Johnson Road, Suite 240
Washington, PA 15301
724.223.9465 Fax:724.223.9004

Members of the American and Pennsylvania Institutes of Certified Public Accountants

In preparing the financial statements, management is require 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 issued.

Auditors' Responsibility 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud my 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 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 18, 2022

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, 2022, 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

	May 31, 2022	May 31, 2021	May 31, 2020
Current assets	$ 2,648,700	$ 2,732,602	$ 2,704,373
Property and equipment, net	721,945	709,240	583,677
Total assets	$ 3,370,645	$ 3,441,842	$ 3,288,050
Current liabilities	$ 202,130	$ 619,240	$ 380,306
PPP loan	-	-	244,488
Net position:			
Net investment in capital assets	721,945	709,240	583,677
Restricted	9,325	1,000	84,192
Unrestricted	2,437,245	2,112,362	1,995,387
Total net position	3,168,515	2,822,602	2,663,256
Total liabilities and net position	$ 3,370,645	$ 3,441,842	$ 3,288,050

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

	Fiscal Year Ended May 31,		
	2022	2021	2020
Total support	$ 61,011	$ 51,717	55,718
Total operating revenues	3,034,874	2,793,443	2,770,676
Total operating expenses	(3,117,526)	(3,017,565)	(2,986,158)
Total expenses not subject to reimbursement	(219,768)	(192,985)	(177,592)
Operating income (loss)	(241,409)	(365,390)	(337,356)
Total non-operating revenues (expenses)	587,322	524,736	191,112
Change in net position	345,913	159,346	(146,244)
Net position:			
Beginning of year	2,822,602	2,663,256	2,809,500
End of year	$ 3,168,515	$ 2,822,602	$ 2,663,256

As can be seen from the above comparative financial information, revenues remained comparable during the fiscal years ended May 31, 2020 and 2021, but have increased slightly for the year ended May 31, 2022, and expenses have increased slightly over the last three years. A more detailed comparison can be seen on pages 10 through 13. The analysis that follows identifies items affecting the financial information over the past fiscal period, also referencing items that will affect future periods.

Analysis of Financial Position and Results of Operations

The following is a summary of key plans, programs and policies which were implemented at Valley Ambulance Authority ("VAA") during FY 2021-2022. These initiatives are designed to enhance the overall delivery of high-quality pre-hospital care and medical transportation within the Authority's service area. This list also contains a description of major capital purchases made throughout the fiscal year.

1) **COVID-19 Pandemic:** The pandemic, which began in the first quarter of 2020, continues to affect patient care and overall ambulance operations.

2) **Ambulance Call Volume:** Ambulance call volume for the fiscal year (n=5,795) increased by 9.1% as compared to the previous fiscal year (n=5,310).

3) **Reduction in Interfacility Transports:** Effective March 15, 2022, the Heritage Valley Hospital System ("HVHS") changed its policy related to the preferred ambulance provider for interfacility transports originating at the HVHS - Sewickley Hospital Campus. Historically, VAA and Quaker Valley Ambulance Authority ("QVAA") served as the preferred ambulance provider for these types of emergent and non-emergent transports. The policy change was apparently the result of the HVHS acquiring NorthWest EMS, who has now been designated as the HVHS preferred ambulance provider. This policy change has resulting in a ~50% reduction in VAA and QVAA interfacility transports

4) **Wheelchair Van Call Volume:** Wheelchair van ("WCV") call volume (n=2,032) increased by 24.1% from the previous fiscal year; (n=1,638).

5) **Pandemic Related Grants:** VAA received several federal, state, county and Highmark pandemic related grants totaling $193,152. The grants are being used to help offset the negative financial impact, revenue losses and increased expenses associated with the COVID-19 pandemic. All requested documentation outlining the use of grant funds has been submitted in accordance with the terms and condition of each grant. The PPP loan ($396,800) which was received in the previous FY was fully forgiven and is no longer considered a liability.

6) **Employee Retention Bonus Payment:** Due to the admirable work of VAA employees in dealing with the difficult and challenging pandemic related circumstances, VAA authorized a second round of employee retention payment ($2,000 for each full-time employee and lesser amounts for part-time employees) which totaling ~$63,000. The employee bonus payments were issued in February 2021 and were fully offset with federal grant funds.

7) **Ambulance Purchases:** VAA authorized the purchase of two (2) new ambulances (791 & 796) at a cost for each not to exceed $120,000. Due to pandemic related supply chain issues, the first ambulance is expected to be delivered in October 2022 and the second is expected in mid-2023.

8) **Purchase of Cardiac Monitors:** VAA purchased five (5) new cardiac monitors at a total cost of $187,500. The new Zoll monitors are equipped with the latest life-saving technology and patient care monitoring capabilities.

9) **Accounting Manager:** Rose Hufnagel, a dedicated 25-year VAA employee retired. Amber Lesko was hired to fulfill the roles and responsibilities as the new Accounting Manager.

10) **Stair Chair Purchase:** VAA purchased two (2) stair chairs to replace older models at a total cost of $10,715. The total purchase amount was offset by a $8,325 grant from the Office of the State Fire Commissioner.

11) **Worker's Compensation and Property / Liability Insurance Dividends:** VAA received a dividend of $28,450 (22.3% of the 2021-2022 premium) from the Municipal Risk Management Workers Compensation Pooled Trust which was a result of overall lower loss ratios by the members of the Trust. The Authority also received a dividend of $20,673 (58.9% of the 2021-2022 premium) from the MRM Property and Liability Insurance Trust.

12) **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. Five employees and officers completed an Emergency Vehicle Operator Instructor course.

13) **Cardiac Arrest Registry:** VAA currently participates in a national research study called the Cardiac Arrest Register to Enhance Survival ("CARES") project, a collaborative effort of the Centers for Disease Control and Prevention ("CDC"), the American Heart Association ("AHA") and Emory University. The project analyzes data from cardiac arrest patients and provides benchmarking tools.

14) VAA renewed relationships and enhanced **communication with participating municipalities and local public safety agencies**, including enhanced reporting, training, site visits, and submission of informational articles to various municipal publications, and the delivery of comprehensive firefighter rehab services to local fire departments. VAA employees also provided CPR, Stop the Bleed and First Aid training to various police and fire department personnel.

15) The Authority provided **medical standby coverage** for sporting and large-scale regional events including more than **100 sporting and other public events** within the combined VAA and QVAA service area including the Robert Morris University Event Center.

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

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.

- **2022 Medicare Fee Schedule Annual Adjustment:** Medicare increased reimbursement for urban/suburban ambulance services by a total of 5.1% for dates of service on or after January 1, 2022.

  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"; 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.

  However, due to the negative financial impact of the COVID-19 pandemic, the federal government suspended the sequestration deduction amounts in April 2020, which temporarily increased the Medicare reimbursement per trip rates by a net of 1.6%. This temporary suspension of the sequestration reduction expired in April 2022.

- **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 2017, extends these increases until December 31, 2022.

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION
MAY 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash:		
Unrestricted cash	$ 786,230	$ 871,876
Restricted cash	9,325	1,000
Total cash	795,555	872,876
Certificates of deposit	911,985	904,373
Short term investments	444,108	470,428
Accounts receivable	281,018	314,865
Accounts receivable, Quaker Valley Ambulance Authority	64,907	66,214
Accounts receivable, other	971	1,471
Accrued interest receivable	6,346	7,702
Prepaid expenses and other assets	143,810	94,673
Total current assets	2,648,700	2,732,602
PROPERTY AND EQUIPMENT, net	721,945	709,240
TOTAL	$ 3,370,645	$ 3,441,842

LIABILITIES AND NET POSITION

	2022	2021
CURRENT LIABILITIES:		
Accounts payable	$ 17,726	$ 23,491
Accrued payroll and payroll taxes	56,668	66,045
Accrued compensated absences	34,978	35,344
Deferred income	92,758	97,560
Current portion of PPP loan	-	396,800
Total current liabilities	202,130	619,240
NET POSITION:		
Net investment in capital assets	721,945	709,240
Restricted	9,325	1,000
Unrestricted	2,437,245	2,112,362
Total net position	3,168,515	2,822,602
TOTAL	$ 3,370,645	$ 3,441,842

See Notes To Financial Statements

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
SUPPORT:		
Community contributions	$ 7,700	$ 2,700
Contributions, other	53,311	49,017
Total support	61,011	51,717
OPERATING REVENUES:		
Ambulance service, net	1,884,320	1,609,464
Ambulance service, stand-by	40,165	20,525
Van service, net	103,725	82,851
QVAA reimbursement	830,955	892,456
Citizens' subscriptions	129,387	131,758
Rent, QVAA	12,000	12,000
Miscellaneous revenue	34,322	44,389
Total operating revenues	3,034,874	2,793,443
OPERATING EXPENSES:		
Wages	2,100,457	2,015,303
Payroll taxes	156,738	166,782
Workers compensation	84,223	67,831
Health insurance	244,119	252,076
Employee benefits	35,081	26,887
Tax deferred annuity contribution	81,022	86,424
Computer expense	29,533	26,121
Shared equipment depreciation	18,179	12,953
Employee education	10,375	1,930
Fuel, fleet	69,388	52,801
Insurance	46,618	45,558
Maintenance, building	28,765	24,597
Maintenance, equipment	17,432	25,206
Maintenance, communication equipment	546	2,746
Maintenance, vehicles	55,295	56,588
Maintenance, other	1,984	6,063
Marketing/public relations	8,979	6,628
Medical supplies	24,059	15,669
Meeting and travel	1,879	873
Office expense	16,712	13,816

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
Professional services	25,284	25,558
Telephone	16,142	18,386
Uniforms	24,662	43,243
Utilities	20,054	23,526
Total operating expenses	3,117,526	3,017,565
Expenses not subject to reimbursement:		
Auditing	12,500	12,250
Credit card fees and bank service charges	12,344	6,188
Board expense	630	700
Collection expense	16,977	18,258
Depreciation	157,621	137,154
Legal expense	1,543	225
Subscription expense	11,504	11,669
Miscellaneous expense	99	99
Fund drive expense	6,550	6,442
Total expenses not subject to reimbursement	219,768	192,985
OPERATING INCOME (LOSS)	(241,409)	(365,390)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of property and equipment	-	(1,456)
Interest income	6,372	7,411
FNB investment income	10,825	10,882
FNB wealth management fees	(1,392)	(1,976)
Unrealized gain (loss) on investments	(35,753)	(8,146)
PPP grant	396,800	-
Grant income	210,470	518,021
Total non-operating revenues (expenses)	587,322	524,736
CHANGE IN NET POSITION	345,913	159,346
NET POSITION, BEGINNING OF YEAR	2,822,602	2,663,256
NET POSITION, END OF YEAR	$ 3,168,515	$ 2,822,602

VALLEY AMBULANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 2,095,599	$ 1,704,735
Receipts for subscriptions and contributions	185,596	187,857
Receipts from Quaker Valley Ambulance Authority for expenses	844,262	929,837
Other receipts	1,280	5,834
Cash paid to suppliers and others	(958,928)	(879,053)
Payments to or on behalf of employees	(2,267,211)	(2,184,630)
Net cash used in operating activities	(99,402)	(235,420)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchases of property and equipment	(188,505)	(277,126)
Capital grant received	44,585	1,000
Net cash provided by (used in) capital activities	(143,920)	(276,126)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,		
Grant received	165,885	517,021
Net cash provided by non-capital financing activities	165,885	517,021
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificates of deposit	(7,612)	(400,000)
Proceeds from sale of short term investments	-	390,000
Interest income	7,728	129
Net cash provided by (used in) investing activities	116	(9,871)
NET INCREASE (DECREASE) IN CASH	(77,321)	(4,396)
CASH, BEGINNING OF YEAR	872,876	877,272
CASH, END OF YEAR	$ 795,555	$ 872,876
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (241,409)	$ (365,390)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	175,800	150,107
(Increase) decrease in:		
Accounts receivable	33,847	(46,762)
Accounts receivable, Quaker Valley Ambulance Authority	1,307	25,381
Accounts receivable, other	500	102
Prepaid expenses and other assets	(49,137)	6,696
Increase (decrease) in:		
Accounts payable	(5,765)	(3,215)
Accrued payroll and payroll taxes	(9,377)	(5,743)
Accrued compensated absences	(366)	(978)
Deferred income	(4,802)	4,382
Net cash used in operating activities	$ (99,402)	$ (235,420)

See Notes To Financial Statements

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, and the Townships of Moon, Neville, and Crescent.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The Authority's accounts are reported as an Enterprise Fund on the accrual basis of accounting. Under this method, revenues are recognized when control of the promised goods or services is transferred to the Authority's customers, in an amount that reflects the consideration the Authority expects to be entitled to in exchange for those goods or services and expenses are recorded at the time liabilities are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist primarily of charges to customers for sales and services. Non-operating revenues and expenses consist of those revenues and expenses that are related to grants and other financing and investing types of activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

CLASSIFICATION OF NET POSITION

Accounting standards require the classification of net position into three components, net investment in capital assets, restricted, and unrestricted. The classifications are defined as follows:

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

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets as of May 31, 2022 and 2021 were $9,325 and $1,000, 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

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

FAIR VALUE MEASUREMENTS

The Authority follows Accounting Standards that define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Authority for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

SUPPORT AND REVENUE

Revenues are recognized when control of the promised goods or services is transferred to the Authority's members or customers, in an amount that reflects the consideration the Authority expects to be entitled to in exchange for providing those goods or services. These amounts are due from patients, third-party payors (including health insurers and government payors), and others, and includes variable consideration for retroactive revenue adjustments due to settlements. Generally, the Authority bills the 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 28th 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 31st 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, 2021 to May 31, 2024.

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 2022 and 2021.

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 18, 2022, the date the financial statements were available to be issued.

COMPARATIVE DATA

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

PENDING PRONOUNCEMENTS

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

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

GASB Statement No. 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. 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.

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

	2022	2021
Money market	$ 17,103	$ 7,362
Certificates of deposit	427,005	463,066
	$ 444,108	$ 470,428

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, 2022 and 2021.

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, 2022 and 2021, respectively, $1,207,069 and $1,253,714 of the Authority's bank balance of $1,707,069 and $1,753,714 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 $1,707,540 and $1,777,249 as of May 31, 2022 and 2021, 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, 2022 and 2021 is as follows:

	Balance at June 1, 2021	Additions	Disposals	Balance at May 31, 2022
Land (not depreciated)	$ 78,350	$ -	$ -	$ 78,350
Building and improvements	1,388,365	16,594	-	1,404,959
Ambulance and other vehicles	602,892	-	-	602,892
Ambulance equipment	368,272	156,791	(162,954)	362,109
Radio equipment	70,835	-	-	70,835
Office equipment	195,160	9,897	-	205,057
Shared equipment	196,390	5,223	(1,242)	200,371
Total	2,900,264	188,505	(164,196)	2,924,573
Less accumulated depreciation	(2,191,024)	(175,800)	164,196	(2,202,628)
Property and equipment, net	$ 709,240	$ 12,705	$ -	$ 721,945

	Balance at June 1, 2020	Additions	Disposals	Balance at May 31, 2021
Land (not depreciated)	$ 78,350	$ -	$ -	$ 78,350
Building and improvements	1,289,662	144,915	(46,212)	1,388,365
Ambulance and other vehicles	620,157	97,480	(114,745)	602,892
Ambulance equipment	379,738	-	(11,466)	368,272
Radio equipment	70,835	-	-	70,835
Office equipment	196,695	6,020	(7,555)	195,160
Shared equipment	187,905	28,711	(20,226)	196,390
Total	2,823,342	277,126	(200,204)	2,900,264
Less accumulated depreciation	(2,239,665)	(150,107)	198,748	(2,191,024)
Property and equipment, net	$ 583,677	$ 127,019	$ (1,456)	$ 709,240

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 GRANT

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 was set to mature on April 21, 2022. The Authority used the entire loan amount for qualifying expenses and during June 2021, the loan was forgiven in its entirety.

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, 2022 and 2021, the Authority invoiced QVAA $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 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, 2022 and 2021 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, 2022 and 2021 were $81,022 and $86,424, 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, 2022 and 2021, respectively, the Authority paid $8,687 and $7,948 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 Workers' Compensation Pooled Trust 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.