

Emergency Medical Services Authority

Financial Report

June 30, 2013

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Independent Auditor's Report

To the Board of Trustees
Emergency Medical Services Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Emergency Medical Services Authority (the Authority) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The operating divisions, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The operating divisions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the operating divisions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2013 and 2012 dated October 1, 2013 and September 18, 2012, respectively, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McGladrey LLP

Kansas City, Missouri
October 1, 2013

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2013

This Management's Discussion and Analysis (MD&A) of Emergency Medical Services Authority (Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2013 and 2012. Please consider this information in conjunction with the financial statements and the accompanying notes to basic financial statements that follow this section. Unless otherwise indicated, amounts are in thousands.

Financial Highlights

- Cash and cash equivalents and short-term deposits increased in 2013 by \$587 or 20.0 percent and decreased in 2012 by \$2,301 or 44.0 percent.
- The Authority's net position decreased in 2013 by \$2,420 or 11.4 percent and decreased in 2012 by \$827 or 3.8 percent.
- The Authority reported operating losses in both 2013 (\$18,683) and 2012 (\$15,345). The operating loss in 2013 increased by \$3,338 or 21.8 percent over the operating loss reported in 2012. The operating loss in 2012 increased by \$3,022 or 25.0 percent over the operating loss reported in 2011.
- Net nonoperating revenues increased by \$1,671 or 11.4 percent in 2013 compared to 2012 and decreased by \$2,715 or 16 percent in 2012 compared to 2011.

Using this Annual Report

The Authority's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Authority adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statement to a statement of net position format.

The Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statements of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Authority.

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2013

The Statements of Cash Flows

The statements of cash flows reports cash receipts, cash payments and net changes in cash resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash during the reporting period.

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position. The Authority's net position decreased by \$2,420 or 11.4 percent in 2013 over 2012 and decreased \$827 (3.8 percent) in 2012 over 2011, as shown in Table 1.

Table 1 - Assets, Liabilities and Net Position

	2013	2012	2011
Assets			
Current and other assets	\$ 20,673	\$ 18,470	\$ 20,704
Capital assets, net	10,774	14,204	14,098
Total assets	\$ 31,447	\$ 32,674	\$ 34,802
Liabilities			
Current liabilities	\$ 12,284	\$ 11,464	\$ 12,765
Noncurrent liabilities	373	-	-
Total liabilities	12,657	11,464	12,765
Net Position			
Net investment in capital assets	10,774	14,204	14,098
Unrestricted	8,016	7,006	7,939
Total net position	18,790	21,210	22,037
Total liabilities and net position	\$ 31,447	\$ 32,674	\$ 34,802

Current and other assets increased in 2013 by \$2,203 and decreased in 2012 by \$2,234. The 2013 increase is a result of high patient receivables and higher contribution receivables as a result of lower subsidies versus cash needs than in the previous year. Patient accounts receivable increased \$671 or 5.1 percent due to increased transport volumes and increased transport rates.

The 2013 decrease in net position is a result of decreased appropriations received from the City of Tulsa through the Medical Services Program as a result of a change in an ordinance that restricts the amount of cash that EMSA East may maintain. See Note 1.

Table 2 - Operating Results and Changes in Net Position

	2013	2012	2011
Operating revenues	\$ 50,786	\$ 49,123	\$ 51,101
Nonoperating revenues	16,366	14,701	17,427
Total revenues	67,152	63,824	68,528
Operating expense	69,469	64,469	63,424
Nonoperating expense	29	35	46
Total expenses	69,498	64,504	63,470
Capital contributions to Tulsa Fire Department	(74)	(147)	(167)
Increase (decrease) in net position	\$ (2,420)	\$ (827)	\$ 4,891

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2013

Operating Results

In 2013, operating revenues increased \$1,663 and decreased \$1,978 in 2012 as gross patient service revenues increased \$30,896 and \$6,572 but were offset by an increase in contractual allowances and bad debts of \$29,233 and \$8,549, respectively. The increase in gross patient service revenue is due to a general increase in transport volume as well as increased emergency transport rates. The increase in contractual allowances is due to a trend of lessening reimbursement rates from private payors.

In 2013 and 2012, operating expenses increased \$5,000 and \$1,045, respectively, due primarily to the contractual rate increase charged by the contractor that provides the ambulance personnel and yearly volume increases. The increase was less in 2012 as the first responder fee paid to the City of Tulsa decreased from \$1,600,000 in 2011 to \$364,050 in 2012.

Nonoperating Revenues

Nonoperating revenues consist primarily of noncapital grants and contributions from various state and federal agencies for specific programs and appropriations from the City of Tulsa and noncapital subsidies provided by the Eastern and Western Divisions.

Noncapital grants and contributions received increased in 2013 by \$116 or 5.9 percent and decreased in 2012 by \$931 or 32.2 percent. Grants received in 2013 increased primarily due to an increase in funding at the state level for the Oklahoma Office of Homeland Security and grants related thereto.

Noncapital subsidies provided by the Western Division decreased by \$545 or 5.7 percent in 2013 and increased by \$1,028 or 12 percent in 2012.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2013 and 2012 discussed earlier.

Capital Assets

At the end of 2013, the Authority had \$10,774 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2013, the Authority purchased new equipment costing \$1,337 compared to \$4,801 in 2012.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 1417 N. Lansing, Tulsa, Oklahoma 74106.

Emergency Medical Services Authority

Statements of Net Position June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,464,089	\$ 1,869,822
Restricted cash	47,197	49,762
Short-term deposits	14,985	1,019,721
Patient accounts receivable, net of allowance for bad debts and contractual allowances 2013 \$50,446,291; 2012 \$35,512,291	13,786,157	13,114,527
Grant receivables	865,272	1,012,330
Receivable from contractor	1,357,751	394,079
Other receivables	680,377	21,130
Appropriations from the City of Tulsa receivable	-	660,000
Prepaid expenses	444,369	316,263
Total current assets	20,660,197	18,457,634
Capital assets, nondepreciable	64,200	64,200
Capital assets, net of depreciation	10,710,093	14,139,526
Other assets	12,960	12,960
Total assets	\$ 31,447,450	\$ 32,674,320
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,824,949	\$ 10,357,578
Line of credit	340,000	620,000
Unearned revenues	119,221	486,330
Total current liabilities	12,284,170	11,463,908
Noncurrent liability, other postemployment benefits	372,626	-
Total liabilities	12,656,796	11,463,908
Net Position		
Net investment in capital assets	10,774,293	14,203,726
Unrestricted	8,016,361	7,006,686
Total net position	18,790,654	21,210,412
Total liabilities and net position	\$ 31,447,450	\$ 32,674,320

See Notes to Basic Financial Statements.

Emergency Medical Services Authority

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Net patient service revenue, net of provision for bad debts and contractual allowances 2013 \$133,930,447; 2012 \$104,697,180	\$ 50,785,834	\$ 49,123,342
Operating expenses:		
Contracted professional services	52,190,619	48,016,289
Salaries, wages and benefits	3,663,100	3,185,049
Lease, maintenance and utilities	3,179,661	3,269,998
Other	3,502,120	2,941,292
Grant expenditures	2,079,734	1,963,876
First responder fee to cities	86,828	425,643
Depreciation	4,766,607	4,666,469
Total operating expenses	69,468,669	64,468,616
Operating loss	(18,682,835)	(15,345,274)
Nonoperating revenue (expense):		
Investment income	6,995	12,215
Interest expense	(29,087)	(34,797)
Noncapital grants and contributions	2,079,734	1,963,876
Noncapital subsidies	9,757,466	10,101,147
Appropriations from the City of Tulsa	4,522,000	2,634,725
(Loss) on disposal of capital assets	-	(11,243)
Nonoperating revenue, net	16,337,108	14,665,923
(Deficiency) of revenues over expenses before capital contributions	(2,345,727)	(679,351)
Capital contributions to Tulsa Fire Department	(74,031)	(147,232)
Change in net position	(2,419,758)	(826,583)
Net position, beginning of year	21,210,412	22,036,995
Net position, end of year	\$ 18,790,654	\$ 21,210,412

See Notes to Basic Financial Statements.

Emergency Medical Services Authority

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 50,486,830	\$ 48,382,390
Payments to suppliers and contractors	(58,852,782)	(55,598,670)
Payments to and on behalf of employees	(3,674,234)	(3,129,900)
Grant expenditures	(2,079,734)	(1,963,876)
First responder fee to cities	(86,828)	(425,643)
Net cash (used in) operating activities	(14,206,748)	(12,735,699)
Cash flows from noncapital financing activities:		
Noncapital subsidies received	9,098,219	10,145,725
Noncapital grants and gifts received	2,226,792	1,864,025
Appropriations received from the City of Tulsa	5,182,000	3,378,489
Payments on line of credit	(280,000)	-
Interest paid on line of credit	(29,087)	(34,797)
Net cash provided by noncapital financing activities	16,197,924	15,353,442
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,337,174)	(4,800,664)
Purchase of capital assets gifted to Tulsa Fire Department	(74,031)	(147,232)
Proceeds on sale of capital assets	-	17,213
Net cash (used in) capital and related financing activities	(1,411,205)	(4,930,683)
Cash flows from investing activities:		
Interest on deposits	6,995	12,215
Sale or maturity of short-term deposits	1,004,736	1,002,900
Purchases of short-term deposits	-	(1,012,229)
Net cash provided by investing activities	1,011,731	2,886
Net increase (decrease) in cash	1,591,702	(2,310,054)
Cash, beginning of year	1,919,584	4,229,638
Cash, end of year	\$ 3,511,286	\$ 1,919,584

(Continued)

Emergency Medical Services Authority

Statements of Cash Flows (Continued) Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents	\$ 3,464,089	\$ 1,869,822
Restricted cash	47,197	49,762
Total cash and cash equivalents	\$ 3,511,286	\$ 1,919,584
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (18,682,835)	\$ (15,345,274)
Depreciation	4,766,607	4,666,469
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(671,630)	(698,936)
Payable to suppliers and contractors	1,478,505	(1,313,961)
Payable to employees	(11,134)	55,149
Prepaid expenses	(128,106)	(57,130)
Unearned revenues	(367,109)	(42,016)
Other postemployment benefits	372,626	-
Receivable from contractors	(963,672)	-
Net cash (used in) operating activities	\$ (14,206,748)	\$ (12,735,699)

See Notes to Basic Financial Statements.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

Nature of business:

Emergency Medical Services Authority (the Authority) was organized as a public trust (the Trust) in 1977 to provide emergency medical services and transportation for the residents of the City of Tulsa, Oklahoma, who was the sole beneficiary of the Trust. On March 1, 1990, the trust indenture was amended and restated to include the City of Oklahoma City, Oklahoma, as a beneficiary of the Trust. As a result, certain assets and liabilities of the Oklahoma City Municipal Facilities Authority (OCMFA) were transferred to the Authority. The Authority primarily earns revenues by providing emergency medical services and transportation for the residents of Tulsa and Oklahoma City, Oklahoma, and to certain nonbeneficiary member jurisdictions surrounding Tulsa and Oklahoma City, referred to as the Eastern Division and Western Division, respectively.

Reporting entity:

The Authority is a joint venture of the City of Tulsa and the City of Oklahoma City. The City of Tulsa, City of Oklahoma City and the surrounding nonbeneficiary member jurisdictions purchase certain capital assets for the Authority's use in its normal course of business and also provide noncapital subsidies to the Authority for use in operations.

In 2005, the Authority created a nonprofit corporation, EMSA Initiatives for Public Health, Inc. (the Corporation) to provide free car seats and education to predominately low-income residents of the City of Tulsa, City of Oklahoma City and the surrounding nonbeneficiary member jurisdictions. The Corporation was formed under Section 501(c)(3) of the Internal Revenue Code. All activities of the Corporation have been included in the accompanying financial statements.

Significant accounting policies:

Basis of accounting and presentation: The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from voluntary nonexchange transactions (principally federal and state grants and city subsidiaries) are recognized when all applicable eligibility requirements are met. Amounts shown as grant expenditures in the financial statements are primarily funded through noncapital grants and contributions. Operating revenues and expenses include exchange transactions. Voluntary nonexchange transactions (such as noncapital grants, contributions, city appropriations and subsidies), investment income and interest expense are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Accounting 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents: The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2013 and 2012, cash equivalents consisted primarily of certificates of deposit. The Authority defines cash and cash equivalents used in the statement of cash flows as all cash and liquid investments with original maturities of three months or less (both restricted and unrestricted).

Short-term deposits: Short-term deposits consist of certificates of deposit with original maturities greater than three months but less than one year.

Appropriations from the City of Tulsa: Effective July 1, 2007, the City of Tulsa approved an ordinance establishing a Medical Service Program offering Total Care program membership to every single-family residential and multifamily residential water customer within the corporate limits of the City of Tulsa unless they affirmatively decline participation in the program. Medical Service Program fees are assessed monthly with the residents' water bill. Effective January 2012, certain eligibility requirements were established for the Authority to receive the fees, therefore revenue is recognized when all recognition criteria has been met. The Authority received approximately 6.7 percent in 2013 and 4.1 percent in 2012 of its financial support from these appropriations.

Risk management: The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for errors and omissions. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient accounts receivable: The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Capital assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an initial useful life of one year or greater. Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by contribution. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Buildings and leasehold improvements	7-12 years
Ambulances and other transportation equipment	4 years
Communications and data processing equipment	3-5 years
Office equipment	3-7 years

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Compensated absences: The Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as an expense when the time off occurs; no liability is accrued for sick leave benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year after the balance sheet date and is included in current liabilities.

Compensated absences liability as of June 30, 2013 and 2012 is as follows:

	2012	Additions	Deletions	2013	Due in One Year
Compensated absences	\$ 198,201	\$ 196,251	\$ 198,201	\$ 196,251	\$ 196,251

	2011	Additions	Deletions	2012	Due in One Year
Compensated absences	\$ 174,781	\$ 198,201	\$ 174,781	\$ 198,201	\$ 198,201

Net position: Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Unearned revenues: The Authority offers the Total Care membership program whereby participants can pay an annual fee that covers certain costs which could otherwise be billed to the participant. Revenue relating to the Total Care program for the years ended June 30, 2013 and 2012 was \$260,442 and \$276,425, respectively. Unearned revenue of \$72,024 and \$70,568 as of June 30, 2013 and 2012, respectively, represents payments received prior to the program period of July 1 to June 30 each year.

The Authority received funds from the Department of Homeland Security and recognizes this revenue once it has been earned; that is, when eligible expenses have been incurred. As of June 30, 2013 and 2012, the Authority has \$47,197 and \$49,762, respectively, relating to unearned grant funds.

The Authority received funds from Paramedics Plus and recognizes this revenue once it has been earned, that is, when expenses have been incurred. As of June 30, 2013 and 2012, the Authority has none and \$366,000, respectively, relating to unearned rebates.

Net patient service revenue and contractual allowances: The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and a provision for uncollectible accounts. Included in net patient service revenue are the revenues generated by the Total Care membership program.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Income taxes: The Authority is exempt from taxation under Section 115 of the Internal Revenue Code and a similar provision of state law as a political subdivision of the beneficiaries of the Trust. However, the Authority is subject to federal income tax on any unrelated business taxable income.

First responder fee to cities: Effective July 1, 2009, the Authority entered into a temporary contract with the City of Tulsa and the Eastern Division nonbeneficiary cities of Bixby, Sand Springs and Jenks for a period of one year, ending June 30, 2010. The agreement is to compensate the cities for first responses provided to the public in the regulated service area by the cities' fire departments. First responses are responses by the cities to first responder requests from the Authority as determined by the Medical Control Board. The reimbursement rate to the cities is \$50 per first response up to a cap of \$1,768,000 and in no event shall the total fee exceed the cap for the one-year term of the agreement. Of the total cap amount, \$1.6 million pertains to the City of Tulsa. On April 28, 2010, the Board of Trustees approved extending the contract for fiscal year 2011 under the same terms. On June 22, 2011, the Board of Trustees approved extending the contract for fiscal year 2012 with a total cap of \$687,000. Of that total cap, \$600,000 pertains to the City of Tulsa. On June 26, 2013, the Board of Trustees approved the elimination of the first responder fees.

Note 2. Deposits

As of June 30, 2013 and 2012, the Authority's deposits consisted of checking accounts and certificates of deposit. The Authority had no investments. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of June 30, 2013 and 2012, none of the Authority's bank balances of \$5,331,675 and \$3,982,214, respectively, were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

Note 3. Business and Credit Risks

The Authority provides emergency medical services for the residents of the City of Tulsa and the City of Oklahoma City and certain cities surrounding the City of Tulsa and the City of Oklahoma City. The Authority provides emergency services to anyone who requests it regardless of the patient's ability or willingness to pay for such services. The Authority does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, health maintenance organizations and commercial insurance policies). Due to the nature of the services it provides and the demographics of the population it serves, the Authority is subject to significant credit risk and high rates of uncollectible accounts.

The Authority provides emergency medical services by contracting with a third-party service provider. Paramedics Plus L.L.C. The Authority's existing contract with Paramedics Plus L.L.C., is effective for the period from November 1, 2008 through October 31, 2013. Under this contract, Paramedics Plus L.L.C., is obligated to provide paramedic services, including labor and materials, to the Authority through October 31, 2013. The Authority is obligated to use Paramedics Plus L.L.C., for those paramedic services for the same period under a set fee schedule based on the number and type of transports. Expenses paid to Paramedics Plus L.L.C. are reported as contracted professional services in the accompanying statements of revenues, expenses and changes in net position.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 3. Business and Credit Risks (Continued)

On September 25, 2013, the Authority approved a new third-party service provider – American Medical Response Service, Inc. (AMRAS). AMRAS will provide paramedic services subject to the terms of the agreement effective for the period November 1, 2013 to October 31, 2018.

Note 4. Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable as of June 30, 2013 and 2012, consisted of:

	2013	2012
Medicare	\$ 2,273,178	\$ 3,114,944
Medicaid	2,056,196	1,228,196
Other third-party payers	7,122,687	8,060,724
Patients	52,780,387	36,222,954
	<u>64,232,448</u>	<u>48,626,818</u>
Less allowance for bad debts and contractual allowances	50,446,291	35,512,291
	<u>\$ 13,786,157</u>	<u>\$ 13,114,527</u>

Note 5. Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012 was:

	2013			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Depreciable:				
Buildings and leasehold improvements	3,649,489	61,902	-	3,711,391
Ambulances and other transportation equipment	15,607,504	679,503	-	16,287,007
Communications and data processing equipment	13,115,241	557,719	-	13,672,960
Office equipment	2,306,426	38,050	-	2,344,476
Total depreciable assets	<u>34,678,660</u>	<u>1,337,174</u>	<u>-</u>	<u>36,015,834</u>
Less accumulated depreciation:				
Buildings and leasehold improvements	2,199,108	283,473	-	2,482,581
Ambulances and other transportation equipment	7,146,390	2,978,429	-	10,124,819
Communications and data processing equipment	9,465,317	1,301,838	-	10,767,155
Office equipment	1,728,319	202,867	-	1,931,186
Total accumulated depreciation	<u>20,539,134</u>	<u>4,766,607</u>	<u>-</u>	<u>25,305,741</u>
Total capital assets being depreciated, net	<u>14,139,526</u>	<u>(3,429,433)</u>	<u>-</u>	<u>10,710,093</u>
Capital assets, net	<u>\$ 14,203,726</u>	<u>\$ (3,429,433)</u>	<u>\$ -</u>	<u>\$ 10,774,293</u>

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	2012			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Depreciable:				
Buildings and leasehold improvements	3,433,231	216,258	-	3,649,489
Ambulances and other transportation equipment	12,505,066	3,470,775	(368,337)	15,607,504
Communications and data processing equipment	13,433,159	903,067	(1,220,985)	13,115,241
Office equipment	2,125,384	210,564	(29,522)	2,306,426
Total depreciable assets	31,496,840	4,800,664	(1,618,844)	34,678,660
Less accumulated depreciation:				
Buildings and leasehold improvements	1,910,867	288,241	-	2,199,108
Ambulances and other transportation equipment	4,649,996	2,836,275	(339,881)	7,146,390
Communications and data processing equipment	9,356,484	1,329,818	(1,220,985)	9,465,317
Office equipment	1,545,706	212,135	(29,522)	1,728,319
Total accumulated depreciation	17,463,053	4,666,469	(1,590,388)	20,539,134
Total capital assets being depreciated, net	14,033,787	134,195	(28,456)	14,139,526
Capital assets, net	\$ 14,097,987	\$ 134,195	\$ (28,456)	\$ 14,203,726

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities as of June 30, 2013 and 2012 consisted of:

	2013	2012
Payable to suppliers and contractors	\$ 11,351,684	\$ 9,873,179
Payable to employees (including payroll taxes and benefits)	473,265	484,399
	\$ 11,824,949	\$ 10,357,578

Note 7. Operating Leases

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total expenses for such leases were \$445,498 and \$585,391 for the years ended June 30, 2013 and 2012, respectively. The future minimum lease payments for these leases as of June 30, 2013 are as follows:

Year ending June 30:

2014	\$ 129,374
2015	18,272
2016	7,432
2017	784
	\$ 155,862

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 8. Line of Credit

The Authority has a revolving line of credit with F&M Bank in the amount of \$2,000,000 which expires January 15, 2014. As of June 30, 2013 and 2012, there was \$340,000 and \$620,000, respectively, borrowed and outstanding against the line of credit. The amounts borrowed on the line of credit are collateralized by accounts receivable, excluding Medicare receivables. The line of credit bears a variable interest rate based on the F&M base rate, which was 5.5 percent, for June 30, 2013 and 2012.

Note 9. Retirement Plan

The Authority has a noncontributory defined contribution plan for all employees who have attained the age of 18 and completed 1,000 hours of service as of the entrance date. The plan provides for full vesting immediately upon participation in the plan. Under the provisions of the plan, the Authority will contribute 10 percent of total compensation paid. Benefits payable under the plan are limited to the amount of plan assets allocable to the account of each participant. Total contributions to the retirement plan for the years ended June 30, 2013 and 2012 were \$232,440 and \$242,688, respectively.

Note 10. Other Postemployment Benefits (OPEB)

The City of Tulsa provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a single-employer defined benefit health care plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City of Tulsa through its personnel and union contracts.

All health care benefits are provided through the City of Tulsa's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City of Tulsa on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2012 and 2011 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$28,539,000 and \$27,437,000 for the City as of June 30, 2013 and 2012, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's actuarially determined annual required contributions (ARC) for fiscal years ending June 30, 2013 and 2012 were \$2,880,000 and \$2,769,000, respectively, of which \$1,685,000 and \$1,208,000 were paid on a pay-as-you-go basis in 2013 and 2012, respectively. The Authority was allocated \$372,626 and none of the net OPEB obligation for the fiscal years ending June 30, 2013 and 2012, which has been reflected in the financial statements. Certain amounts have been allocated to the Authority prior to June 30, 2013; however, the amounts were deemed immaterial by management, and therefore, not previously recorded on the financial statements. The amount allocated to the Authority is based on the number of active eligible employees of the Authority compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 11. Litigation

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 12. Related Party Transactions

During the year ended June 30, 2013, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$268,852 of equipment for the Authority's use. As of June 30, 2013, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$3,649,771 and \$3,646,451, respectively. The Cities hold title to these assets and are responsible for managing the assets. If the Authority retained ownership of the assets in the Eastern and Western Divisions, the accompanying statement of operations for 2013 would reflect additional depreciation expense of \$215,385 and \$163,687, respectively.

During the year ended June 30, 2012, the cities of Tulsa and Oklahoma City purchased no capital assets for the Authority's use. As of June 30, 2012, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$6,758,219 and \$7,498,761, respectively. The Cities hold title to these assets and are responsible for managing the assets. If the Authority retained ownership of the assets in the Eastern and Western Divisions, the accompanying statement of operations for 2012 would reflect additional depreciation expense of \$297,506 and \$186,575, respectively.

During the years ended June 30, 2013 and 2012, the Authority purchased capital assets that were gifted to the City of Tulsa Fire Department totaling \$74,031 and \$147,232, respectively.

The Authority paid none and \$364,050 to the City of Tulsa during the years ended June 30, 2013 and 2012, respectively, for the First Responder fee temporary contract.

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statement of Net Position Information June 30, 2013

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,652,909	\$ 1,811,180	-	\$ 3,464,089
Restricted cash	47,197	-	-	47,197
Short-term deposits	14,985	-	-	14,985
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$22,766,710 and \$27,679,581 for the Eastern and Western Divisions, respectively	5,948,599	7,837,558	-	13,786,157
Grant receivables	865,272	-	-	865,272
Receivable from contractor	1,357,751	-	-	1,357,751
Other receivables	286,626	393,751	-	680,377
Interdivision receivable	831,965	208,250	(1,040,215)	-
Interdivision receivable - interest	15,284	-	(15,284)	-
Prepaid expenses	321,903	122,466	-	444,369
Total current assets	11,342,491	10,373,205	(1,055,499)	20,660,197
Capital assets (land)	64,200			64,200
Capital assets, net of depreciation	6,029,878	4,680,215	-	10,710,093
Other assets	10,699	2,261	-	12,960
Total assets	\$ 17,447,268	\$ 15,055,681	\$ (1,055,499)	\$ 31,447,450
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 6,397,398	\$ 5,427,551	-	\$ 11,824,949
Line of credit	-	340,000	-	340,000
Unearned revenues	119,221	-	-	119,221
Interdivision payable	208,250	831,965	(1,040,215)	-
Interdivision payable - interest	-	15,284	(15,284)	-
Total current liabilities	6,724,869	6,614,800	(1,055,499)	12,284,170
Noncurrent liabilities, other postemployment benefits	186,313	186,313	-	372,626
Net position				
Net investment in capital assets	6,094,078	4,680,215	-	10,774,293
Unrestricted	4,442,008	3,574,353	-	8,016,361
Total net position	10,536,086	8,254,568	-	18,790,654
Total liabilities and net position	\$ 17,447,268	\$ 15,055,681	\$ (1,055,499)	\$ 31,447,450

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statement of Net Position Information June 30, 2012

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 950,528	\$ 919,294	\$ -	\$ 1,869,822
Restricted cash	49,762	-	-	49,762
Short-term deposits	1,019,721	-	-	1,019,721
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$15,814,710 and \$19,697,581 for the Eastern and Western Divisions, respectively	5,912,975	7,201,552	-	13,114,527
Grant receivables	1,012,330	-	-	1,012,330
Receivable from contractor	394,079	-	-	394,079
Other receivables	19,492	1,638	-	21,130
Appropriations from the City of Tulsa receivable	660,000	-	-	660,000
Interdivision receivable	401,980	-	(401,980)	-
Interdivision receivable - interest	15,284	-	(15,284)	-
Prepaid expenses	199,977	116,286	-	316,263
Total current assets	10,636,128	8,238,770	(417,264)	18,457,634
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	8,092,520	6,047,006	-	14,139,526
Other assets	10,699	2,261	-	12,960
Total assets	\$ 18,803,547	\$ 14,288,037	\$ (417,264)	\$ 32,674,320
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,439,283	\$ 4,918,295	\$ -	\$ 10,357,578
Line of credit	-	620,000	-	620,000
Unearned revenues	120,330	366,000	-	486,330
Interdivision payable	-	401,980	(401,980)	-
Interdivision payable - interest	-	15,284	(15,284)	-
Total current liabilities	5,559,613	6,321,559	(417,264)	11,463,908
Net position				
Net investment in capital assets	8,156,720	6,047,006	-	14,203,726
Unrestricted	5,087,214	1,919,472	-	7,006,686
Total net position	13,243,934	7,966,478	-	21,210,412
Total liabilities and net position	\$ 18,803,547	\$ 14,288,037	\$ (417,264)	\$ 32,674,320

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statements of Revenues, Expenses and Changes in Net Position Information Year Ended June 30, 2013

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$60,615,313 Western \$73,315,134	\$ 23,536,045	\$ 27,249,789	\$ -	\$ 50,785,834
Operating expenses:				
Contracted professional services	23,811,431	28,379,188	-	52,190,619
Salaries, wages and benefits	1,789,665	1,873,435	-	3,663,100
Lease, maintenance and utilities	1,354,531	1,825,130	-	3,179,661
Other	1,784,354	1,717,766	-	3,502,120
Grant expenditures	2,079,734	-	-	2,079,734
First responder fee	86,828	-	-	86,828
Depreciation	2,563,997	2,202,610	-	4,766,607
Total operating expenses	33,470,540	35,998,129	-	69,468,669
Operating loss	(9,934,495)	(8,748,340)	-	(18,682,835)
Nonoperating revenue (expense):				
Investment income	4,704	2,291	-	6,995
Interest expense	-	(29,087)	-	(29,087)
Noncapital grants and contributions	2,079,734	-	-	2,079,734
Noncapital subsidies	694,240	9,063,226	-	9,757,466
Appropriations from the City of Tulsa	4,522,000	-	-	4,522,000
Total nonoperating revenues	7,300,678	9,036,430	-	16,337,108
Excess (deficiency) of revenues over expenses before capital contributions	(2,633,817)	288,090	-	(2,345,727)
Capital contributions to Tulsa Fire Department	(74,031)	-	-	(74,031)
Change in net position	(2,707,848)	288,090	-	(2,419,758)
Net position, beginning of year	13,243,934	7,966,478	-	21,210,412
Net position, end of year	\$ 10,536,086	\$ 8,254,568	\$ -	\$ 18,790,654

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statements of Revenues, Expenses and Changes in Net Position Information Year Ended June 30, 2012

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$48,111,696 Western \$56,585,484	\$ 23,353,771	\$ 25,769,571	\$ -	\$ 49,123,342
Operating expenses:				
Contracted professional services	21,396,673	26,619,616	-	48,016,289
Salaries, wages and benefits	1,509,432	1,675,617	-	3,185,049
Lease, maintenance and utilities	1,394,614	1,875,384	-	3,269,998
Other	1,475,758	1,465,534	-	2,941,292
Grant expenditures	1,963,876	-	-	1,963,876
First responder fee	425,643	-	-	425,643
Depreciation	2,545,350	2,121,119	-	4,666,469
Total operating expenses	30,711,346	33,757,270	-	64,468,616
Operating loss	(7,357,575)	(7,987,699)	-	(15,345,274)
Nonoperating revenue (expense):				
Investment income	14,594	852	(3,231)	12,215
Interest expense	-	(38,028)	3,231	(34,797)
Noncapital grants and contributions	1,963,876	-	-	1,963,876
Noncapital subsidies	492,752	9,608,395	-	10,101,147
Appropriations from the City of Tulsa	2,634,725	-	-	2,634,725
Gain on disposal of capital assets	(19,243)	8,000	-	(11,243)
Total nonoperating revenues	5,086,704	9,579,219	-	14,665,923
Excess (deficiency) of revenues over expenses before capital contributions	(2,270,871)	1,591,520	-	(679,351)
Capital contributions to Tulsa Fire Department	(147,232)	-	-	(147,232)
Change in net position	(2,418,103)	1,591,520	-	(826,583)
Net position, beginning of year	15,662,037	6,374,958	-	22,036,995
Net position, end of year	\$ 13,243,934	\$ 7,966,478	\$ -	\$ 21,210,412