

Emergency Medical Services Authority

Financial Report
June 30, 2014

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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, 2014 and 2013, 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 audits. 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.

Opinion

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, 2014 and 2013, and the respective changes in financial position and 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, 2014 and 2013 dated September 23, 2014 and October 1, 2013, 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.



Kansas City, Missouri
September 23, 2014

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014 and 2013. 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 2014 by \$1,204 or 34.2 percent and increased in 2013 by \$587 or 20.0 percent.
- The Authority's net position increased in 2014 by \$1,356 or 7.2 percent and decreased in 2013 by \$2,420 or 11.4 percent.
- The Authority reported operating losses in both 2014 (\$12,947) and 2013 (\$18,683). The operating loss in 2014 decreased by \$5,736 or 30.7 percent under the operating loss reported in 2013. The operating loss in 2013 increased by \$3,338 or 21.8 percent over the operating loss reported in 2012.
- Net nonoperating revenues decreased by \$1,761 or 10.8 percent in 2014 compared to 2013 and increased by \$1,671 or 11.4 percent in 2013 compared to 2012.

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 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, 2014

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 increased by \$1,357 or 7.2 percent in 2014 over 2013 and decreased by (\$2,420) or 11.4 percent in 2013 over 2012, as shown in Table 1.

Table 1 - Assets, Liabilities and Net Position

	2014	2013	2012
Assets			
Current and other assets	\$ 20,342	\$ 20,673	\$ 18,470
Capital assets, net	9,770	10,774	14,204
Total assets	\$ 30,112	\$ 31,447	\$ 32,674
Liabilities			
Current liabilities	\$ 9,965	\$ 12,284	\$ 11,464
Noncurrent liabilities	-	373	-
Total liabilities	9,965	12,657	11,464
Net Position			
Investment in capital assets	9,770	10,774	14,204
Unrestricted	10,377	8,016	7,006
Total net position	20,147	18,790	21,210
Total liabilities and net position	\$ 30,112	\$ 31,447	\$ 32,674

Current and other assets decreased in 2014 by (\$331) and increased in 2013 by \$2,203. The 2014 decrease is a result of an increase in cash being more than offset by a large decrease in contractor receivables. Patient accounts receivable increased \$214 or 1.6 percent due to the Authority holding onto self pay patient accounts receivable balances for longer periods of time, prior to write-off of uncollectable balances.

The 2014 increase in net position is a result of several factors, all of which are described within the 'Operating Results' and 'Nonoperating Revenues' sections below.

Operating Results

In 2014, operating revenues increased \$1,970 or 3.9 percent. The increase in gross patient service revenue is due to a general increase in transport volume and related mileage charges.

In 2014 and 2013, operating expenses decreased (\$3,765), primarily due to a decrease in the contractual rate charged under the Authority's new paramedic service contract with American Medical Response Ambulance Service, Inc (see Note 3). This contrasts with a 2013 increase of \$5,000 in operating expenses over 2012, due to increases in the contractual rate charged by the former paramedic service contractor.

In 2014, salaries, wages and benefits declined \$369 due to the reversal of a prior year accrual for the liability associated with retiree health benefits (OPEB). The amount of the reversal was \$372.

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2014

Table 2 - Operating Results and Changes in Net Position

	2014	2013	2012
Operating revenues	\$ 52,756	\$ 50,786	\$ 49,123
Nonoperating revenues	14,594	16,366	14,701
Total revenues	67,350	67,152	63,824
Operating expense	65,703	69,469	64,469
Nonoperating expense	18	29	35
Total expenses	65,722	69,498	64,504
Capital contributions to Tulsa Fire Department	(273)	(74)	(147)
Increase (decrease) in net position	\$ 1,356	\$ (2,420)	\$ (827)

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 decreased in 2014 by (\$243) or 11.7 percent and increased in 2013 by \$116 or 5.9 percent. Grants received in 2014 decreased primarily due to projects funded from the state level for the Oklahoma Office of Homeland Security winding down.

Noncapital subsidies provided by the Western Division decreased by (\$2,570) or 26.3 percent in 2014 and decreased by \$545 or 5.7 percent in 2013.

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 2014 and 2013 discussed earlier.

Capital Assets

At the end of 2014, the Authority had \$9,770 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2014, the Authority purchased new equipment costing \$3,407 compared to \$1,337 in 2013.

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, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,680,329	\$ 3,464,089
Restricted cash	47,197	47,197
Short-term deposits	3,116	14,985
Patient accounts receivable, net of allowance for bad debts and contractual allowances 2014 \$57,344,291; 2013 \$50,446,291	14,000,346	13,786,157
Grant receivables	614,307	865,272
Receivable from contractor	342,276	1,357,751
Other receivables	26,152	680,377
Prepaid expenses	604,383	444,369
Total current assets	20,318,106	20,660,197
Capital assets, nondepreciable	64,200	64,200
Capital assets, net of depreciation	9,705,710	10,710,093
Other assets	24,195	12,960
Total assets	\$ 30,112,211	\$ 31,447,450
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,908,282	\$ 11,824,949
Line of credit	-	340,000
Unearned revenues	56,980	119,221
Total current liabilities	9,965,262	12,284,170
Other liabilities	-	372,626
Total liabilities	9,965,262	12,656,796
Net Position		
Investment in capital assets	9,769,910	10,774,293
Unrestricted	10,377,039	8,016,361
Total net position	20,146,949	18,790,654
Total liabilities and net position	\$ 30,112,211	\$ 31,447,450

See Notes to Basic Financial Statements.

Emergency Medical Services Authority

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Net patient service revenue, net of provision for bad debts and contractual allowances 2014 \$136,660,598; 2013 \$133,930,447	\$ 52,756,211	\$ 50,785,834
Operating expenses:		
Contracted professional services	50,289,517	52,190,619
Salaries, wages and benefits	3,294,222	3,663,100
Lease, maintenance and utilities	3,368,281	3,179,661
Other	2,503,492	3,502,120
Grant expenditures	1,836,934	2,079,734
First responder fee to cities	-	86,828
Depreciation	4,410,979	4,766,607
Total operating expenses	65,703,425	69,468,669
Operating loss	(12,947,214)	(18,682,835)
Nonoperating revenue (expense):		
Investment income	3,416	6,995
Interest expense	(18,076)	(29,087)
Noncapital grants and contributions	1,836,934	2,079,734
Noncapital subsidies	7,187,873	9,757,466
Appropriations from the City of Tulsa	5,566,000	4,522,000
Nonoperating revenue, net	14,576,147	16,337,108
Income (loss) before capital contributions	1,628,933	(2,345,727)
Capital contributions to Tulsa Fire Department	(272,638)	(74,031)
Change in net position	1,356,295	(2,419,758)
Net position, beginning of year	18,790,654	21,210,412
Net position, end of year	\$ 20,146,949	\$ 18,790,654

See Notes to Basic Financial Statements.

Emergency Medical Services Authority

Statements of Cash Flows Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 52,542,022	\$ 50,486,830
Payments to suppliers and contractors	(57,402,760)	(58,852,782)
Payments to and on behalf of employees	(3,548,825)	(3,674,234)
Grant expenditures	(1,836,934)	(2,079,734)
First responder fee to cities	-	(86,828)
Net cash (used in) operating activities	(10,246,497)	(14,206,748)
Cash flows from noncapital financing activities:		
Noncapital subsidies received	7,830,863	9,098,219
Noncapital grants and gifts received	2,087,899	2,226,792
Appropriations received from the City of Tulsa	5,566,000	5,182,000
Payments on line of credit	(340,000)	(280,000)
Interest paid on line of credit	(18,076)	(29,087)
Net cash provided by noncapital financing activities	15,126,686	16,197,924
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,406,596)	(1,337,174)
Purchase of capital assets gifted to Tulsa Fire Department	(272,638)	(74,031)
Net cash (used in) capital and related financing activities	(3,679,234)	(1,411,205)
Cash flows from investing activities:		
Interest on deposits	3,416	6,995
Sale or maturity of short-term deposits	11,869	1,004,736
Net cash provided by investing activities	15,285	1,011,731
Net increase in cash	1,216,240	1,591,702
Cash, beginning of year	3,511,286	1,919,584
Cash, end of year	\$ 4,727,526	\$ 3,511,286

(Continued)

Emergency Medical Services Authority

Statements of Cash Flows (Continued) Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents	\$ 4,680,329	\$ 3,464,089
Restricted cash	47,197	47,197
Total cash and cash equivalents	\$ 4,727,526	\$ 3,511,286
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (12,947,214)	\$ (18,682,835)
Depreciation	4,410,979	4,766,607
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(214,189)	(671,630)
Payable to suppliers and contractors	(2,034,690)	1,478,505
Payable to employees	118,023	(11,134)
Prepaid expenses	(160,014)	(128,106)
Unearned revenues	(62,241)	(367,109)
Other employee benefits expense	(372,626)	372,626
Receivable from contractors	1,015,475	(963,672)
Net cash (used in) operating activities	\$ (10,246,497)	\$ (14,206,748)

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. The Corporation had no activity in years ended June 30, 2014 and 2013.

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.

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, 2014 and 2013, 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 8.3 percent in 2014 and 6.7 percent in 2013 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	4-6 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 compensated absences liability as of June 30, 2014 and 2013 was \$188,748 and \$196,251, respectively. The estimated compensated absences liability is expected to be paid within one year after the balance sheet date and is included in current liabilities.

Net position: Net position of the Authority represents the difference between assets and liabilities. 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 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, 2014 and 2013 was \$249,715 and \$260,442, respectively. Unearned revenue of \$9,783 and \$72,024 as of June 30, 2014 and 2013, 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. The Authority had \$47,197 as of both June 30, 2014 and 2013 relating to unearned grant funds.

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.

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.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 2. Deposits

As of June 30, 2014 and 2013, 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, 2014 and 2013, all of the Authority's bank balances of \$5,084,766 and \$5,331,675, respectively, were collateralized or insured and were not exposed to custodial credit risk.

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, American Medical Response Ambulance Service, Inc (AMRAS). The Authority's existing contract with AMRAS is effective for the period from November 1, 2013 through October 31, 2018. Under this contract, AMRAS, is obligated to provide paramedic services, including labor and materials, to the Authority. The Authority is obligated to use AMRAS for paramedic services for the same period under a set fee schedule based on the number and type of transports. Expenses paid to AMRAS are reported as contracted professional services in the accompanying statements of revenues, expenses and changes in net position.

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, 2014 and 2013, consisted of:

	2014	2013
Medicare	\$ 1,785,490	\$ 2,273,178
Medicaid	2,379,761	2,056,196
Other third-party payers	8,210,191	7,122,687
Patients	58,969,195	52,780,387
	71,344,637	64,232,448
Less allowance for bad debts and contractual allowances	57,344,291	50,446,291
	<u>\$ 14,000,346</u>	<u>\$ 13,786,157</u>

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 5. Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013 was:

	2014			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Depreciable:				
Buildings and leasehold improvements	3,711,391	35,139	-	3,746,530
Ambulances and other transportation equipment	16,287,007	2,734,276	-	19,021,283
Communications and data processing equipment	13,672,960	513,760	-	14,186,720
Office equipment	2,344,476	123,421	-	2,467,897
Total depreciable assets	36,015,834	3,406,596	-	39,422,430
Less accumulated depreciation:				
Buildings and leasehold improvements	2,482,581	249,643	-	2,732,224
Ambulances and other transportation equipment	10,124,819	2,753,300	-	12,878,119
Communications and data processing equipment	10,767,155	1,224,869	-	11,992,024
Office equipment	1,931,186	183,167	-	2,114,353
Total accumulated depreciation	25,305,741	4,410,979	-	29,716,720
Total capital assets being depreciated, net	10,710,093	(1,004,383)	-	9,705,710
Capital assets, net	\$ 10,774,293	\$ (1,004,383)	\$ -	\$ 9,769,910

	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	34,678,660	1,337,174	-	36,015,834
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	20,539,134	4,766,607	-	25,305,741
Total capital assets being depreciated, net	14,139,526	(3,429,433)	-	10,710,093
Capital assets, net	\$ 14,203,726	\$ (3,429,433)	\$ -	\$ 10,774,293

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities as of June 30, 2014 and 2013 consisted of:

	2014	2013
Payable to suppliers and contractors	\$ 9,316,994	\$ 11,351,684
Payable to employees (including payroll taxes and benefits)	591,288	473,265
	<u>\$ 9,908,282</u>	<u>\$ 11,824,949</u>

Note 7. Operating Leases

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total expenses for such leases were \$428,749 and \$445,498 for the years ended June 30, 2014 and 2013, respectively. The future minimum lease payments for these leases as of June 30, 2014 are as follows:

Year ending June 30:

2015	\$ 393,907
2016	113,514
2017	784
	<u>\$ 508,205</u>

Note 8. Line of Credit

The Authority has a revolving line of credit with Prosperity Bank in the amount of \$2,000,000 which expires January 15, 2015. As of June 30, 2014 and 2013, there was \$0 and \$340,000, 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 Wall Street Journal Prime Rate, with a floor of 4.5 percent and 5.5 percent, for June 30, 2014 and 2013, respectively.

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, 2014 and 2013 were \$240,865 and \$232,440, respectively.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 10. 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 11. Related Party Transactions

During the year ended June 30, 2014, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$1,908,428 of equipment for the Authority's use. As of June 30, 2014, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$3,478,316 and \$5,554,879, 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 2014 would reflect additional depreciation expense of \$80,132 and \$258,774, respectively.

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 years ended June 30, 2014 and 2013, the Authority purchased capital assets that were gifted to the City of Tulsa Fire Department totaling \$272,638 and \$74,031, respectively.

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statement of Net Position Information June 30, 2014

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,671,811	\$ 2,008,518	\$ -	\$ 4,680,329
Restricted cash	47,197	-	-	47,197
Short-term deposits	3,116	-	-	3,116
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$26,838,710 and \$30,505,581 for the Eastern and Western Divisions, respectively	6,229,852	7,770,494	-	14,000,346
Grant receivables	614,307	-	-	614,307
Receivable from contractor	342,276	-	-	342,276
Other receivables	21,996	4,156	-	26,152
Interdivision receivable	179,434	610,252	(789,686)	-
Interdivision receivable - interest	15,284	-	(15,284)	-
Prepaid expenses	382,876	221,507	-	604,383
Total current assets	10,508,149	10,614,927	(804,970)	20,318,106
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	6,035,606	3,670,104	-	9,705,710
Other assets	16,058	8,137	-	24,195
Total assets	\$ 16,624,013	\$ 14,293,168	\$ (804,970)	\$ 30,112,211
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,487,017	\$ 4,421,265	\$ -	\$ 9,908,282
Unearned revenues	56,168	812	-	56,980
Interdivision payable	610,252	179,434	(789,686)	-
Interdivision payable - interest	-	15,284	(15,284)	-
Total current liabilities	6,153,437	4,616,795	(804,970)	9,965,262
Net position				
Investment in capital assets	6,099,806	3,670,104	-	9,769,910
Unrestricted	4,370,770	6,006,269	-	10,377,039
Total net position	10,470,576	9,676,373	-	20,146,949
Total liabilities and net position	\$ 16,624,013	\$ 14,293,168	\$ (804,970)	\$ 30,112,211

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				
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 Statements of Revenues, Expenses and Changes in Net Position Information Year Ended June 30, 2014

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$63,266,357 Western \$73,394,241	\$ 24,235,381	\$ 28,520,830	\$ -	\$ 52,756,211
Operating expenses:				
Contracted professional services	23,354,965	26,934,552	-	50,289,517
Salaries, wages and benefits	1,604,686	1,689,536	-	3,294,222
Lease, maintenance and utilities	1,454,366	1,913,915	-	3,368,281
Other	1,417,987	1,085,505	-	2,503,492
Grant expenditures	1,836,934	-	-	1,836,934
Depreciation	2,386,917	2,024,062	-	4,410,979
Total operating expenses	32,055,855	33,647,570	-	65,703,425
Operating loss	(7,820,474)	(5,126,740)	-	(12,947,214)
Nonoperating revenue (expense):				
Investment income	1,990	1,426	-	3,416
Interest expense	-	(18,076)	-	(18,076)
Noncapital grants and contributions	1,836,934	-	-	1,836,934
Noncapital subsidies	622,678	6,565,195	-	7,187,873
Appropriations from the City of Tulsa	5,566,000	-	-	5,566,000
Total nonoperating revenues	8,027,602	6,548,545	-	14,576,147
Excess of revenues over expenses before capital contributions	207,128	1,421,805	-	1,628,933
Capital contributions to Tulsa Fire Department	(272,638)	-	-	(272,638)
Change in net position	(65,510)	1,421,805	-	1,356,295
Net position, beginning of year	10,536,086	8,254,568	-	18,790,654
Net position, end of year	\$ 10,470,576	\$ 9,676,373	\$ -	\$ 20,146,949

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