

**React Ambulance Authority D/B/A
React Emergency Medical Service**

Financial Statements
June 30, 2013 and 2012

With Independent Auditor's Report Thereon

**React Ambulance Authority D/B/A
React Emergency Medical Service**

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**REACT AMBULANCE
DBA
REACT EMERGENCY MEDICAL SERVICE**

June 30, 2013

Management's Discussion and Analysis

This discussion and analysis of the React Ambulance Authority (Authority) financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2013. Management has prepared the financial statements and related footnote disclosures along with the discussion and analysis.

Financial Highlights

The Authority's financial position as a whole remained strong during the fiscal year ending June 30, 2013. Net Position increased by approximately \$262,000 or 6.2% over the previous year.

Overview of the Authority's Financial Statements and Corresponding Financial Analysis

This report consists of Management's Discussion and Analysis, the Independent Auditor's Report, Balance Sheet, Statement of Revenues and Expenses, Statements of Changes in Net Position, Statements of Cash Flows, Notes to the Financial Statements, Supplementary Information, and the Independent Auditor's Report on the Compliance and on Internal Control over Financial Reporting, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. These statements provide both long-term and short-term financial information on the Authority as a whole.

Balance Sheet, Statement of Revenues and Expenses and Changes in Net Position

The Balance Sheets, Statements of Revenues and Expenses, and Statements of Changes in Net Position report the Authority's net position and how they have changed. Net position, the difference between assets and liabilities, are one way to measure the Authority's financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or declining. Non-financial factors are important to consider as well, including community trends, the number of ambulance runs, and trends in national and state health care reimbursement policies.

The enclosed statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

REACT AMBULANCE AUTHORITY
Management's Discussion and Analysis

For the year ending June 30, 2013, total assets were approximately \$4,750,000 and Total Liabilities were approximately \$264,000. Operating Revenue of \$4,722,000 was more than Operating Expense of \$4,687,200 resulting in Operating income of \$34,800.

Operating Revenues

Significant changes in operating revenues included the following:

Gross Ambulance service increased by approximately \$827,414 or 12.3% over the past year.

Net Ambulance Service Revenue increased \$395,804 up 9.1%

Operating Expenses

Significant changes in operating expenses included the following:

Salaries and wages increased by 2.6% or approximately \$51,801. The Authority expected this increase when it agreed to expand the service area, increase staffing, and increase wages to retain personnel.

Employees Health Insurance increased approximately \$3,272 or 1.6%.

Work Comp Expense decreased \$10,448 or 8.6%

Fuel expense increased 13.9% or \$16,580.

Total Expenses increased approximately \$218,747 or 4.9%.

Non-operating Revenues and Expenses

Significant changes in operating revenues included the following:

Interest Income decreased by \$8,365.

The Authority received a subsidy from the City of Prague for Stand-by services while not on ambulance calls. The amount of the subsidy was \$225,000, the same as the subsidy in the fiscal year ending June 30, 2012.

REACT AMBULANCE AUTHORITY Management's Discussion and Analysis

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity over a period of time. This statement also aids in the assessment of an entity's ability to generate future net cash flows, its ability to meet obligations as they come due, and needs for external financing. The financial information in this statement has been converted from an accrual basis of accounting to a summary of cash activity statement.

The Authority's overall liquidity increased during the year with a net increase to cash of \$234,430. Cash provided by operating activities increased by approximately \$744,853 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013 the Authority had approximately \$4,041,622 invested in capital assets. The related accumulated depreciation was \$2,606,940. Depreciation charges for the year totaled \$317,715 compared to \$256,442 in the prior year.

Debt

The Authority has no long-term debt

Economic Outlook

The Economic Outlook for REACT EMS is challenging. The national economy continues to improve slowly. The state and local economies have not suffered as much and they continue to improve. Although the economy is fairly stable, REACT will face conflicting factors as we look forward.

REACT operates as a fee for service supplier. REACT bills for care and transportation, most commonly through the patient's payer(s), Medicare, Medicaid and/or Health Insurance. REACT works to maintain a high efficiency through its up-to-date knowledge of the claims processes and compliance. REACT has demonstrated excellent results by comparison to other services and has been found compliant on routine audit by federal and state payers.

REACT relies on federal and state programs to pay a significant portion of our revenue. There is concern that Medicare and Medicaid rates for EMS/medical transportation will decrease. The most common analysis states that those rates will remain the same as in the previous year. There is very little opinion that those rates will improve. A Congressional task force, MEDPAC, has cut some non-emergency transportation rates, but their work is not done. At risk are the temporary increases that will expire December 31, three percent for the area served by REACT.

REACT AMBULANCE AUTHORITY Management's Discussion and Analysis

REACT is also aware that our activity and therefore gross revenue has seen a constant increase. This is comparable to other EMS locally and nationally. As population increases (2%) and the population age increases, the demand for EMS grows. REACT expects those trends to continue.

REACT is also anticipating effect from Affordable Care Act. Currently 12% to 13% of REACT activity is transporting patients with no insurance. We expect at least some transition of those patients to the Insured category, increasing the average net revenue for those transports.

The ACA will also effect REACT as an employer. REACT has competed with other employers by offering benefits that meet or exceed our competition for employees. Health insurance is a large part of our operating expense. Initial estimates show REACT can contain those costs, but new requirements for dependent care may effect some employees and their options. REACT continues to study requirements, the effects for our employees and the offerings of our competing employers.

REACT is financially secure. REACT has maintained well in excess of our One Hundred Twenty Days Cash Reserves as required by Board action. REACT has maintained 250 to 300 Days Cash through the fiscal year averaging 282 days. REACT has averaged \$1,650,267 excess of reserves through the fiscal year.

REACT will use a portion of the excess to build two new substations in our response area. REACT has awarded contract to build these stations to a local builder and expects completion in the next fiscal year. These substations offer REACT the ability to improve response times to southeast Shawnee and to Tecumseh and the surrounding county area. These substations will replace current locations and improve facilities used by employees. This serves to improve employee satisfaction, employee retention, and the ability of employees to offer high quality response to patient care.

REACT has worked to improve the quality of care provided to our patients. REACT has increased education for personnel to improve and maintain their knowledge and skill at caring for emergency patients. REACT has purchased new equipment and has replaced cardiac monitors to improve the diagnostic and therapeutic abilities of the EMS personnel. REACT's Medical Director has reviewed and revised patient care protocols to offer the best available care.

REACT continues to work to be the primary resource for our community. REACT has increased our services with Solara, a long term acute care facility. Solara looks to increase its patient census in the immediate future and REACT is positioned to offer quality that Solara has appreciated. REACT expects that relationship will continue to grow in the next fiscal year.

**REACT AMBULANCE AUTHORITY
Management's Discussion and Analysis**

REACT is prepared to work with local leaders should EMS need subsidy. The original REACT response area is surrounded by EMS that currently receives some level of subsidy. The REACT community will have to acknowledge that they have benefited from non-subsidized service, and may have to eventually join other communities and supporting EMS in a method that is a similar approach of supporting other public safety, ie. Law enforcement and fire service. The approach would be to educate the communities and their leaders on the Cost(s) of Readiness.

REACT continues our relationship and service to the Prague community. The city commission has approved an agreement that continues through the fiscal year ending 2014. The subsidy continues to cover the cost of readiness and allows REACT to staff and position a unit in Prague.

REACT continues to provide high quality out of hospital care in the most efficient way possible. REACT recognizes that many factors will challenge our operations, but we have met the previous challenges and succeeded. REACT expects the next fiscal year to offer similar success. REACT expects to serve Pottawatomie County, southern Lincoln County and our communities well into the future.

JOHNSTON & BRYANT

Certified Public Accountants

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Oklahoma Society of Certified Public Accountants

Independent Auditor's Report

The Board of Trustees
React Ambulance Authority
d/b/a React EMS
Shawnee, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of React Ambulance Authority d/b/a React Emergency Medical Services, which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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 audit 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 opinion.

Board of Directors
React Ambulance Authority
d/b/a React Emergency Medical Service

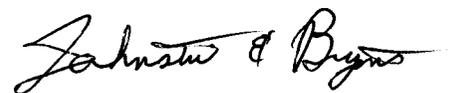
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of React Ambulance Authority d/b/a React Emergency Medical Services as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013 on our consideration of React Ambulance Authority d/b/a React Emergency Medical Services' 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 that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering React Ambulance Authority d/b/a React Emergency Medical Services' internal control over financial reporting and compliance.

Ada, Oklahoma
October 17, 2013



**React Ambulance Authority D/B/A
React Emergency Medical Service**
Balance Sheets
June 30, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
Current Assets		
Cash	\$ 2,783,254	\$ 2,548,824
Accounts Receivable - Net of Allowance for Bad Debts	429,262	508,488
Prepaid Insurance	104,608	98,444
Total Current Assets	3,317,124	3,155,756
Capital Assets		
Property, Plant and Equipment	4,041,622	3,573,237
Accumulated Depreciation	(2,606,940)	(2,289,225)
Capital Assets, Net	1,434,682	1,284,012
 Total Assets	 \$ 4,751,806	 \$ 4,439,768
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts Payable	\$ 30,511	\$ 23,243
Accrued Salaries, Vacations and Payroll Taxes	233,766	191,149
Total Current Liabilities	264,277	214,392
 Net Position	 4,487,529	 4,225,376
 Total Liabilities and Net Position	 \$ 4,751,806	 \$ 4,439,768

See accompanying notes to the financial statements.

React Ambulance Authority D/B/A
React Emergency Medical Service
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Gross Ambulance Service Revenue	\$ 7,551,834	\$ 6,724,420
Less Contractual Adjustments	<u>(2,829,781)</u>	<u>(2,398,171)</u>
Net Ambulance Service Revenue	<u>4,722,053</u>	<u>4,326,249</u>
Salaries and Wages	2,009,322	1,957,521
Payroll Taxes	161,644	159,518
Employee Health Insurance	213,488	210,216
Workers Compensation Insurance	110,283	120,731
General and Auto Insurance	82,450	84,737
Fuel	135,965	119,385
Repairs and Maintenance	199,541	115,925
Linens	9,333	8,888
Uniforms	16,065	13,701
Utilities	18,848	19,932
Telephone	28,728	24,447
Supplies – Medical	163,118	147,191
Supplies – Office	4,418	4,593
Bad Debts	931,459	943,976
Administrative Expense	284,790	281,217
Depreciation Expense	317,715	256,442
Total Expense	<u>4,687,167</u>	<u>4,468,420</u>
Net (Loss) Income from Operations	34,886	(142,171)
Interest Income	2,267	10,632
Subsidy - City of Prague, Oklahoma	<u>225,000</u>	<u>225,000</u>
Change in Net Position	262,153	93,461
Equipment Transfers from Pottawatomie Co.	-	139,275
Net Position- Beginning	<u>4,225,376</u>	<u>3,992,640</u>
Net Position - Ending	<u>\$ 4,487,529</u>	<u>\$ 4,225,376</u>

See accompanying notes to the financial statements.

React Ambulance Authority D/B/A
React Emergency Medical Service
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flow from Operating Activities		
Ambulance Service Revenue	\$ 4,801,279	\$ 3,921,827
Income from Investments	2,267	10,632
Donations	-	-
Payments to Employees	(1,966,705)	(1,935,745)
Payments to Vendors and Suppliers	<u>(2,359,025)</u>	<u>(2,263,751)</u>
Net Cash by Operating Activities	<u>477,816</u>	<u>(267,037)</u>
 Cash Flow from Non-Capital Financing Activities		
Equipment Transfer from Potawatomi Co.	-	139,275
Subsidy from City of Prague, Oklahoma	<u>225,000</u>	<u>225,000</u>
	<u>225,000</u>	<u>364,275</u>
 Cash Flow from Investing Activities		
Purchase of Capital Assets	<u>(468,386)</u>	<u>(402,553)</u>
	<u>(468,386)</u>	<u>(402,553)</u>
 Increase (Decrease) in Cash	234,430	(305,315)
 Cash - Beginning	<u>2,548,824</u>	<u>2,854,139</u>
 Cash - Ending	<u>\$ 2,783,254</u>	<u>\$ 2,548,824</u>

See accompanying notes to the financial statements.

**React Ambulance Authority D/B/A
React Emergency Medical Service**
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flow from Operating Activities		
Operating Income (Loss)	\$ 34,886	\$ (142,171)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	317,715	256,442
Interest Income	2,267	10,632
Donations	-	-
Changes In:		
Accounts Receivable	79,225	(404,422)
Prepaid Insurance	(6,162)	(2,086)
Accounts Payable and Accrued Expense	49,885	14,568
	<u>\$ 477,816</u>	<u>\$ (267,037)</u>

See accompanying notes to the financial statements.

React Ambulance Authority D/B/A
React Emergency Medical Service
Notes to the Financial Statements
June 30, 2013 and 2012

Note 1. **Organization**

The React Ambulance Authority was created October 2, 1995 by an Interlocal Cooperation Agreement by and between the Shawnee Hospital Authority, a public trust whose beneficiary is the City of Shawnee and the Pottawatomie County Hospital Authority a public trust whose beneficiary is Pottawatomie County, Oklahoma. The React Ambulance Authority was created pursuant to Interlocal Cooperation Act, 74 Okla. Stat. 1001 and is owned, controlled and managed under terms set fourth in the above referenced Interlocal Cooperation Agreement.

The board of directors is composed of seven members which are appointed two by the Shawnee Hospital Authority, two by the Pottawatomie County Hospital Authority, one by the City of Shawnee, one by the Pottawatomie County and one by the City of Tecumseh. The terms of each of these board members is set forth in the Interlocal Cooperation Agreement dated October 2, 1995.

The React Ambulance Authority is a governmental entity as defined by GASB.

Note 2. **Summary of Significant Accounting Policies**

Patient Accounts Receivable - Patient service revenue is accounted for at established rates on the accrual basis. The Authority provides allowances for doubtful receivables equal to the estimated collection losses that will be included in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables. Calculations of revenue adjustments relative to third-party contractual agreements are included in the accompanying financial statements.

Inventory - Inventory is generally stated at cost on the first-in, first-out method.

Property, Plant and Equipment - Property, plant and equipment is carried at cost and includes expenditures for improvements and betterment which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss is credited or charged to income. The Authority provides for depreciation of property, plant and equipment by methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed on the straight-line method.

React Ambulance Authority D/B/A
React Emergency Medical Service
Notes to the Financial Statements
June 30, 2013 and 2012

Note 2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Risk Management

The Authority is exposed to various risk 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 certain natural disasters.

Accounting Standards

Pursuant to Governmental Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Under GASB Statement No. 34, the Authority is required to present a statement of net assets classified between current and non-current assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and non-operating revenue and expenses and statement of cash flows using the direct methods.

**React Ambulance Authority D/B/A
React Emergency Medical Service**
Notes to the Financial Statements
June 30, 2013 and 2012

Note 3. Accounts Receivable - Patients

Total Receivables	\$	1,053,485
Less: Allowance for Uncollectible Accounts		<u>(624,223)</u>
	\$	<u>429,262</u>

The allowance for uncollectible accounts is equal to management's estimate of probable bad debts as of June 30, 2013.

Note 4. Cash and Deposits

At June 30, 2013 and 2012, bank balances were as follows:

	<u>2013</u>	<u>2012</u>
Insured (FDIC)	\$ 250,000	\$ 2,618,673
Collateralized by securities held by the pledging financial institution's trust department in the authority's name	2,593,563	-
Uninsured, uncollateralized or collateralized by securities held its trust department or agent in other than the authorities name	<u>-</u>	<u>-</u>
Total	<u>\$ 2,843,563</u>	<u>\$ 2,618,673</u>
Carrying Value	<u>\$ 2,783,254</u>	<u>\$ 2,548,824</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and un collateralized; uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exist when the authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

The Authority requires all deposits to be federally insured or collateralized with U.S. Government or federal agency securities. State law requires all deposits of public funds to be collateralized. At June 30, 2013 and 2012 the carrying amount of the Authority's deposits was \$2,783,254 and \$2,548,824 and the bank balance was \$2,843,563 and \$2,618,673 respectively. As of June 30, 2013 and 2012 the Authority was not exposed to custodial credit risk.

React Ambulance Authority D/B/A
React Emergency Medical Service
Notes to the Financial Statements
June 30, 2013 and 2012

Note 5. Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

	2013				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	811,369	14,897	-	-	826,266
Construction in Progress	-	54,800	-	-	54,800
Leasehold Improvements	10,036	-	-	-	10,036
Office Equipment	412,803	29,659	-	-	442,462
Ambulances	1,665,408	96,447	-	-	1,761,855
Ambulance Equipment and Radios	560,821	229,198	-	-	790,019
Vehicles	112,800	43,384	-	-	156,184
Total Capital Assets	<u>3,573,237</u>	<u>468,385</u>	<u>-</u>	<u>-</u>	<u>4,041,622</u>
Less Accumulated Depreciation	<u>2,289,225</u>	<u>317,715</u>	<u>-</u>	<u>-</u>	<u>2,606,940</u>
	<u>2,289,225</u>	<u>317,715</u>	<u>-</u>	<u>-</u>	<u>2,606,940</u>
Capital Assets - Net	<u>\$ 1,284,012</u>	<u>\$ 150,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434,682</u>
	2012				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	811,369	-	-	-	811,369
Equipment Deposit	10,036	-	-	-	10,036
Leasehold Improvements	375,278	37,525	-	-	412,803
Office Equipment	1,376,576	288,832	-	-	1,665,408
Ambulances	-	-	-	-	-
Ambulance Equipment and Radios	484,626	76,195	-	-	560,821
	112,800	-	-	-	112,800
Vehicles	3,170,685	402,552	-	-	3,573,237
Total Capital Assets	<u>2,032,784</u>	<u>256,441</u>	<u>-</u>	<u>-</u>	<u>2,289,225</u>
Less Accumulated Depreciation	<u>2,032,784</u>	<u>256,441</u>	<u>-</u>	<u>-</u>	<u>2,289,225</u>
Capital Assets - Net	<u>\$ 1,137,901</u>	<u>\$ 146,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,284,012</u>

React Ambulance Authority D/B/A
React Emergency Medical Service
Notes to the Financial Statements
June 30, 2013 and 2012

Note 6. Long-Term Lease Agreement

On August 1, 2000, the Authority entered in to a lease agreement with the City of Shawnee, Oklahoma, to lease property located on the city's municipal airport. Under terms of the lease agreement, the Authority agrees to demolish, at no cost to the city, the existing structure and rebuild an ambulance building with a cost not less than \$600,000. For this the city agrees to lease said property for an initial term of twenty years with the Authority having the right to renew for two additional consecutive twenty year terms. The city does, however, reserve the right to terminate the lease upon ninety days written notice. Should the city terminate the lease within the initial term, the city is required to reimburse the Authority 100% of the cost incurred with this project. Termination within the second term requires 75% reimbursement and within the third term requires 50% reimbursement. No reimbursement is required after sixty years.

Note 7. Fair Value of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments at June 30, 2013.

The carrying amounts reported in the balance sheet for cash, assets limited as to use, accounts payable and accrued expenses, approximate their fair value.

Note 8. Concentration of Credit Risk

The Authority is located in Shawnee, Oklahoma. The Authority grants credit without collateral to its patients, most of whom are local residents and are uninsured or insured under third party payor agreements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
React Ambulance Authority
d/b/a React Emergency Medical Services
Shawnee, Oklahoma

We have audited, in accordance with the 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, the financial statements of React Emergency Medical Services, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered React Emergency Medical Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of React Emergency Medical Services' internal control. Accordingly, we do not express an opinion on the effectiveness of React Emergency Medical Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Trustees
React Ambulance Authority
d/b/a React Emergency Medical Services
Shawnee, Oklahoma

Compliance and Other Matters

As part of obtaining reasonable assurance about whether React Emergency Medical Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ada, Oklahoma
October 17, 2013