

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

Financial Statements
June 30, 2014 and 2013

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, 2014

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, 2014. 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, 2014. Net Position increased by approximately \$165,000 or 3.7% 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, 2014, total assets were approximately \$4,945,000 and Total Liabilities were approximately \$292,000. Operating Revenue of \$4,787,000 was more than Operating Expense of \$4,675,000 resulting in Operating income of \$112,000.

Operating Revenues

Significant changes in operating revenues included the following:

Gross Ambulance service decreased by approximately \$16,649 or 0.2% over the past year.

Net Ambulance Service Revenue decreased \$160,308 down 3.2%

Operating Expenses

Significant changes in operating expenses included the following:

Salaries and wages increased by 0.4% or approximately \$8,356. The Authority increased the budget for this expense with intent to retain employees and to attract qualified personnel.

Employees Health Insurance increased approximately \$18,312 or 8.6%.

Work Comp Expense increased \$1,770 or 1.6%

Fuel expense decreased 1.0% or \$1,412

Total Expenses decreased approximately \$11,956 or 0.2%.

Non-operating Revenues and Expenses

Significant changes in operating revenues included the following:

Interest Income decreased by \$608

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, 2014.

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 decreased during the year with a net decrease to cash of \$212,269. Cash provided by operating activities decreased by approximately \$265,844 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014 the Authority had approximately \$4,691,000 invested in capital assets. The related accumulated depreciation was \$2,952,000. Depreciation charges for the year totaled \$345,298 compared to \$317,715 in the prior year.

Debt

The Authority has no long-term debt

Economic Outlook

REACT continues to provide excellent care, responding efficiently to all calls for service, and covering expenses with collections from governmental payers, medical insurers, contracted providers and patients. Calls for Service decreased 273 Calls (2.5%), but Patient Transports/Accounts increased by 100 (1.2%). REACT significantly increased its service to the local LTAC, Solara, by approximately 35%.

REACT saw an increase in Accounts Receivable, both Gross AR and Net AR in FYE 6/30/2014. REACT experienced a resignation of an experienced billing agent and the retirement of the REACT Billing Manager, 2/3rds of its Billing office staff. REACT has worked to bring newly hired personnel up to previous performance. Progress is positive, but did not keep up with increasing demands including increasing complexity of the claims process. REACT continues to focus on processing of claims and Accounts Receivable with encouraging results. Staff competency and efficiency is improving steadily and AR is showing improvement.

REACT AMBULANCE AUTHORITY

Management's Discussion and Analysis

Economic Outlook (continued)

REACT looks to the future with confidence. REACT has recently completed construction of two substations, one in Shawnee and one in Tecumseh. These stations replaced housing that was rented from the respective Cities served. The investment in these assets will serve to improve the work environment for employees, to demonstrate commitment to the communities and to continue to spend proceeds from activities efficiently. The substations were planned with long-range consideration to improve response times and service. The substations are complete as of this report and payments to contractor are complete. The total expense of these substations was paid with reserves in excess of 180 Days Cash. REACT did not create any debt with this investment.

Further, REACT continues its successful strategy to replace equipment efficiently as it ages. REACT replaced one ambulance with a re-mounted asset and purchased a new van, Type II, ambulance to reduce expense on long, lower acuity transports. REACT is expecting another re-mount within the first months of the next fiscal year. REACT will replace two of its oldest ambulances later that same year.

Finally, REACT continues to replace aged technology with newer more advanced diagnostic and treatment equipment. REACT has now completed replacement of cardiac monitors on the highest activity ambulances and has added advanced respiratory treatment with advanced transport monitors. This enhances REACT's ability to transport complex, high acuity patients from our Response Area to facilities with specialty treatment options.

REACT works continuously to expend funds in the most efficient way possible. REACT continues to seek the best price(s) for supplies and services that it must purchase. Volume purchase and preferred pricing along with using governmental status has benefited these efforts. REACT has seen an increase in cost per patient but has kept the overall operations costs under reasonable control. Total Expenses decreased in the past year while supply cost and depreciation increased.

REACT's biggest source of Revenue continues to be Medicare and Medicaid payments for services provided to beneficiaries. REACT continues to provide quality service, evidenced by Quality Assurance and Quality Improvement, while keeping costs near or below the reimbursements from these two payers. REACT is aware that these payments can decrease, but information for the next fiscal year indicates that these payments will continue. REACT is consistently found compliant with internal audits and has yet to be required to refund payments for improper claims.

In summary, the future and REACT's Economic Outlook are good. REACT has continued to provide reliable service, in an efficient way, with accuracy in medical care and billing practice. REACT provides service with compassion for our citizens and their specific needs, working with our medical community as an important part of the healthcare team. REACT looks to the future with confidence that our diligence will continue to allow us to serve our community.

JOHNSTON & BRYANT

Certified Public Accountants

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MEMBER
American Institute of Certified Public Accountants
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, 2014 and 2013, 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.

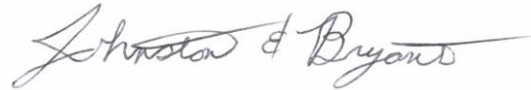
Board of Directors
React Ambulance Authority
d/b/a React Emergency Medical Service

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, 2014 and 2013, 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 7, 2014 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 7, 2014

React Ambulance Authority D/B/A
React Emergency Medical Service
 Balance Sheets
 June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 2,570,985	\$ 2,783,254
Accounts Receivable - Net of Allowance for Bad Debts	531,694	429,262
Prepaid Insurance	103,664	104,608
Total Current Assets	<u>3,206,343</u>	<u>3,317,124</u>
Capital Assets		
Property, Plant and Equipment	4,690,862	4,041,622
Accumulated Depreciation	<u>(2,952,238)</u>	<u>(2,606,940)</u>
Capital Assets, Net	<u>1,738,624</u>	<u>1,434,682</u>
 Total Assets	 <u>\$ 4,944,967</u>	 <u>\$ 4,751,806</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts Payable	\$ 50,500	\$ 30,511
Accrued Salaries, Vacations and Payroll Taxes	241,522	233,766
Total Current Liabilities	<u>292,022</u>	<u>264,277</u>
 Net Position	 <u>4,652,945</u>	 <u>4,487,529</u>
 Total Liabilities and Net Position	 <u>\$ 4,944,967</u>	 <u>\$ 4,751,806</u>

React Ambulance Authority D/B/A
React Emergency Medical Service
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Gross Ambulance Service Revenue	\$ 7,535,185	\$ 7,551,834
Operating Subsidy- City of Prauge, Oklahoma	225,000	225,000
Less Contractual Adjustments	(2,973,440)	(2,829,781)
Net Ambulance Service Revenue	<u>4,786,745</u>	<u>4,947,053</u>
Salaries and Wages	2,017,678	2,009,322
Payroll Taxes	160,691	161,644
Employee Health Insurance	231,800	213,488
Workers Compensation Insurance	112,053	110,283
General and Auto Insurance	91,940	82,450
Fuel	134,553	135,965
Repairs and Maintenance	149,546	199,541
Linens	9,902	9,333
Uniforms	12,926	16,065
Utilities	19,418	18,848
Telephone	27,357	28,728
Supplies – Medical	173,246	163,118
Supplies – Office	5,447	4,418
Bad Debts	905,953	931,459
Administrative Expense	277,403	284,790
Depreciation Expense	345,298	317,715
Total Expense	<u>4,675,211</u>	<u>4,687,167</u>
Net (Loss) Income from Operations	111,534	259,886
Interest Income	1,659	2,267
Grant- State of Oklahoma	52,223	-
Change in Net Position	<u>165,416</u>	<u>262,153</u>
Equipment Transfers from Pottawatomie Co.	-	-
Net Position- Beginning	<u>4,487,529</u>	<u>4,225,376</u>
Net Position - Ending	<u><u>\$ 4,652,945</u></u>	<u><u>\$ 4,487,529</u></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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flow from Operating Activities		
Ambulance Service Revenue	\$ 4,459,315	\$ 4,801,279
Operations Subsidy- City of Prague, OK	225,000	225,000
Income from Investments	1,659	2,267
Grant- State of Oklahoma	52,223	-
Payments to Employees	(2,009,924)	(1,966,705)
Payments to Vendors and Suppliers	(2,291,301)	(2,359,025)
Net Cash by Operating Activities	<u>436,972</u>	<u>702,816</u>
Cash Flow from Non-Capital Financing Activities		
Equipment Transfer from Potawatomie Co.	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Cash Flow from Investing Activities		
Purchase of Capital Assets	<u>(649,241)</u>	<u>(468,386)</u>
	<u>(649,241)</u>	<u>(468,386)</u>
Increase (Decrease) in Cash	(212,269)	234,430
Cash - Beginning	<u>2,783,254</u>	<u>2,548,824</u>
Cash - Ending	<u><u>\$ 2,570,985</u></u>	<u><u>\$ 2,783,254</u></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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flow from Operating Activities		
Operating Income (Loss)	\$ 111,534	\$ 259,886
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	345,298	317,715
Interest Income	1,659	2,267
Grant- State of Oklahoma	52,223	-
Changes In:		
Accounts Receivable	(102,433)	79,225
Prepaid Insurance	946	(6,162)
Accounts Payable and Accrued Expense	<u>27,745</u>	<u>49,885</u>
	<u>\$ 436,972</u>	<u>\$ 702,816</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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

Note 3. Accounts Receivable - Patients

Total Receivables	\$ 1,305,202
Less: Allowance for Uncollectible Accounts	<u>(773,508)</u>
	<u>\$ 531,694</u>

The allowance for uncollectible accounts is equal to management's estimate of probable bad debts as of June 30, 2014.

Note 4. Cash and Deposits

At June 30, 2014 and 2013, bank balances were as follows:

	<u>2014</u>	<u>2013</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the authority's name	2,345,949	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>\$ 2,595,949</u>	<u>\$ 2,843,563</u>
Carrying Value	<u>\$ 2,570,985</u>	<u>\$ 2,783,254</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, 2014 and 2013 the carrying amount of the Authority's deposits was \$2,570,985 and \$2,783,254 and the bank balance was \$2,595,949 and \$2,843,563 respectively. As of June 30, 2014 and 2013 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, 2014 and 2013

Note 5. Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

2014					
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	826,266	-	-	-	826,266
Construction in Progress	54,800	368,641	-	-	423,441
Leasehold Improvements	10,036	-	-	-	10,036
Office Equipment	442,462	29,796	-	-	472,258
Ambulances	1,761,855	110,375	-	-	1,872,230
Ambulance Equipment and Radios	790,019	140,428	-	-	930,447
Vehicles	156,184	-	-	-	156,184
Total Capital Assets	<u>4,041,622</u>	<u>649,240</u>	<u>-</u>	<u>-</u>	<u>4,690,862</u>
Less Accumulated Depreciation	<u>2,606,940</u>	<u>345,298</u>	<u>-</u>	<u>-</u>	<u>2,952,238</u>
	<u>2,606,940</u>	<u>345,298</u>	<u>-</u>	<u>-</u>	<u>2,952,238</u>
Capital Assets - Net	<u>\$ 1,434,682</u>	<u>\$ 303,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,738,624</u>
2013					
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	811,369	14,897	-	-	826,266
Equipment Deposit	-	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
	<u>112,800</u>	<u>43,384</u>	<u>-</u>	<u>-</u>	<u>156,184</u>
Vehicles	<u>3,573,237</u>	<u>468,385</u>	<u>-</u>	<u>-</u>	<u>4,041,622</u>
Total Capital Assets	<u>2,289,225</u>	<u>317,715</u>	<u>-</u>	<u>-</u>	<u>2,606,940</u>
Less Accumulated Depreciation	<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>

**React Ambulance Authority D/B/A
React Emergency Medical Service**
Notes to the Financial Statements
June 30, 2014 and 2013

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, 2014.

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, 2014, 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 7, 2014.

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.

A handwritten signature in cursive script, appearing to read "Schroton & Bryant", written in dark ink.

Ada, Oklahoma
October 7, 2014