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

Financial Statements
June 30, 2011 and 2010

With Independent Auditor's Report Thereon

REACT AMBULANCE AUTHORITY
Management's Discussion and Analysis

For the year ending June 30, 2011, total assets were approximately \$4,192,000 and Total Liabilities were approximately \$200,000. Operating Revenue of \$4,308,000 was less than Operating Expense of \$4,336,000 resulting in Operating loss of \$28,000.

Operating Revenues

Significant changes in operating revenues included the following:

Gross Ambulance service increased by approximately \$398,323 or 6.3% over the past year.

Net Ambulance Service Revenue increased \$284,417 up 7.1%

Operating Expenses

Significant changes in operating expenses included the following:

Salaries and wages increased by 3.9% or approximately \$69,571. 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 \$35,056 or 22.4%.

Work Comp Expense increased \$25,889 or 16.6%

Fuel expense increased 26.8% or \$23,211.

Total Expenses increased approximately \$228,036 or 5.6%.

Non-operating Revenues and Expenses

Significant changes in operating revenues included the following:

Interest Income increased by \$2,541.

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, 2010.

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 \$520,112. Cash provided by operating activities increased by approximately \$217,858 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011 the Authority had approximately \$3,170,685 invested in capital assets. The related accumulated depreciation was \$2,033,784. Depreciation charges for the year totaled \$267,541 compared to \$235,276 in the prior year.

The authority has approved capital expenditures for the fiscal year ending in June 30, 2012 totaling \$939,500. This includes \$575,000 to build a substation as a replacement for two leased substations. This also includes \$256,000 in vehicles to replace current aging vehicles. The Authority will also request funds from Pottawatomie County Emergency Service Fund to replace another exiting ambulance. REACT also expects to purchase transport intravenous pumps, replacement computers for field use and special equipment to improve its ability provide patient care.

Finally, REACT continues to work with local governments to improve the quality of dispatching of medical calls. REACT had budgeted funds to assist with training and implementation of Emergency Medical Dispatching. REACT believes that EMD will improve the overall quality of service and will lead to better utilization of resources.

REACT Ambulance Authority has a policy to maintain 120 days of cash as reserve. REACT calculates this reserve from the most recent 180 days of expenses. REACT has maintained a cash balance well in excess of 120 days throughout the past fiscal year. The Authority's current strategies are committed to continuing that status.

REACT intends to use its Cash for its Capital purchases. Completing all planned expenditures will still leave REACT with reserves well in excess of 180 days Operating Expenses.

REACT AMBULANCE AUTHORITY

Management's Discussion and Analysis

For additional information related to capital assets please see Note 4 in the financial statement.

Debt

The Authority has no long-term debt

Economic Outlook

The Economic Outlook for REACT Ambulance Authority is remains positive, but REACT Ambulance Authority proceeds cautiously. REACT's financial status has improved under otherwise poor economic conditions. REACT anticipates that current economic conditions will be slow to improve. REACT expects to see continuation of increased activity. We also expect an increase in patients that will call for EMS, yet have limited financial resources, specifically insurance, to cover the cost of service. REACT continues to monitor all indicators that may affect our ability to provide service.

REACT continues to provide service to our area by charging for treatment and transports and by collecting from third party payers and from patients. The majority of revenue is collected from Medicare Medicaid, and health insurance companies. EMS state-wide and nationally are seeing decreasing reimbursements from third party payers and REACT has seen similar.

Centers for Medicare and Medicaid Services (CMS) paying REACT for EMS and medical transportation by fee schedule. The government has stated that the current schedule is at least 6 % lower than the cost of providing the service on a national basis. Congress had legislation to address this issue but REACT is not relying on this correction as it moves forward.

Medicaid adjusted their fee schedule to pay much closer to the amounts CMS paid for Medicare patients in 2006. Medicaid has not adjusted these rates since, falling behind CMS fee schedule, since CMS adjusts for cost with Consumer Price Index adjustments. Oklahoma Health Care Authority has decreased allowed amounts by 3% in response to Oklahoma State Budget Cuts. In summary, Medicaid has decreased the amount paid for service as number of patients continues to grow.

Health insurance companies are paying less and are lengthening the interval to receive payments for claims. REACT has realized improved collections of its revenue from Blue Cross Blue Shield patients by agreeing to be a Network Provider. REACT is currently working with the next most frequently used Insurance providers to create a fair and reasonable fee schedule to improve reimbursements.

REACT AMBULANCE AUTHORITY Management's Discussion and Analysis

The most significant areas of concern are the increases in the service to patients with Medicaid and Self Pay patients. Increased frequency of calls for service to these patients has increased the cost to REACT while failing to provide the collections of fees for service that offset the costs. Activity for patients with Medicare or Insurance has not increased in proportion, therefore have not provided an offset to the losses for providing service to our Medicaid and Self Pay patients.

REACT anticipates a shift as National Health Care Reform approaches. Changes are expected to increase the number of individuals that qualify for state programs such as Insure Oklahoma and Medicaid. If this happens, REACT will see increased reimbursement for care provided to patients that are now uninsured.

REACT has anticipated these changes and has modified its budget to meet the demand. REACT personnel and management continue to monitor revenue resources and to work daily to control costs. The immediate future is challenged, but REACT expects to meet the demands.

A portion of the REACT Response Area, Lincoln County, is currently working to consider and possibly create a utility assessment subsidy to improve the availability of quality EMS. REACT is working closely with leaders in Lincoln County to assist with their plan. This is a long range project and may take several years to complete. REACT will monitor the situation closely.

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 method that is similar approach of supporting other Public Safety, ie. Law enforcement on the Cost(s) of Readiness.

Although current economic conditions are negative or uncertain, REACT has operated efficiently and has reserves that will allow uninterrupted service should adjustments be required. REACT looks at the next fiscal year with a cautious confidence and will continue to provide the best, highest quality out of hospital care to our communities.

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

We have audited the accompanying financial statements of React Ambulance Authority d/b/a React Emergency Medical Service as of June 30, 2011 and 2010, and the related statements of revenues and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of React's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

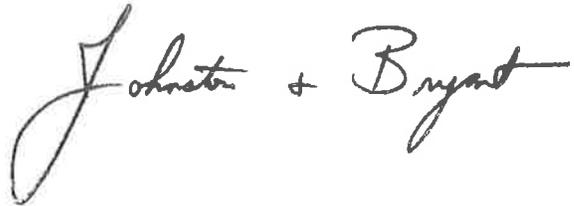
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of React Ambulance Authority, d/b/a React Emergency Medical Service as of June 30, 2011 and 2010, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report, dated August 8, 2011, on our consideration of the React Ambulance Authority d/b/a React Emergency Medical Service internal control over financial reporting and on our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on page 1 through 5, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

August 8, 2011

A handwritten signature in cursive script that reads "Johnston + Bryant". The signature is written in dark ink and is positioned to the right of the date.

**React Ambulance Authority D/B/A
React Emergency Medical Service
Balance Sheets
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 2,854,139	\$ 2,334,027
Accounts Receivable - Net of Allowance for Bad Debts	104,066	199,863
Prepaid Insurance	96,356	83,901
Total Current Assets	<u>3,054,561</u>	<u>2,617,791</u>
Capital Assets		
Property, Plant and Equipment	3,170,685	3,112,629
Accumulated Depreciation	2,032,784	1,765,243
Capital Assets, Net	<u>1,137,901</u>	<u>1,347,386</u>
Total Assets	<u>\$ 4,192,462</u>	<u>\$ 3,965,177</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 30,449	\$ 20,299
Accrued Salaries, Vacations and Payroll Taxes	169,373	159,170
Total Current Liabilities	<u>199,822</u>	<u>179,469</u>
Net Assets	<u>3,992,640</u>	<u>3,785,708</u>
Total Liabilities and Net Assets	<u>\$ 4,192,462</u>	<u>\$ 3,965,177</u>

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 Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Gross Ambulance Service Revenue	\$ 6,737,100	\$ 6,338,777
Less Contractual Adjustments	2,428,570	2,314,664
Net Ambulance Service Revenue	<u>4,308,530</u>	<u>4,024,113</u>
Salaries and Wages	1,860,095	1,790,524
Payroll Taxes	146,295	147,946
Employee Health Insurance	191,246	156,190
Workers Compensation Insurance	116,081	90,192
General and Auto Insurance	79,848	76,122
Fuel	109,905	86,694
Repairs and Maintenance	105,634	87,090
Linens	8,980	8,908
Uniforms	10,253	12,014
Utilities	29,503	21,018
Telephone	19,604	20,700
Supplies – Medical	134,418	119,577
Supplies – Office	4,240	10,736
Bad Debts	1,017,841	989,672
Administrative Expense	235,072	255,861
Depreciation Expense	267,541	235,276
Total Expense	<u>4,336,556</u>	<u>4,108,520</u>
Net (Loss) Income from Operations	(28,026)	(84,407)
Interest Income	9,958	7,417
Sudsidy - City of Prague, Oklahoma	225,000	225,000
Donantions	-	100
Change in Net Assets	206,932	148,110
Equipment Transfers from Pottawatomie Co.	-	122,488
Net Assets - Beginning	<u>3,785,708</u>	<u>3,515,110</u>
Net Assets - Ending	<u>\$ 3,992,640</u>	<u>\$ 3,785,708</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, 2011 and 2010

	2011	2010
Cash Flow from Operating Activities		
Ambulance Service Revenue	\$ 4,404,327	\$ 4,025,409
Income from Investments	9,958	7,417
Donations	-	100
Payments to Employees	(1,849,892)	(1,802,832)
Payments to Vendors and Suppliers	(2,211,225)	(2,094,784)
Net Cash by Operating Activities	353,168	135,310
Cash Flow from Non-Capital Financing Activities		
Equipment Transfer from Potawatomie Co.	-	122,488
Subsidy from City of Prague, Oklahoma	225,000	225,000
	225,000	347,488
Cash Flow from Investing Activities		
Purchase of Capital Assets	(58,056)	(552,796)
	(58,056)	(552,796)
Increase (Decrease) in Cash	520,112	(69,998)
Cash - Beginning	2,334,027	2,404,025
Cash - Ending	\$ 2,854,139	\$ 2,334,027

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, 2011 and 2010**

	2011	2010
Cash Flow from Operating Activities		
Operating Income (Loss)	\$ (28,026)	\$ (84,407)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	267,541	235,276
Interest Income	9,958	7,417
Donations	-	100
Changes In:		
Accounts Receivable	95,797	1,296
Prepaid Insurance	(12,454)	(4,296)
Accounts Payable and Accrued Expense	20,352	(20,076)
	\$ 353,168	\$ 135,310

See accompanying notes to the financial statements.

React Ambulance Authority D/B/A
React Emergency Medical Service
Notes to the Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010

Note 5. Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

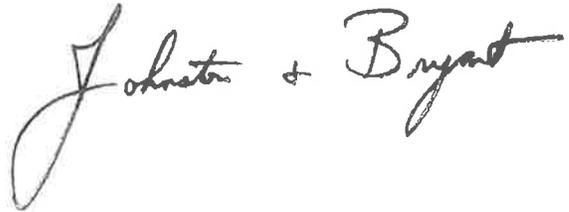
	2011				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	809,919	1,450	-	-	811,369
Leasehold Improvements	10,036	-	-	-	10,036
Office Equipment	350,258	25,020	-	-	375,278
Ambulances	1,375,601	975	-	-	1,376,576
Ambulance Equipment and Radios	454,015	30,611	-	-	484,626
Vehicles	112,800	-	-	-	112,800
Total Capital Assets	<u>3,112,629</u>	<u>58,056</u>	<u>-</u>	<u>-</u>	<u>3,170,685</u>
Less Accumulated Depreciation	<u>1,765,243</u>	<u>267,541</u>	<u>-</u>	<u>-</u>	<u>2,032,784</u>
	<u>1,765,243</u>	<u>267,541</u>	<u>-</u>	<u>-</u>	<u>2,032,784</u>
Capital Assets - Net	<u>\$ 1,347,386</u>	<u>\$ (209,485)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,137,901</u>
	2010				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	798,898	11,021	-	-	809,919
Equipment Deposit	3,884	-	-	(3,884)	-
Leasehold Improvements	10,036	-	-	-	10,036
Office Equipment	346,950	3,308	-	-	350,258
Ambulances	1,042,705	489,664	-	(156,768)	1,375,601
Ambulance Equipment and Radios	401,328	52,687	-	-	454,015
Vehicles	112,800	-	-	-	112,800
Total Capital Assets	<u>2,716,601</u>	<u>556,680</u>	<u>-</u>	<u>(160,652)</u>	<u>3,112,629</u>
Less Accumulated Depreciation	<u>1,686,735</u>	<u>235,276</u>	<u>-</u>	<u>(156,768)</u>	<u>1,765,243</u>
	<u>1,686,735</u>	<u>235,276</u>	<u>-</u>	<u>(156,768)</u>	<u>1,765,243</u>
Capital Assets - Net	<u>\$ 1,029,866</u>	<u>\$ 321,404</u>	<u>\$ -</u>	<u>\$ (3,884)</u>	<u>\$ 1,347,386</u>

The Board of Trustees
React Ambulance Authority
Shawnee, Oklahoma
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Compliance and Other Matters

As a part of obtaining reasonable assurance about whether React Ambulance Authority's financial statements are free of 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.

This Report is intended solely for the information and use of the management, board of trustees, others within the organization, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Johnston & Bryant". The signature is written in dark ink and is positioned to the right of the date.

August 8, 2011