

***EMERGENCY MEDICAL
SERVICES AUTHORITY***

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES

YEARS ENDED JUNE 30, 2019 AND 2018

WITH

INDEPENDENT AUDITOR'S REPORT

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Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Emergency Medical Services Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Emergency Medical Services Authority (Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the basic 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019 and 2018, and the changes in financial position and its cash flows for the years 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 listed on the table of contents 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 inquires 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information of 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 supplementary information of operating divisions is the responsibility of management and was derived from and relates 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 supplementary information of operating divisions is 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 report dated September __, 2019, 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 that report is solely 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 effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

September __, 2019
Wichita, KS

EMERGENCY MEDICAL SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended June 30, 2019

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, 2019 and 2018. 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 decreased in 2019 by \$5,204 or 48.74% and decreased in 2018 by \$344 or 3.11%.
- The Authority's net position decreased in 2019 by \$2,500 or 10.51% and increased in 2018 by \$134 or 0.57%.
- The Authority reported operating losses in both 2019 of \$13,487 and 2018 of \$13,988. The operating loss in 2019 decreased by \$502 or 3.59% over the operating loss reported in 2018. The operating loss in 2018 increased by \$2,184 or 18.51% over the operating loss reported in 2017.
- Net nonoperating revenues decreased by \$3,136 or 22.20% in 2019 compared to an increase of \$2,583 or 22.38% in 2018 compared to 2017.

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 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, measure 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, 2019

The Statements of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position. The Authority's net position decreased by \$2,500 or 10.51% in 2019 over 2018 and increased by \$134 or 0.57% in 2018 over 2017, as shown on Table 1.

Table 1 - Assets, Liabilities and Net Position

	2019	2018	2017
Assets			
Current and other assets	\$ 24,820	\$ 26,773	\$ 27,057
Capital assets, net	14,405	16,104	14,003
Total assets	\$ 39,225	\$ 42,877	\$ 41,060
Liabilities			
Current liabilities	\$ 13,830	\$ 13,772	\$ 13,113
Noncurrent liabilities	4,118	5,328	4,305
Total liabilities	\$ 17,948	\$ 19,100	\$ 17,418
Net Position			
Investment in capital assets	\$ 9,047	9,232	8,866
Unrestricted	12,230	14,545	14,776
Total net position	\$ 21,277	\$ 23,777	\$ 23,642
Total liabilities and net position	\$ 39,225	\$ 42,877	\$ 41,060

Current and other assets decreased in 2019 by \$1,953 and decreased in 2018 by \$284. The 2019 decrease is a result of delay in payment from certain government payors. The 2018 decrease is a result of decreases in cash generated from operations. Patient accounts receivable increased by \$2,594 or 17.77%.

The decrease in noncurrent liabilities in 2019 is reflective of the continued pay down of two long-term debt instruments entered into in 2017. This is further discussed in Note 9 to the financial statements.

The 2019 decrease 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 2019, operating revenues increased \$1,412 or 2.43%. The increase in gross patient service revenue is due to a general increase in transport volume.

In 2019, operating expenses increased \$910 or 1.26%, primarily due to an increase in transport volume as noted above.

EMERGENCY MEDICAL SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2019

Table 2 – Operating Results and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 59,543	\$ 58,131	\$ 57,717
Nonoperating revenues	11,173	14,302	11,572
Total revenues	\$ 70,716	\$ 72,433	\$ 69,289
Operating expense	\$ 73,030	\$ 72,120	\$ 69,521
Nonoperating expense	186	179	32
Total expenses	\$ 73,216	\$ 72,299	\$ 69,553
(Decrease) Increase in net position	\$ (2,500)	\$ 134	\$ (264)

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, the City of Oklahoma City, and noncapital subsidies provided by the Eastern and Western Divisions.

Noncapital grants and contributions received decreased in 2019 by \$115 or 12.49% and decreased in 2018 by \$76 or 7.61%. Grants received in 2019 decreased primarily due to a decline in grant-funded expenditures allowable to be reimbursed under the grant contracts.

Noncapital subsidies received decreased by \$3,093 or 23.14% in 2019 due to decreased requests for payments from the City of Tulsa and the City of Oklahoma City.

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 2019 and 2018 discussed earlier.

Capital Assets

At the end of 2019, the Authority had \$14,378 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2019, the Authority purchased new equipment costing \$2,586 compared to \$5,722 in 2018.

Long-Term Debt

At the end of 2019, the Authority had \$5,331 in long-term debt as detailed in Note 9 to the financial statements.

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 request 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, 2019 and 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,487,271	\$ 10,700,414
Restricted cash	--	22,040
Short-term deposits	1,009,220	--
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$77,594,781 and \$88,787,291	17,191,054	14,596,805
Grant receivables	238,571	218,651
Receivables from contractor, net of allowance for doubtful accounts of \$12,818,247 and \$6,436,464	398,436	539,556
Other receivables	792,423	90,243
Prepaid expenses	703,194	605,232
	<u>24,820,169</u>	<u>26,772,941</u>
Total current assets		
Capital assets, non-depreciable	160,912	680,085
Capital assets, net of depreciation	14,217,191	15,395,667
Other assets	26,396	28,123
	<u>\$ 39,224,668</u>	<u>\$ 42,876,816</u>
Total assets		
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 12,617,029	\$ 12,234,983
Current maturities of long-term debt	1,213,160	1,514,868
Unearned revenues	--	22,040
	<u>13,830,189</u>	<u>13,771,891</u>
Total current liabilities		
Long-term debt, less current maturities	4,117,731	5,328,387
	<u>17,947,920</u>	<u>19,100,278</u>
Total liabilities		
NET POSITION		
Net investment in capital assets	9,047,212	9,232,497
Unrestricted	12,229,536	14,544,041
	<u>21,276,748</u>	<u>23,776,538</u>
Total net position		
Total liabilities and net position	<u>\$ 39,224,668</u>	<u>\$ 42,876,816</u>

The accompanying notes are an integral
part of these financial statements.

EMERGENCY MEDICAL SERVICES AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

Years Ended June 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE, NET	\$ 59,543,399	\$ 58,131,193
OPERATING EXPENSES		
Contracted professional services	57,901,219	57,507,603
Salaries, wages and benefits	4,538,542	4,314,548
Lease, maintenance and utilities	4,457,823	3,815,894
Other	1,559,742	1,962,143
Grant expenditures	808,177	923,549
Depreciation	3,764,428	3,595,718
	<hr/>	<hr/>
Total operating expenses	73,029,931	72,119,455
	<hr/>	<hr/>
Operating loss	(13,486,532)	(13,988,262)
	<hr/>	<hr/>
NONOPERATING REVENUE (EXPENSE)		
Investment income	89,889	10,847
Interest expense	(185,927)	(168,843)
Loss on disposal of capital assets	--	(10,526)
Noncapital grants and contributions	808,177	923,549
Noncapital subsidies	10,274,603	13,367,496
	<hr/>	<hr/>
Total nonoperating revenues	10,986,742	14,122,523
	<hr/>	<hr/>
Change in net position	(2,499,790)	134,261
Net position, beginning of year	23,776,538	23,642,277
	<hr/>	<hr/>
Net position, end of year	\$ 21,276,748	\$ 23,776,538
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The accompanying notes are an integral
part of these financial statements.

EMERGENCY MEDICAL SERVICES AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 56,949,150	\$ 58,010,408
Payments to suppliers and contractors	(63,071,506)	(63,178,618)
Payments to and on behalf of employees	(4,461,756)	(4,390,209)
Grant expenditures	(808,177)	(923,549)
Net cash flow from operating activities	<u>(11,392,289)</u>	<u>(10,481,968)</u>
Cash flows from noncapital financing activities:		
Noncapital subsidies received	9,572,423	13,376,583
Noncapital grants and gifts received	788,257	891,455
Net cash flow from noncapital financing activities	<u>10,360,680</u>	<u>14,268,038</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,585,952)	(5,721,547)
Proceeds from sale of capital assets	--	33,400
Proceeds from long term borrowing	--	2,724,014
Payments of long term debt	(1,512,364)	(1,008,008)
Interest paid on term debt	(185,927)	(168,843)
Net cash flow from capital and related financing activities	<u>(4,284,243)</u>	<u>(4,140,984)</u>
Cash flows from investing activities:		
Interest on deposits	89,889	10,847
Purchase/sale or maturity of short-term deposits	(1,009,220)	3,646
Net cash flow from investing activities	<u>(919,331)</u>	<u>14,493</u>
Net change in cash and cash equivalents	(6,235,183)	(340,421)
Cash and cash equivalents, beginning of year	<u>10,722,454</u>	<u>11,062,875</u>
Cash and cash equivalents, end of year	<u>\$ 4,487,271</u>	<u>\$ 10,722,454</u>

The accompanying notes are an integral part of these financial statements.

EMERGENCY MEDICAL SERVICES AUTHORITY

STATEMENTS OF CASH FLOWS
(CONTINUED)

Years Ended June 30, 2019 and 2018

Reconciliation of cash and cash equivalents to the statement
of net position:

Cash and cash equivalents	\$ 4,487,271	\$ 10,700,414
Restricted cash	--	22,040
	<hr/>	<hr/>
Total cash and cash equivalents	\$ 4,487,271	\$ 10,722,454
	<hr/>	<hr/>

Reconciliation of operating loss to net cash flow from
operating activities:

Operating loss	\$ (13,486,532)	\$ (13,988,262)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	3,764,428	3,595,718
Non-cash write off of non-depreciable capital assets	519,173	--
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(2,594,249)	(120,785)
Receivables from contractors	141,120	87,145
Prepaid expenses	(97,962)	(3,451)
Other assets	1,727	(18,388)
Payable to suppliers and contractors	305,260	41,716
Payable to employees	76,786	(75,661)
Unearned revenues	(22,040)	--
	<hr/>	<hr/>
Net cash flow from operating activities	\$ (11,392,289)	\$ (10,481,968)
	<hr/>	<hr/>

The accompanying notes are an integral
part of these financial statements.

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Emergency Medical Services Authority (Authority) was organized as a public trust (Trust) in 1977 to provide emergency medical services and transportation for the residents of the City of Tulsa, Oklahoma, who are 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. (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 during the years ended June 30, 2019 and 2018.

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 subsidiaries), 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 Governmental 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.

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 amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents - The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2019 and 2018, 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).

Restricted Cash - Certain amounts of cash have been restricted based on unearned grant revenues. These funds are restricted for the use of those grants.

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

Medical Service Program Fees - The City of Tulsa and the City of Oklahoma City each approved an ordinance establishing a Medical Service Program offering Total Care (now EMSAcare) program membership to single-family and multi-family residential water customers within the corporate limits of either city unless they affirmatively decline participation in the program. Medical Service Program Fees are assessed monthly on the residents' water bill. Certain eligibility requirements are to be met for the Authority to receive the fees, therefore revenue is recognized when all recognition criteria have been met. The Medical Service Program was effective July 1, 2007 for the City of Tulsa and December 16, 2008 for the City of Oklahoma City. Medical service program fees are included with noncapital subsidies on the statement of revenues, expenses, and changes in net position and are further described in Note 12.

Risk Management - The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of asset; 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 collectible accounts based upon a review of outstanding receivables, historical collection and existing economic conditions.

Capital Assets - Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 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

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - The Authority's 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 and 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 the date. The compensated absences liability as of June 30, 2019 and 2018 was \$230,919 and \$201,959, respectively. The estimated compensated absences liability is expected to be used within one year after the statement of net position date and is included in current liabilities.

Net Position - Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of borrowings used to finance the purchase or construction of those assets. 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 the purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Unearned Revenue - 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 unearned grant funds of \$0 and \$22,040 as of June 30, 2019 and 2018, respectively.

Reclassifications - Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation.

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.

Subsequent Events - These financial statements considered subsequent events through September __, 2019, the date the financial statements were available to be issued.

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

2. DEPOSITS

As of June 30, 2019 and 2018, 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, 2019 and 2018, all of the Authority's bank balances and deposits were collateralized or insured and were not exposed to custodial credit risk.

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, 2018 through October 31, 2023. 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.

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 payor agreements. Patient accounts receivable as of June 30, 2019 and 2018 consisted of:

	2019	2018
Medicare	\$ 3,189,846	\$ 3,592,405
Medicaid	2,990,086	1,264,167
Other third-party payors	11,027,192	9,715,927
Patients	77,578,711	88,811,597
	<u>94,785,835</u>	<u>103,384,096</u>
Less allowance for bad debts and contractual allowances	<u>77,594,781</u>	<u>88,787,291</u>
	<u>\$ 17,191,054</u>	<u>\$ 14,596,805</u>

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses included in current liabilities as of June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Payable to suppliers and contractors	\$ 11,773,450	\$ 11,581,490
Accrued expenses (including payroll taxes and benefits)	843,579	653,493
	<u>\$ 12,617,029</u>	<u>\$ 12,234,983</u>

7. OPERATING LEASES

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total expenses for such leases were \$558,168 and \$505,439 for the years ended June 30, 2019 and 2018, respectively. The future minimum lease payments for these leases as of June 30, 2019 are as follows:

Year ending June 30:	
2020	\$ 282,184
2021	112,827
2022	41,308

8. LINE OF CREDIT

The Authority has a revolving line of credit with Prosperity Bank in the amount of \$2,000,000 which expires May 29, 2020. As of June 30, 2019 and 2018, there were no amounts borrowed and outstanding against the line of credit. There were no draws on the line of credit during both years ended June 30, 2019 and 2018. 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 5.50% and 4.75% for June 30, 2019 and 2018, respectively. The full amount was available for borrowing as of June 30, 2019.

9. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Radio equipment lease	\$ 1,139,155	\$ --	\$ 363,273	\$ 775,882	\$ 379,477
Medical equipment lease	678,208	--	504,106	174,102	174,102
Term note for building expansion	<u>5,025,892</u>	<u>--</u>	<u>644,985</u>	<u>4,380,907</u>	<u>659,581</u>
Total long-term debt	<u>\$ 6,843,255</u>	<u>\$ --</u>	<u>\$ 1,512,364</u>	<u>\$ 5,330,891</u>	<u>\$ 1,213,160</u>

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

9. LONG-TERM DEBT (CONTINUED)

Long-term debt consisted of the following at June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Radio equipment lease	\$ 1,486,907	\$ --	\$ 347,752	\$ 1,139,155	\$ 363,268
Medical equipment lease	--	864,356	186,148	678,208	506,615
Term note for building expansion	3,640,342	1,859,658	474,108	5,025,892	644,985
Total long-term debt	\$ 5,127,249	\$ 2,724,014	\$ 1,008,008	\$ 6,843,255	\$ 1,514,868

On May 28, 2015 the Authority entered into an Equipment Lease - Purchase Agreement for purposes of acquiring radio equipment to be used in its operations. The obligation bears interest at 4.462% with principal and interest due on July 1 from 2016 through 2020. The obligation is secured by the equipment purchased. Equipment with a cost of \$1,869,091 and associated accumulated depreciation of \$1,151,037 and \$883,975 is included in communications and data processing equipment as of June 30, 2019 and 2018, respectively. Aggregate maturities during the next five years are as follows:

Year ending June 30:	
2020	\$ 414,098
2021	414,094
	<u>828,192</u>
Less interest	52,310
	<u>\$ 775,882</u>

On November 28, 2017 the Authority entered into an Equipment Lease - Purchase Agreement for purposes of acquiring medical equipment to be used in its operations. The obligation bears interest at 5.820% with principal and interest due quarterly on September 28 from 2018 through August 2019. The obligation is secured by the equipment purchased. Equipment with a cost of \$864,356 and associated accumulated depreciation of \$372,282 and \$124,094 is included in ambulances and other transportation equipment as of June 30, 2019 and 2018, respectively. Aggregate maturities during the next five years are as follows:

Year ending June 30:	
2020	\$ 184,763
Less interest	10,661
	<u>\$ 174,102</u>

On July 1, 2015, the Authority entered into an agreement with Prosperity Bank for a \$5,500,000 secured term loan for purposes of financing the construction of a building addition to its headquarters building in Tulsa, Oklahoma. Borrowing will occur as the building costs are incurred. The note bears interest at 2.25% on the outstanding balance of costs incurred by the trustee. The note requires the payment of interest only on the amount borrowed through September 15, 2017. Quarterly principal and interest payments commence on October 15, 2017 and end on July 15, 2025. The loan agreement requires compliance with a financial covenant to maintain in the Eastern Division annual net revenues at least equal to 1.25 times the average annual principal and interest on the loan. Assuming the full balance is drawn, aggregate maturities during the next five years will be as follows:

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

9. LONG-TERM DEBT (CONTINUED)

	Principal	Interest	Total
Year ending June 30:			
2020	\$ 659,582	\$ 94,582	\$ 754,164
2021	675,001	79,163	754,164
2022	690,531	63,633	754,164
2023	706,419	47,745	754,164
2024	722,603	31,561	754,164
Thereafter	926,771	15,931	942,702
	<u>\$ 4,380,907</u>	<u>\$ 332,615</u>	<u>\$ 4,713,522</u>

10. RETIREMENT PLAN

The Authority administers and maintains a noncontributory defined contribution plan. The Emergency Medical Services Authority Money Purchase Pension Plan (Plan) is available 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% 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, 2019 and 2018 were \$331,926 and \$265,898, respectively. At June 30, 2019 and 2018, \$356,835 and \$301,705, respectively were due from the Authority to the Plan for contributions. There were no forfeitures used to pay administrative expenses or to reduce Authority contributions during fiscal years ending June 30, 2019 and 2018.

11. LITIGATION

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance; for example, 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.

As of June 30, 2018, management approved and accrued a settlement agreement with the U.S. Department of Justice, related to the Authority's utility fee program, and paid \$300,000 in September of 2018. The corresponding expense is included in contracted professional services in the accompanying 2018 statement of revenue, expenses and changes in net position.

EMERGENCY MEDICAL SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$257,374 of equipment for the Authority's use. As of June 30, 2019, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$1,739,278 and \$9,745,386, 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 2019 would reflect additional depreciation expense of \$18,199 and \$1,545,458, respectively.

During the year ended June 30, 2018, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$2,768,523 of equipment for the Authority's use. As of June 30, 2018, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$1,744,406 and \$10,833,294, 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 2018 would reflect additional depreciation expense of \$42,614 and \$1,270,567, respectively.

During the years ended June 30, the Authority also conducted the following transactions with related entities:

	<u>2019</u>	<u>2018</u>
Payments from the City of Tulsa for medical services program fees	<u>\$ 4,597,000</u>	<u>\$ 7,081,000</u>
Payments from the City of Oklahoma City for medical services program fees	<u>\$ 4,474,000</u>	<u>\$ 6,572,000</u>

SUPPLEMENTAL SCHEDULES

DRAFT
Incomplete Work Product

EMERGENCY MEDICAL SERVICES AUTHORITY

Supplementary Information of Operating Divisions

Statement of Net Position Information

June 30, 2019

<u>ASSETS</u>				
	Eastern Division	Western Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,414,996	\$ 3,072,275	\$ --	\$ 4,487,271
Short-term deposits	504,610	504,610	--	1,009,220
Patient accounts receivable, net	8,035,983	9,155,071	--	17,191,054
Grant receivables	238,571	--	--	238,571
Receivables from contractor	398,436	--	--	398,436
Other receivables	11,797	780,626	--	792,423
Interdivision receivable	170,330	365,127	(535,457)	--
Prepaid expenses	311,223	391,971	--	703,194
Total current assets	11,085,946	14,269,680	(535,457)	24,820,169
Capital assets, non-depreciable	150,412	10,500	--	160,912
Capital assets, net of depreciation	11,057,698	3,159,493	--	14,217,191
Other assets	18,935	7,461	--	26,396
Total assets	\$ 22,312,991	\$ 17,447,134	\$ (535,457)	\$ 39,224,668
<u>LIABILITIES AND NET POSITION</u>				
	Eastern Division	Western Division	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 7,147,671	\$ 5,469,358	\$ --	\$ 12,617,029
Current maturities of long-term debt	1,025,172	187,988	--	1,213,160
Interdivision payable	365,127	170,330	(535,457)	--
Total current liabilities	8,537,970	5,827,676	(535,457)	13,830,189
Long-term debt, less current maturities	3,921,359	196,372	--	4,117,731
NET POSITION				
Net investment in capital assets	6,261,579	2,785,633	--	9,047,212
Unrestricted	3,592,083	8,637,453	--	12,229,536
Total net position	9,853,662	11,423,086	--	21,276,748
Total liabilities and net position	\$ 22,312,991	\$ 17,447,134	\$ (535,457)	\$ 39,224,668

EMERGENCY MEDICAL SERVICES AUTHORITY

Supplementary Information of Operating Divisions

Statement of Net Position Information

June 30, 2018

<u>ASSETS</u>				
	Eastern Division	Western Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,203,302	\$ 6,497,112	\$ --	\$ 10,700,414
Restricted cash	22,040	--	--	22,040
Patient accounts receivable, net	6,289,121	8,307,684	--	14,596,805
Grant receivables	218,651	--	--	218,651
Receivables from contractor	539,556	--	--	539,556
Other receivables	39,643	50,600	--	90,243
Interdivision receivable	353,584	800,131	(1,153,715)	--
Prepaid expenses	298,074	307,158	--	605,232
Total current assets	11,963,971	15,962,685	(1,153,715)	26,772,941
Capital assets, non-depreciable	64,200	615,885	--	680,085
Capital assets, net of depreciation	12,016,189	3,379,478	--	15,395,667
Other assets	26,662	1,461	--	28,123
Total assets	\$ 24,071,022	\$ 19,959,509	\$ (1,153,715)	\$ 42,876,816
<u>LIABILITIES AND NET POSITION</u>				
	Eastern Division	Western Division	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 6,897,369	\$ 5,337,614	\$ --	\$ 12,234,983
Current maturities of long-term debt	1,334,909	179,959	--	1,514,868
Unearned revenues	22,040	--	--	22,040
Interdivision payable	800,131	353,584	(1,153,715)	--
Total current liabilities	9,054,449	5,871,157	(1,153,715)	13,771,891
Long-term debt, less current maturities	4,944,027	384,360	--	5,328,387
NET POSITION				
Net investment in capital assets	5,801,453	3,431,044	--	9,232,497
Unrestricted	4,271,093	10,272,948	--	14,544,041
Total net position	10,072,546	13,703,992	--	23,776,538
Total liabilities and net position	\$ 24,071,022	\$ 19,959,509	\$ (1,153,715)	\$ 42,876,816

EMERGENCY MEDICAL SERVICES AUTHORITY

Supplementary Information of Operating Divisions

Statement of Revenues, Expenses and Changes in Net Position Information

Year Ended June 30, 2019

	Eastern Division	Western Division	Eliminations	Total
OPERATING REVENUE, NET	\$ 29,198,310	\$ 30,345,089	\$ --	\$ 59,543,399
OPERATING EXPENSES				
Contracted professional services	27,373,741	30,527,478	--	57,901,219
Salaries, wages and benefits	2,155,991	2,382,551	--	4,538,542
Lease, maintenance and utilities	1,794,431	2,663,392	--	4,457,823
Other	783,196	776,546	--	1,559,742
Grant expenditures	808,177	--	--	808,177
Depreciation	2,566,055	1,198,373	--	3,764,428
Total operating expenses	35,481,591	37,548,340	--	73,029,931
Operating loss	(6,283,281)	(7,203,251)	--	(13,486,532)
NONOPERATING REVENUE (EXPENSE)				
Investment income	34,898	54,991	--	89,889
Interest expense	(160,747)	(25,180)	--	(185,927)
Noncapital grants and contributions	808,177	--	--	808,177
Noncapital subsidies	5,382,069	4,892,534	--	10,274,603
Total nonoperating revenues	6,064,397	4,922,345	--	10,986,742
Change in net position	(218,884)	(2,280,906)	--	(2,499,790)
Net position, beginning of year	10,072,546	13,703,992	--	23,776,538
Net position, end of year	\$ 9,853,662	\$ 11,423,086	\$ --	\$ 21,276,748

EMERGENCY MEDICAL SERVICES AUTHORITY

Supplementary Information of Operating Divisions

Statement of Revenues, Expenses and Changes in Net Position Information

Year Ended June 30, 2018

	Eastern Division	Western Division	Eliminations	Total
OPERATING REVENUE, NET	\$ 27,283,427	\$ 30,847,766	\$ --	\$ 58,131,193
OPERATING EXPENSES				
Contracted professional services	27,601,004	29,906,599	--	57,507,603
Salaries, wages and benefits	2,085,851	2,228,697	--	4,314,548
Lease, maintenance and utilities	1,596,229	2,219,665	--	3,815,894
Other	1,027,373	934,770	--	1,962,143
Grant expenditures	923,549	--	--	923,549
Depreciation	2,291,179	1,304,539	--	3,595,718
Total operating expenses	35,525,185	36,594,270	--	72,119,455
Operating loss	(8,241,758)	(5,746,504)	--	(13,988,262)
NONOPERATING REVENUE (EXPENSE)				
Investment income	4,558	6,289	--	10,847
Interest expense	(135,977)	(32,866)	--	(168,843)
Loss on disposal of fixed assets	--	(10,526)	--	(10,526)
Noncapital grants and contributions	923,549	--	--	923,549
Noncapital subsidies	7,866,068	5,501,428	--	13,367,496
Total nonoperating revenues	8,658,198	5,464,325	--	14,122,523
Change in net position	416,440	(282,179)	--	134,261
Net position, beginning of year	9,656,106	13,986,171	--	23,642,277
Net position, end of year	<u>\$ 10,072,546</u>	<u>\$ 13,703,992</u>	<u>\$ --</u>	<u>\$ 23,776,538</u>

INDEPENDENT AUDITOR'S 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*

To the Board of Trustees

Emergency Medical Services Authority

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 basic financial statements of the Emergency Medical Services Authority (Authority) which comprise the statement of net position as of June 30, 2019, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to basic financial statements as listed in the table of contents, and have issued our report thereon dated September __, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

September __, 2019
Wichita, Kansas

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Incomplete Work Product