

# **Emergency Medical Services Authority**

Financial Report  
June 30, 2012

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## Independent Auditor's Report

To the Board of Trustees  
Emergency Medical Services Authority  
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Emergency Medical Services Authority (the Authority), as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Authority as of June 30, 2012 and 2011, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2012 and 2011 dated September 18, 2012 and October 5, 2011, respectively, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The operating divisions, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Kansas City, Missouri  
September 18, 2012

## **Emergency Medical Services Authority**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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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, 2012 and 2011. 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 2012 by \$2,301 or 44 percent and increased in 2011 by \$1,748 or 50.1 percent.
- The Authority's net assets decreased in 2012 by \$827 or 3.8 percent and increased in 2011 by \$4,891 or 28.5 percent.
- The Authority reported operating losses in both 2012 (\$15,345) and 2011 (\$12,323). The operating loss in 2012 increased by \$3,022 or 25 percent over the operating loss reported in 2011. The operating loss in 2011 decreased by \$58 or .47 percent over the operating loss reported in 2010.
- Net nonoperating revenues decreased by \$2,715 or 16 percent in 2012 compared to 2011 and increased by \$3,518 or 25.3 percent in 2011 compared to 2010.

#### **Using this Annual Report**

The Authority's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; 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 Balance Sheet and Statements of Revenues, Expenses and Changes in Net Assets**

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 balance sheet and the statements of revenues, expenses and changes in net assets 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 assets and changes in them. The Authority's total net assets – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Authority.

#### **The Statements of Cash Flows**

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

## Emergency Medical Services Authority

### Management's Discussion and Analysis Year Ended June 30, 2012

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#### The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the balance sheet. The Authority's net assets decreased by \$827 (3.8 percent) in 2012 over 2011 and increased by \$4,891 (28.5 percent) in 2011 over 2010, as shown in Table 1.

Table 1 - Assets, Liabilities and Net Assets

	2012	2011	2010
<b>Assets</b>			
Current and other assets	\$ 18,470	\$ 20,704	\$ 17,982
Capital assets, net	14,204	14,098	11,748
<b>Total assets</b>	<b>\$ 32,674</b>	<b>\$ 34,802</b>	<b>\$ 29,730</b>
<b>Liabilities</b>			
Current liabilities	\$ 11,464	\$ 12,765	\$ 12,584
Noncurrent liabilities	-	-	-
<b>Total liabilities</b>	<b>11,464</b>	<b>12,765</b>	<b>12,584</b>
<b>Net Assets</b>			
Invested in capital assets	14,204	14,098	11,748
Unrestricted	7,006	7,939	5,398
<b>Total net assets</b>	<b>21,210</b>	<b>22,037</b>	<b>17,146</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,674</b>	<b>\$ 34,802</b>	<b>\$ 29,730</b>

Current and other assets decreased in 2012 by \$2,234 and increased in 2011 by \$2,722. The 2012 decrease is a result of lower subsidies versus cash needs than in the previous year. Accounts receivable increased \$699 or 5.6 percent due to increased transport volumes.

The 2012 decrease in net assets is a result of decreased appropriations received from the City of Tulsa through the Medical Services Program as a result of a change in an ordinance that restricts the amount of cash that EMSA East may maintain. See Note 1.

## Emergency Medical Services Authority

### Management's Discussion and Analysis Year Ended June 30, 2012

Table 2 - Operating Results and Changes in Net Assets

	2012	2011	2010
Operating revenues	\$ 49,123	\$ 51,101	\$ 46,431
Nonoperating revenues	14,701	17,427	13,904
<b>Total revenues</b>	<b>63,824</b>	<b>68,528</b>	<b>60,335</b>
Operating expense	64,469	63,424	58,812
Nonoperating expense	35	46	41
<b>Total expenses</b>	<b>64,504</b>	<b>63,470</b>	<b>58,853</b>
Capital contributions to Tulsa Fire Department	(147)	(167)	(126)
<b>Increase (decrease) in net assets</b>	<b>\$ (827)</b>	<b>\$ 4,891</b>	<b>\$ 1,356</b>

### Operating Results

In 2012, operating revenues decreased \$1,978 and increased \$4,670 in 2011 as gross patient service revenues increased \$6,572 and \$8,480 but were offset by an increase in contractual allowances and bad debts of \$8,549 and \$3,810, respectively. The increase in gross patient service revenue is due to a general increase in transport volume. The increase in contractual allowances is due to lower Medicare reimbursement rates, as well as a trend of lessening reimbursement rates from other payors.

In 2012 and 2011, operating expenses increased \$1,045 and \$4,612, respectively, due primarily to the contractual rate increase charged by the contractor that provides the ambulance personnel and yearly volume increases. The increase in contractor expense was due to an increase in the contractual rate and an increase in transport volume over the previous year. The increase was less in 2012 as the first responder fee paid to the City of Tulsa decreased from \$1,600,000 in 2011 to \$364,050 in 2012.

### Nonoperating Revenues

Nonoperating revenues consist primarily of noncapital grants and contributions from various state and federal agencies for specific programs and appropriations from the City of Tulsa and noncapital subsidies provided by the Eastern and Western Divisions.

Noncapital grants and contributions received decreased in 2012 by \$931 or 32.2 percent and increased in 2011 by \$968 or 50.2 percent. Grants received in 2012 decreased primarily due to an overall decrease in funding at the federal level for Homeland Security and grants related thereto.

Noncapital subsidies provided by the Western Division increased by \$1,028 or 12 percent in 2012 and increased by \$2,303 or 34 percent in 2011. The subsidies are necessary as a result of continued losses sustained by the Western Division.

### 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 2012 and 2011 discussed earlier.

## **Emergency Medical Services Authority**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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#### **Capital Assets**

At the end of 2012, the Authority had \$14,204 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2012, the Authority purchased new equipment costing \$4,801 compared to \$6,087 in 2011.

#### **Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 1417 N. Lansing, Tulsa, Oklahoma 74106.



## Emergency Medical Services Authority

### Balance Sheets June 30, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,869,822	\$ 4,172,003
Restricted cash	49,762	57,635
Short-term deposits	1,019,721	1,010,392
Patient accounts receivable, net of allowance for bad debts and contractual allowances 2012 \$35,512,291; 2011 \$30,577,291	13,114,527	12,415,591
Grant receivables	1,012,330	912,479
Other receivables	415,209	458,070
Appropriations from the City of Tulsa receivable	660,000	1,403,764
Prepaid expenses	316,263	259,133
<b>Total current assets</b>	<b>18,457,634</b>	<b>20,689,067</b>
Capital assets, nondepreciable	64,200	64,200
Capital assets, net of depreciation	14,139,526	14,033,787
Other assets	12,960	14,677
<b>Total assets</b>	<b>\$ 32,674,320</b>	<b>\$ 34,801,731</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,357,578	\$ 11,616,390
Line of credit	620,000	620,000
Unearned revenues	486,330	528,346
<b>Total current liabilities</b>	<b>11,463,908</b>	<b>12,764,736</b>
<b>Net assets</b>		
Invested in capital assets	14,203,726	14,097,987
Unrestricted	7,006,686	7,939,008
<b>Total net assets</b>	<b>21,210,412</b>	<b>22,036,995</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,674,320</b>	<b>\$ 34,801,731</b>

See Notes to Basic Financial Statements.

## Emergency Medical Services Authority

### Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Net patient service revenue, net of provision for bad debts and contractual allowances 2012 \$104,697,180; 2011 \$96,148,307	\$ 49,123,342	\$ 51,100,445
Operating expenses:		
Contracted professional services	48,016,289	46,347,247
Salaries, wages and benefits	3,185,049	2,817,594
Lease, maintenance and utilities	3,269,998	3,069,125
Other	2,941,292	2,816,923
Grant expenditures	1,963,876	2,894,691
First responder fee to cities	425,643	1,764,256
Depreciation	4,666,469	3,713,670
<b>Total operating expenses</b>	<b>64,468,616</b>	<b>63,423,506</b>
<b>Operating loss</b>	<b>(15,345,274)</b>	<b>(12,323,061)</b>
Nonoperating revenue (expense):		
Investment income	12,215	15,148
Interest expense	(34,797)	(45,517)
Noncapital grants and contributions	1,963,876	2,894,691
Noncapital subsidies	10,101,147	9,072,787
Appropriations from the City of Tulsa	2,634,725	5,134,156
Gain (loss) on disposal of capital assets	(11,243)	310,002
<b>Nonoperating revenue, net</b>	<b>14,665,923</b>	<b>17,381,267</b>
<b>Excess (deficiency) of revenues over expenses before capital contributions</b>	<b>(679,351)</b>	<b>5,058,206</b>
Capital contributions to Tulsa Fire Department	(147,232)	(167,101)
<b>Change in net assets</b>	<b>(826,583)</b>	<b>4,891,105</b>
Net assets, beginning of year	22,036,995	17,145,890
Net assets, end of year	\$ 21,210,412	\$ 22,036,995

See Notes to Basic Financial Statements.

## Emergency Medical Services Authority

### Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 48,382,390	\$ 50,755,410
Payments to suppliers and contractors	(55,598,670)	(53,837,421)
Payments to and on behalf of employees	(3,129,900)	(2,821,060)
Grant expenditures	(1,963,876)	(2,816,923)
First responder fee to cities	(425,643)	(1,764,256)
<b>Net cash (used in) operating activities</b>	<b>(12,735,699)</b>	<b>(10,484,250)</b>
Cash flows from noncapital financing activities:		
Noncapital subsidies received	10,145,725	8,817,505
Noncapital grants and gifts received	1,864,025	3,227,320
Appropriations received from the City of Tulsa	3,378,489	4,781,500
Payments on line of credit	-	(280,000)
Interest paid on line of credit	(34,797)	(45,517)
<b>Net cash provided by noncapital financing activities</b>	<b>15,353,442</b>	<b>16,500,808</b>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,800,664)	(4,450,075)
Purchase of capital assets gifted to Tulsa Fire Department	(147,232)	(167,101)
Proceeds on sale of capital assets	17,213	333,576
<b>Net cash (used in) capital and related financing activities</b>	<b>(4,930,683)</b>	<b>(4,283,600)</b>
Cash flows from investing activities:		
Interest on deposits	12,215	15,148
Sale or maturity of short-term deposits	1,002,900	993,944
Purchases of short-term deposits	(1,012,229)	(1,002,900)
<b>Net cash provided by investing activities</b>	<b>2,886</b>	<b>6,192</b>
<b>Net increase (decrease) in cash</b>	<b>(2,310,054)</b>	<b>1,739,150</b>
Cash, beginning of year	4,229,638	2,490,488
Cash, end of year	<b>\$ 1,919,584</b>	<b>\$ 4,229,638</b>

(Continued)

**Emergency Medical Services Authority**

**Statements of Cash Flows (Continued)  
Years Ended June 30, 2012 and 2011**

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	<u>2012</u>	<u>2011</u>
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents	\$ 1,869,822	\$ 4,172,003
Restricted cash	49,762	57,635
<b>Total cash and cash equivalents</b>	<b>\$ 1,919,584</b>	<b>\$ 4,229,638</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (15,345,274)	\$ (12,323,061)
Depreciation	4,666,469	3,713,670
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(698,936)	(610,881)
Payable to suppliers and contractors	(1,313,961)	(1,438,375)
Payable to employees	55,149	(3,466)
Prepaid expenses	(57,130)	(87,983)
Unearned revenues	(42,016)	265,846
<b>Net cash (used in) operating activities</b>	<b>\$ (12,735,699)</b>	<b>\$ (10,484,250)</b>
Supplemental cash flows information, capital assets in accounts payable	\$ -	\$ 1,636,899

See Notes to Basic Financial Statements.

## Emergency Medical Services Authority

### Notes to Basic Financial Statements

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#### Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

##### Nature of business:

Emergency Medical Services Authority (the Authority) was organized as a public trust (the Trust) in 1977 to provide emergency medical services and transportation for the residents of the City of Tulsa, Oklahoma, who was the sole beneficiary of the Trust. On March 1, 1990, the trust indenture was amended and restated to include the City of Oklahoma City, Oklahoma, as a beneficiary of the Trust. As a result, certain assets and liabilities of the Oklahoma City Municipal Facilities Authority (OCMFA) were transferred to the Authority. The Authority primarily earns revenues by providing emergency medical services and transportation for the residents of Tulsa and Oklahoma City, Oklahoma, and to certain nonbeneficiary member jurisdictions surrounding Tulsa and Oklahoma City, referred to as the Eastern Division and Western Division, respectively.

##### Reporting entity:

The Authority is a joint venture of the City of Tulsa and the City of Oklahoma City. The City of Tulsa, City of Oklahoma City and the surrounding nonbeneficiary member jurisdictions purchase certain capital assets for the Authority's use in its normal course of business and also provide noncapital subsidies to the Authority for use in operations.

In 2005, the Authority created a nonprofit corporation, EMSA Initiatives for Public Health, Inc. (the Corporation) to provide free car seats and education to predominately low-income residents of the City of Tulsa, City of Oklahoma City and the surrounding nonbeneficiary member jurisdictions. The Corporation was formed under Section 501(c)(3) of the Internal Revenue Code. All activities of the Corporation have been included in the accompanying financial statements.

##### Significant accounting policies:

Basis of accounting and presentation: The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from voluntary nonexchange transactions (principally federal and state grants and city subsidiaries) are recognized when all applicable eligibility requirements are met. Amounts shown as grant expenditures in the financial statements are primarily funded through noncapital grants and contributions. Operating revenues and expenses include exchange transactions. Voluntary nonexchange transactions (such as noncapital grants, contributions, city appropriations and subsidies), investment income and interest expense are included in nonoperating revenues and expenses. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable guidance of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant guidance of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB guidance. The Authority has elected not to apply FASB guidance subsequent to November 30, 1989.

## Emergency Medical Services Authority

### Notes to Basic Financial Statements

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#### Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents: The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2012 and 2011, cash equivalents consisted primarily of certificates of deposit. The Authority defines cash and cash equivalents used in the statement of cash flows as all cash and liquid investments with original maturities of three months or less (both restricted and unrestricted).

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

Appropriations from the City of Tulsa: Effective July 1, 2007, the City of Tulsa approved an ordinance establishing a Medical Service Program offering Total Care program membership to every single-family residential and multifamily residential water customer within the corporate limits of the City of Tulsa unless they affirmatively decline participation in the program. Medical Service Program fees are assessed monthly with the residents' water bill. Effective January 2012, certain eligibility requirements were established for the Authority to receive the fees, therefore revenue is recognized when all recognition criteria has been met. The Authority received approximately 4.5 percent in 2012 and 7.0 percent in 2011 of its financial support from these appropriations.

Risk management: The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for errors and omissions. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient accounts receivable: The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Capital assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,500 and an initial useful life of one year or greater. Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by contribution. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Buildings and leasehold improvements	7-12 years
Ambulances and other transportation equipment	4 years
Communications and data processing equipment	3-5 years
Office equipment	3-7 years

## Emergency Medical Services Authority

### Notes to Basic Financial Statements

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#### Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Compensated absences: The Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as an expense when the time off occurs; no liability is accrued for sick leave benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year after the balance sheet date and is included in current liabilities.

Compensated absences liability as of June 30, 2012 and 2011 is as follows:

	2011	Additions	Deletions	2012	Due in One Year
Compensated absences	\$ 174,781	\$ 198,201	\$ 174,781	\$ 198,201	\$ 198,201

  

	2010	Additions	Deletions	2011	Due in One Year
Compensated absences	\$ 191,876	\$ 174,781	\$ 191,876	\$ 174,781	\$ 174,781

Net assets: Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital assets; consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first applies restricted resources. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets or restricted.

Unearned revenues: The Authority offers the Total Care membership program whereby participants can pay an annual fee that covers certain costs which could otherwise be billed to the participant. Revenue relating to the Total Care program for the years ended June 30, 2012 and 2011 was \$276,425 and \$321,369, respectively. Unearned revenue of \$70,568 and \$70,711 as of June 30, 2012 and 2011, respectively, represents payments received prior to the program period of July 1 to June 30 each year.

The Authority received funds from the Department of Homeland Security and recognizes this revenue once it has been earned; that is, when expenses have been incurred. As of June 30, 2012 and 2011, the Authority has \$49,762 and \$57,635, respectively, relating to unearned grant funds.

The Authority received funds from Paramedics Plus and recognizes this revenue once it has been earned, that is, when expenses have been incurred. As of June 30, 2012 and 2011, the Authority has \$366,000 and \$400,000, respectively, relating to unearned rebates.

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.

## Emergency Medical Services Authority

### Notes to Basic Financial Statements

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#### **Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)**

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.

First responder fee to cities: Effective July 1, 2009, the Authority entered into a temporary contract with the City of Tulsa and the Eastern Division nonbeneficiary cities of Bixby, Sand Springs and Jenks for a period of one year, ending June 30, 2010. The agreement is to compensate the cities for first responses provided to the public in the regulated service area by the cities' fire departments. First responses are responses by the cities to first responder requests from the Authority as determined by the Medical Control Board. The reimbursement rate to the cities is \$50 per first response up to a cap of \$1,768,000 and in no event shall the total fee exceed the cap for the one-year term of the agreement. Of the total cap amount, \$1.6 million pertains to the City of Tulsa. On April 28, 2010, the Board of Trustees approved extending the contract for fiscal year 2011 under the same terms. On June 22, 2011, the Board of Trustees approved extending the contract for fiscal year 2012 with a total cap of \$687,000. Of that total cap, \$600,000 pertains to the City of Tulsa.

#### **Note 2. Deposits**

As of June 30, 2012 and 2011, 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.

The financial institution holding the Authority's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. As of June 30, 2012 and 2011, none of the Authority's bank balances of \$3,982,214 and \$6,429,304 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

#### **Note 3. Business and Credit Risks**

The Authority provides emergency medical services for the residents of the City of Tulsa and the City of Oklahoma City and certain cities surrounding the City of Tulsa and the City of Oklahoma City. The Authority provides emergency services to anyone who requests it regardless of the patient's ability or willingness to pay for such services. The Authority does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, health maintenance organizations and commercial insurance policies). Due to the nature of the services it provides and the demographics of the population it serves, the Authority is subject to significant credit risk and high rates of uncollectible accounts.



## Emergency Medical Services Authority

### Notes to Basic Financial Statements

#### Note 3. Business and Credit Risks (Continued)

The Authority provides emergency medical services by contracting with a third-party service provider. Paramedics Plus L.L.C. The Authority's existing contract with Paramedics Plus L.L.C., is effective for the period from November 1, 2008 through October 31, 2013. Under this contract, Paramedics Plus L.L.C., is obligated to provide paramedic services, including labor and materials, to the Authority through October 31, 2013. The Authority is obligated to use Paramedics Plus L.L.C., for those paramedic services for the same period under a set fee schedule based on the number and type of transports. Expenses paid to Paramedics Plus L.L.C. are reported as contracted professional services in the accompanying statements of revenues, expenses and changes in net assets.

#### Note 4. Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable as of June 30, 2012 and 2011, consisted of:

	2012	2011
Medicare	\$ 3,114,944	\$ 2,019,142
Medicaid	1,228,196	1,021,898
Other third-party payers	8,060,724	7,931,603
Patients	36,222,954	32,020,239
	<u>48,626,818</u>	<u>42,992,882</u>
Less allowance for bad debts and contractual allowances	35,512,291	30,577,291
	<u>\$ 13,114,527</u>	<u>\$ 12,415,591</u>

#### Note 5. Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011 was:

	2012			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Depreciable:				
Buildings and leasehold improvements	3,433,231	216,258	-	3,649,489
Ambulances and other transportation equipment	12,505,066	3,470,775	(368,337)	15,607,504
Communications and data processing equipment	13,433,159	903,067	(1,220,985)	13,115,241
Office equipment	2,125,384	210,564	(29,522)	2,306,426
<b>Total depreciable assets</b>	<u>31,496,840</u>	<u>4,800,664</u>	<u>(1,618,844)</u>	<u>34,678,660</u>
Less accumulated depreciation:				
Buildings and leasehold improvements	1,910,867	288,241	-	2,199,108
Ambulances and other transportation equipment	4,649,996	2,836,275	(339,881)	7,146,390
Communications and data processing equipment	9,356,484	1,329,818	(1,220,985)	9,465,317
Office equipment	1,545,706	212,135	(29,522)	1,728,319
<b>Total accumulated depreciation</b>	<u>17,463,053</u>	<u>4,666,469</u>	<u>(1,590,388)</u>	<u>20,539,134</u>
Capital assets, net	<u>\$ 14,097,987</u>	<u>\$ 134,195</u>	<u>\$ (28,456)</u>	<u>\$ 14,203,726</u>

## Emergency Medical Services Authority

### Notes to Basic Financial Statements

#### Note 5. Capital Assets (Continued)

	2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Depreciable:				
Buildings and leasehold improvements	3,346,201	87,030	-	3,433,231
Ambulances and other transportation equipment	8,631,030	4,531,658	(657,622)	12,505,066
Communications and data processing equipment	12,262,001	1,198,871	(27,713)	13,433,159
Office equipment	1,855,969	269,415	-	2,125,384
Total depreciable assets	26,095,201	6,086,974	(685,335)	31,496,840
Less accumulated depreciation:				
Buildings and leasehold improvements	1,631,881	278,986	-	1,910,867
Ambulances and other transportation equipment	3,339,952	1,967,666	(657,622)	4,649,996
Communications and data processing equipment	8,055,692	1,304,931	(4,139)	9,356,484
Office equipment	1,383,619	162,087	-	1,545,706
Total accumulated depreciation	14,411,144	3,713,670	(661,761)	17,463,053
Capital assets, net	\$ 11,748,257	\$ 2,373,304	\$ (23,574)	\$ 14,097,987

#### Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities as of June 30, 2012 and 2011 consisted of:

	2012	2011
Payable to suppliers and contractors	\$ 9,873,179	\$ 11,188,139
Payable to employees (including payroll taxes and benefits)	484,399	428,251
	<u>\$ 10,357,578</u>	<u>\$ 11,616,390</u>

#### Note 7. Operating Leases

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total expenses for such leases were \$585,391 and \$598,829 for the years ended June 30, 2012 and 2011, respectively. The future minimum lease payments for these leases as of June 30, 2012 are as follows:

##### Year ending June 30:

2013	\$ 404,620
2014	118,193
2015	14,544
2016	7,432
2017	784
	<u>\$ 545,573</u>

## **Emergency Medical Services Authority**

### **Notes to Basic Financial Statements**

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#### **Note 8. Line of Credit**

The Authority has a revolving line of credit with F&M Bank in the amount of \$2,000,000 which expires January 15, 2013. As of June 30, 2012 and 2011, there was \$620,000 borrowed and outstanding against the line of credit. The amounts borrowed on the line of credit are collateralized by accounts receivable, excluding Medicare receivables. The line of credit bears a variable interest rate based on the F&M base rate, which was 5.5 percent, for June 30, 2012 and 2011.

#### **Note 9. Retirement Plan**

The Authority has a noncontributory defined contribution plan for all employees who have attained the age of 18 and completed four months of service. The plan provides for full vesting immediately upon participation in the plan. Under the provisions of the plan, the Authority will contribute 10 percent of total compensation paid. Benefits payable under the plan are limited to the amount of plan assets allocable to the account of each participant. Total contributions to the retirement plan for the years ended June 30, 2012 and 2011 were \$242,688 and \$207,719, respectively.

#### **Note 10. Litigation**

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

#### **Note 11. Related Party Transactions**

During the year ended June 30, 2012, the cities of Tulsa and Oklahoma City purchased no fixed assets for the Authority's use. As of June 30, 2012, the cities of Tulsa and Oklahoma City have purchased fixed assets currently in service for the Authority's use at a cost of \$6,758,219 and \$7,498,761, 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 2012 would reflect additional depreciation expense of \$297,506 and \$186,575, respectively.

During the year ended June 30, 2011, the cities of Tulsa and Oklahoma City purchased no fixed assets for the Authority's use. As of June 30, 2011, the cities of Tulsa and Oklahoma City have purchased fixed assets currently in service for the Authority's use at a cost of \$6,758,219 and \$7,498,761, 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 2011 would reflect additional depreciation expense of \$419,453 and \$89,687, respectively.

During the years ended June 30, 2012 and 2011, the Authority purchased capital assets that were gifted to the City of Tulsa Fire Department totaling \$147,232 and \$167,101, respectively.

The Authority paid \$364,050 and \$1,600,000 to the City of Tulsa during the years ended June 30, 2012 and 2011, respectively, for the First Responder fee temporary contract.

## Emergency Medical Services Authority

### Supplementary Information of Operating Divisions Balance Sheet Information June 30, 2012

	Eastern Division	Western Division	Eliminations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 950,528	\$ 919,294	\$ -	\$ 1,869,822
Restricted cash	49,762	-	-	49,762
Short-term deposits	1,019,721	-	-	1,019,721
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$15,814,710 and \$19,697,581 for the Eastern and Western Divisions, respectively	5,912,975	7,201,552	-	13,114,527
Grant receivables	1,012,330	-	-	1,012,330
Other receivables	413,571	1,638	-	415,209
Appropriations from the City of Tulsa receivable	660,000	-	-	660,000
Interdivision receivable	401,980	-	(401,980)	-
Interdivision receivable - interest	15,284	-	(15,284)	-
Prepaid expenses	199,977	116,286	-	316,263
<b>Total current assets</b>	<b>10,636,128</b>	<b>8,238,770</b>	<b>(417,264)</b>	<b>18,457,634</b>
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	8,092,520	6,047,006	-	14,139,526
Other assets	10,699	2,261	-	12,960
<b>Total assets</b>	<b>\$ 18,803,547</b>	<b>\$ 14,288,037</b>	<b>\$ (417,264)</b>	<b>\$ 32,674,320</b>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,439,283	\$ 4,918,295	\$ -	\$ 10,357,578
Line of credit	-	620,000	-	620,000
Unearned revenues	120,330	366,000	-	486,330
Interdivision payable	-	401,980	(401,980)	-
Interdivision payable - interest	-	15,284	(15,284)	-
<b>Total current liabilities</b>	<b>5,559,613</b>	<b>6,321,559</b>	<b>(417,264)</b>	<b>11,463,908</b>
<b>Net assets</b>				
Invested in capital assets	8,156,720	6,047,006	-	14,203,726
Unrestricted	5,087,214	1,919,472	-	7,006,686
<b>Total net assets</b>	<b>13,243,934</b>	<b>7,966,478</b>	<b>-</b>	<b>21,210,412</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,803,547</b>	<b>\$ 14,288,037</b>	<b>\$ (417,264)</b>	<b>\$ 32,674,320</b>

## Emergency Medical Services Authority

### Supplementary Information of Operating Divisions Balance Sheet Information June 30, 2011

	Eastern Division	Western Division	Eliminations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,931,953	\$ 2,240,050	\$ -	\$ 4,172,003
Restricted cash	57,635	-	-	57,635
Short-term deposits	1,010,392	-	-	1,010,392
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$14,168,710 and \$16,408,581 for the Eastern and Western Divisions, respectively	5,174,977	7,240,614	-	12,415,591
Grant receivables	912,479	-	-	912,479
Other receivables	450,509	7,561	-	458,070
Appropriations from the City of Tulsa receivable	1,403,764	-	-	1,403,764
Interdivision receivable	2,444,781	-	(2,444,781)	-
Interdivision receivable - interest	12,054	-	(12,054)	-
Prepaid expenses	118,068	141,065	-	259,133
<b>Total current assets</b>	<b>13,516,612</b>	<b>9,629,290</b>	<b>(2,456,835)</b>	<b>20,689,067</b>
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	7,810,725	6,223,062	-	14,033,787
Other assets	10,699	3,978	-	14,677
<b>Total assets</b>	<b>\$ 21,402,236</b>	<b>\$ 15,856,330</b>	<b>\$ (2,456,835)</b>	<b>\$ 34,801,731</b>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,612,574	\$ 6,003,816	\$ -	\$ 11,616,390
Line of credit	-	620,000	-	620,000
Unearned revenues	127,626	400,720	-	528,346
Interdivision payable	-	2,444,781	(2,444,781)	-
Interdivision payable - interest	-	12,054	(12,054)	-
<b>Total current liabilities</b>	<b>5,740,200</b>	<b>9,481,371</b>	<b>(2,456,835)</b>	<b>12,764,736</b>
<b>Net assets</b>				
Invested in capital assets	7,874,925	6,223,062	-	14,097,987
Unrestricted	7,787,111	151,897	-	7,939,008
<b>Total net assets</b>	<b>15,662,036</b>	<b>6,374,959</b>	<b>-</b>	<b>22,036,995</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,402,236</b>	<b>\$ 15,856,330</b>	<b>\$ (2,456,835)</b>	<b>\$ 34,801,731</b>

## Emergency Medical Services Authority

### Supplementary Information of Operating Divisions Statements of Revenues, Expenses and Changes in Net Assets Information Year Ended June 30, 2012

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$48,111,696 Western \$56,585,484	\$ 23,353,771	\$ 25,769,571	\$ -	\$ 49,123,342
Operating expenses:				
Contracted professional services	21,396,673	26,619,616	-	48,016,289
Salaries, wages and benefits	1,509,432	1,675,617	-	3,185,049
Lease, maintenance and utilities	1,394,614	1,875,384	-	3,269,998
Other	1,475,758	1,465,534	-	2,941,292
Grant expenditures	1,963,876	-	-	1,963,876
First responder fee	425,643	-	-	425,643
Depreciation	2,545,350	2,121,119	-	4,666,469
<b>Total operating expenses</b>	<b>30,711,346</b>	<b>33,757,270</b>	<b>-</b>	<b>64,468,616</b>
<b>Operating loss</b>	<b>(7,357,575)</b>	<b>(7,987,699)</b>	<b>-</b>	<b>(15,345,274)</b>
Nonoperating revenue (expense):				
Investment income	14,595	851	(3,231)	12,215
Interest expense	-	(38,028)	3,231	(34,797)
Noncapital grants and contributions	1,963,876	-	-	1,963,876
Noncapital subsidies	492,752	9,608,395	-	10,101,147
Appropriations from the City of Tulsa	2,634,725	-	-	2,634,725
Gain on disposal of capital assets	(19,243)	8,000	-	(11,243)
<b>Total nonoperating revenues</b>	<b>5,086,705</b>	<b>9,579,218</b>	<b>-</b>	<b>14,665,923</b>
<b>Excess (deficiency) of revenues over expenses before capital contributions</b>	<b>(2,270,870)</b>	<b>1,591,519</b>	<b>-</b>	<b>(679,351)</b>
Capital contributions to Tulsa Fire Department	(147,232)	-	-	(147,232)
<b>Change in net assets</b>	<b>(2,418,102)</b>	<b>1,591,519</b>	<b>-</b>	<b>(826,583)</b>
Net assets, beginning of year	15,662,037	6,374,958	-	22,036,995
Net assets, end of year	<b>\$ 13,243,935</b>	<b>\$ 7,966,477</b>	<b>\$ -</b>	<b>\$ 21,210,412</b>

## Emergency Medical Services Authority

### Supplementary Information of Operating Divisions Statements of Revenues, Expenses and Changes in Net Assets Information Year Ended June 30, 2011

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$44,361,653; Western \$51,786,654	\$ 24,349,026	\$ 26,751,419	\$ -	\$ 51,100,445
Operating expenses:				
Contracted professional services	20,818,466	25,528,781	-	46,347,247
Salaries, wages and benefits	1,359,013	1,458,581	-	2,817,594
Lease, maintenance and utilities	1,307,904	1,761,221	-	3,069,125
Other	1,399,161	1,417,762	-	2,816,923
Grant expenditures	2,894,691	-	-	2,894,691
First responder fee	1,764,256	-	-	1,764,256
Depreciation	2,139,922	1,573,748	-	3,713,670
<b>Total operating expenses</b>	<b>31,683,413</b>	<b>31,740,093</b>	<b>-</b>	<b>63,423,506</b>
<b>Operating loss</b>	<b>(7,334,387)</b>	<b>(4,988,674)</b>	<b>-</b>	<b>(12,323,061)</b>
Nonoperating revenue (expense):				
Investment income	38,226	2,986	(26,064)	15,148
Interest expense	(108)	(71,473)	26,064	(45,517)
Noncapital grants and contributions	2,894,691	-	-	2,894,691
Noncapital subsidies	492,751	8,580,036	-	9,072,787
Appropriations from the City of Tulsa	5,134,156	-	-	5,134,156
Gain on disposal of capital assets	154,912	155,090	-	310,002
<b>Total nonoperating revenues</b>	<b>8,714,628</b>	<b>8,666,639</b>	<b>-</b>	<b>17,381,267</b>
<b>Excess of revenues over expenses before capital contributions</b>	<b>1,380,241</b>	<b>3,677,965</b>	<b>-</b>	<b>5,058,206</b>
Capital contributions to Tulsa Fire Department	(167,101)	-	-	(167,101)
<b>Change in net assets</b>	<b>1,213,140</b>	<b>3,677,965</b>	<b>-</b>	<b>4,891,105</b>
Net assets, beginning of year	14,448,897	2,696,993	-	17,145,890
Net assets, end of year	<b>\$ 15,662,037</b>	<b>\$ 6,374,958</b>	<b>\$ -</b>	<b>\$ 22,036,995</b>