Emergency Medical Services Authority

Financial Report
June 30, 2010

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

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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 year ended June 30, 2010, 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. The financial statements of the Authority for the year ended June 30, 2009 were audited by other auditors whose report dated November 11, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and the changes in financial position and the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, for the year ended June 30, 2010 we have also issued our report dated October 13, 2010 and for the year ended June 30, 2009 other auditors have issued their report dated November 11, 2009 on our respective 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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The accompanying management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements for the year ended June 30, 2010, taken as a whole. The accompanying supplementary information of operating divisions, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information for the year ended June 30, 2010, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the year ended June 30, 2009, was audited by other auditors whose report, dated November 11, 2009, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

Kansas City, Missouri
October 13, 2010

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Emergency Medical Services Authority

Management's Discussion and Analysis
Year Ended June 30, 2010

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, 2010 and 2009. 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 2010 by $4,246 or 54.9 percent and increased in 2009 by $4,216 or 119.7 percent.
- The Authority's net assets increased in 2010 and 2009 by $1,356 and $4,723 or 8.9 percent and 42.7 percent, respectively.
- The Authority reported operating losses in both 2010 ($12,381) and 2009 ($8,331). The operating loss in 2010 increased by $4,050 or 48 percent over the operating loss reported in 2009. The operating loss in 2009 increased by $444 or 5.6 percent over the operating loss reported in 2008.
- Net nonoperating revenues increased by $615 or 4 percent in 2010 compared to 2009 and increased by $2,581 or 24.2 percent in 2009 compared to 2008.

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.

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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 increased by $1,356 (8.6 percent) in 2010 over 2009 and by $4,723 (42.7 percent) in 2009 over 2008, as shown in Table 1.

Table 1 - Assets, Liabilities and Net Assets

	2010	2009	2008
Assets			
Current and other assets	$ 17,982	$ 20,137	$ 14,937
Capital assets, net	11,748	5,112	4,986
Total assets	$ 29,730	$ 25,249	$ 19,923
Liabilities			
Current liabilities	$ 12,584	$ 9,459	$ 8,856
Noncurrent liabilities	-	-	-
Total liabilities	12,584	9,459	8,856
Net Assets			
Invested in capital assets, net of related debt	11,748	5,112	4,816
Unrestricted	5,398	10,678	6,251
Total net assets	17,146	15,790	11,067
Total liabilities and net assets	$ 29,730	$ 25,249	$ 19,923

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Current and other assets decreased in 2010 by $2,155 and increased in 2009 by $5,200. The 2010 decrease is a result of decreases to cash. Cash decreased $4,237 or 62 percent as a result of increases in operating expenses. Accounts receivable increased $1,851 or 18 percent due to increased transport volumes and an increase to standard transport rates. The 2009 increase is a result of increases to cash and accounts receivable. Cash increased $3,206 or 91 percent as a result of appropriations received from the City of Tulsa. Accounts receivable increased $646 or 6.9 percent due to increased transport volumes and an increase to standard transport rates.

The 2010 and 2009 increases in net assets are a result of increased appropriations received from the City of Tulsa through the Medical Services Program.

Table 2 - Operating Results and Changes in Net Assets

	2010	2009	2008
Operating revenues	$ 46,431	$ 42,944	$ 38,850
Operating expenses:			
Contracted professional services	44,648	38,411	35,766
Salaries, wages and benefits	2,614	2,537	2,444
Lease, maintenance and utilities	2,839	2,673	2,614
Other	2,650	2,267	2,131
Grant expenditures	1,927	3,611	2,048
First responder fee	1,764	-	-
Depreciation	2,370	1,776	1,734
Total operating expenses	58,812	51,275	46,737
Operating loss	(12,381)	(8,331)	(7,887)
Nonoperating revenues (expenses):			
Investment income	30	46	61
Interest expense	(41)	(9)	(59)
Noncapital grants and contributions	1,927	3,611	2,048
Noncapital subsidies	6,770	4,430	3,820
Appropriations from the City of Tulsa	5,164	5,191	4,797
Loss on disposal of capital assets	13	(21)	-
Nonoperating revenue, net	13,863	13,248	10,667
Excess of revenues over expenses before capital contributions	1,482	4,917	2,780
Capital contributions to Tulsa Fire Department	(126)	(194)	(105)
Increase in net assets	$ 1,356	$ 4,723	$ 2,675

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Operating Results

In 2010 and 2009, operating revenues increased $3,487 and $4,094 as gross patient service revenues increased $23,490 and $10,818 but were offset by an increase in contractual allowances and bad debts of $20,003 and $6,724, respectively. The increase in gross patient service revenue is due to a general increase in transport volume and an increase in standard transport rates. The increase in contractual allowances is due to a larger discount applied to contracted commercial insurance financial classes as a result of the increase in standard transport rates and increasing Medicare allowances associated with the Medicare fee schedule that was implemented April 1, 2002. Under the fee schedule, Medicare reimbursements will continue to decline through 2010. In addition, residents participating in the City of Tulsa Medical Services Program are automatically enrolled in the Total Care membership program, which further increases contractual adjustments.

In 2010 and 2009, operating expenses increased $7,537 and $4,538, respectively, due primarily to the increase in the amounts charged by the contractor that provides the ambulance personnel and for 2010, the new First Responder fee charged by the Eastern Division Cities. The increase in contractor expense was due to an increase in the contractual rate and an increase in transport volume over the previous year.

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 2010 by $1,684 or 46.7 percent and increased in 2009 by $1,563 or 76.3 percent. Grants received in 2010 decreased primarily due to a grant with Homeland Security renewing at a significantly smaller amount than was received in 2009.

Noncapital subsidies provided by the Western Division increased by $2,339 or 59.4 percent in 2010 and increased by $565 or 16.8 percent in 2009. 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 2010 and 2009 discussed earlier.

Capital Assets

At the end of 2010, the Authority had $11,748 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2010, the Authority purchased new equipment costing $9,006 compared to $1,923 in 2009.

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.

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Emergency Medical Services Authority

Balance Sheets
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,315,468**	$ 6,436,052
Restricted cash	**175,020**	291,436
Short-term deposits	**1,001,436**	1,010,402
Patient accounts receivable, net of allowance for bad debts and contractual allowances 2010 $27,479,291; 2009 $27,191,291	**11,804,710**	9,954,060
Grant receivables	**1,245,108**	906,617
Other receivables	**202,788**	249,845
Appropriations from the City of Tulsa receivable	**1,051,108**	1,034,682
Prepaid expenses	**171,150**	238,912
Total current assets	**17,966,788**	20,122,006
Capital assets, nondepreciable	**64,200**	64,200
Capital assets, net of depreciation	**11,684,057**	5,047,930
Other assets	**14,677**	14,677
Total assets	**$ 29,729,722**	$ 25,248,813
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 11,421,332**	$ 9,065,704
Line of credit	**900,000**	-
Unearned revenues	**262,500**	393,063
Total current liabilities	**12,583,832**	9,458,767
Net assets		
Invested in capital assets, net of related debt	**11,748,257**	5,112,130
Unrestricted	**5,397,633**	10,677,916
Total net assets	**17,145,890**	15,790,046
Total liabilities and net assets	**$ 29,729,722**	$ 25,248,813

See Notes to Basic Financial Statements.

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Emergency Medical Services Authority

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Net patient service revenue, net of provision for bad debts and contractual allowances 2010 $92,338,674; 2009 $72,337,786	**$ 46,430,480**	$ 42,944,364
Operating expenses:		
Contracted professional services	**$ 44,648,087**	38,410,623
Salaries, wages and benefits	**2,614,589**	2,537,204
Lease, maintenance and utilities	**2,838,619**	2,673,031
Other	**2,649,824**	2,267,215
Grant expenditures	**1,927,077**	3,611,007
First responder fee to cities	**1,764,256**	-
Depreciation	**2,369,692**	1,776,038
Total operating expenses	**58,812,144**	51,275,118
Operating loss	**(12,381,664)**	(8,330,754)
Nonoperating revenue (expense):		
Investment income	**30,098**	46,264
Interest expense	**(40,610)**	(9,438)
Noncapital grants and contributions	**1,927,077**	3,611,007
Noncapital subsidies	**6,769,966**	4,430,410
Appropriations from the City of Tulsa	**5,163,977**	5,190,712
Gain (loss) on disposal of capital assets	**12,632**	(20,867)
Nonoperating revenue, net	**13,863,140**	13,248,088
Excess of revenues over expenses before capital contributions	**1,481,476**	4,917,334
Capital contributions to Tulsa Fire Department	**(125,632)**	(194,490)
Change in net assets	**1,355,844**	4,722,844
Net assets, beginning of year	**15,790,046**	11,067,202
Net assets, end of year	**$ 17,145,890**	$ 15,790,046

See Notes to Basic Financial Statements.

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Emergency Medical Services Authority

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

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	2010	2009
Cash flows from operating activities:		
Receipts from and on behalf of patients	**$ 44,565,683**	$ 41,323,197
Payments to suppliers and contractors	**(47,853,217)**	(41,375,643)
Payments to and on behalf of employees	**(2,645,038)**	(2,528,575)
Other receipts (payments), net	**-**	207,693
Grant expenditures	**(1,927,077)**	(3,611,007)
First responder fee to cities	**(1,764,256)**	-
Net cash (used in) operating activities	**(9,623,905)**	(5,984,335)
Cash flows from noncapital financing activities:		
Noncapital subsidies received	**6,817,023**	4,430,410
Noncapital grants and gifts received	**1,472,170**	3,041,873
Appropriations received from the City of Tulsa	**5,147,551**	5,121,650
Proceeds from line of credit	**900,000**	-
Interest paid on line of credit	**(40,610)**	-
Net cash provided by noncapital financing activities	**14,296,134**	12,593,933
Cash flows from capital and related financing activities:		
Principal paid on capital lease obligation	**-**	(169,986)
Interest paid on capital lease obligation	**-**	(9,438)
Purchase of capital assets	**(8,835,659)**	(2,065,693)
Purchase of capital assets gifted to Tulsa Fire Department	**(125,632)**	(194,490)
Proceeds on sale of capital assets	**12,998**	-
Net cash (used in) capital and related financing activities	**(8,948,293)**	(2,439,607)
Cash flows from investing activities:		
Interest on deposits	**30,098**	46,264
Net change in short-term deposits	**8,966**	(1,010,402)
Net cash provided by (used in) investing activities	**39,064**	(964,138)
Net increase (decrease) in cash	**(4,237,000)**	3,205,853
Cash, beginning of year	**6,727,488**	3,521,635
Cash, end of year	**$ 2,490,488**	$ 6,727,488
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (12,381,664)**	$ (8,330,754)
Depreciation	**2,369,692**	1,776,038
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**(1,850,650)**	(638,668)
Payable to suppliers and contractors	**2,215,551**	1,412,162
Payable to employees	**(30,449)**	51,697
Prepaid expenses	**67,762**	128,015
Unearned revenues	**(14,147)**	(382,825)
Net cash (used in) operating activities	**$ (9,623,905)**	$ (5,984,335)
Supplemental cash flows information, capital assets in accounts payable	**$ 170,526**	$ 51,722

See Notes to Basic Financial Statements.

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.

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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 pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB guidance subsequent to November 30, 1989.

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, 2010 and 2009, cash equivalents consisted primarily of certificates of deposit.

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. Revenue from Medical Service Program fees is recognized in the month for which the fees are billed. The Authority received approximately 8.0 percent in 2010 and 9.2 percent in 2009 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 $1,000 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
Equipment	3-5 years

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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 expense when the time off occurs and no liability is accrued for such 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, 2010 and 2009 was $191,876 and $184,385, respectively.

	2009	Additions	Deletions	2010	Due in One Year
Compensated absences	$ 184,385	$ 191,876	$ 184,385	$ 191,876	$ 191,876

	2008	Additions	Deletions	2009	Due in One Year
Compensated absences	$ 159,355	$ 184,385	$ 159,355	$ 184,385	$ 184,385

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Net assets: Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. 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, net of related debt or restricted.

Unearned revenue: 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, 2010 and 2009 were $447,668 and $1,182,785, respectively. Unearned revenue of $87,480 and $101,627 as of June 30, 2010 and 2009, 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, 2010 and 2009, the Authority has $175,020 and $291,436, respectively, relating to unearned grant funds.

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.

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.

Reclassifications: Certain amounts in the June 30, 2009 financial statements have been reclassified with no effect on net assets or change in net assets to conform with current year presentations.

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Note 2. Deposits

As of June 30, 2010 and 2009, 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. As of June 30, 2010 and 2009, none of the Authority's bank balances of $3,145,596 and $7,667,594 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

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, 2010, 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, 2010 and 2009, the Authority's interest-bearing cash accounts exceeded federally insured limits by approximately $2,476,634 and $4,316,466, respectively. Of this balance, the entire amount was covered with pledged collateral.

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.

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.

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, 2010 and 2009, consisted of:

	2010	2009
Medicare	$ 1,082,887	$ 817,786
Medicaid	1,133,515	871,585
Other third-party payers	17,249,952	14,100,355
Patients	19,817,647	21,355,625
	39,284,001	37,145,351
Less allowance for bad debts and contractual allowances	27,479,291	27,191,291
	$ 11,804,710	$ 9,954,060

Note 5. Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 was:

	2010				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable, land	$ 64,200	$ -	$ -	$ -	$ 64,200
Depreciable:					
Buildings and leasehold improvements	3,021,642	324,559	-	-	3,346,201
Ambulances and other transportation equipment	3,643,878	5,093,659	(106,507)	-	8,631,030
Communications and data processing equipment	9,050,711	3,338,319	(127,029)	-	12,262,001
Office equipment	1,606,321	249,648	-	-	1,855,969
Total depreciable assets	17,322,552	9,006,185	(233,536)	-	26,095,201
Less accumulated depreciation:					
Buildings and leasehold improvements	1,366,708	265,173	-	-	1,631,881
Ambulances and other transportation equipment	2,423,894	1,022,565	(106,507)	-	3,339,952
Communications and data processing equipment	7,228,493	953,862	(126,663)	-	8,055,692
Office equipment	1,255,527	128,092	-	-	1,383,619
Total accumulated depreciation	12,274,622	2,369,692	(233,170)	-	14,411,144
Capital assets, net	$ 5,112,130	$ 6,636,493	$ (366)	$ -	$ 11,748,257

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Note 5. Capital Assets (Continued)

	2009				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable, land	$ 64,200	$ -	$ -	$ -	$ 64,200
Depreciable:					
Buildings and leasehold improvements	2,579,495	445,704	(3,557)	-	3,021,642
Ambulances and other transporation equipment	3,533,707	670,828	(560,657)	-	3,643,878
Communications and data processing equipment	8,461,486	598,072	(8,847)	-	9,050,711
Office equipment	1,398,398	207,923	-	-	1,606,321
Total depreciable assets	15,973,086	1,922,527	(573,061)	-	17,322,552
Less accumulated depreciation:					
Buildings and leasehold improvements	1,140,760	229,506	(3,558)	-	1,366,708
Ambulances and other transportation equipment	2,420,527	543,319	(539,952)	-	2,423,894
Communications and data processing equipment	6,341,986	895,191	(8,684)	-	7,228,493
Office equipment	1,147,505	108,022	-	-	1,255,527
Total accumulated depreciation	11,050,778	1,776,038	(552,194)	-	12,274,622
Capital assets, net	$ 4,986,508	$ 146,489	$ (20,867)	$ -	$ 5,112,130

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities as of June 30, 2010 and 2009 consisted of:

	2010	2009
Payable to suppliers and contractors	$ 10,996,548	$ 8,610,471
Payable to employees (including payroll taxes and benefits)	424,784	455,233
	$ 11,421,332	$ 9,065,704

Note 7. Capital Lease Obligation

The Authority had an equipment lease in 2009 which was paid in full in 2009 as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligation	$ 169,986	$ -	$ 169,986	$ -	$ -

There were no capital lease transactions during the year ended June 30, 2010.

Note 8. Operating Leases

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total costs for such leases were $606,854 for the years ended June 30, 2010 and 2009, respectively. The future minimum lease payments for these leases as of June 30, 2010 are as follows:

Year ending June 30:	
2011	$ 418,210
2012	208,163
2013	43,153
2014	1,317
	$ 670,843

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Note 9. 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 5, 2011. As of June 30, 2010, there was $900,000 borrowed and outstanding against the line of credit. As of June 30, 2009, there were no amounts borrowed 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, 2010 and 2009.

Note 10. 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 between 9 percent and 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, 2010 and 2009 were $189,467 and $228,675, respectively.

Note 11. Grant Expenditures

Grant expenditures included in the operating expenses are primarily funded through nonoperating grant and contract revenue. These amounts were paid to other organizations and consist of the following amounts as of June 30, 2010 and 2009:

	2010	2009
Contract services	$ 366,736	$ 616,133
Equipment and supplies	728,032	2,140,584
Other	832,309	854,290
	$ 1,927,077	$ 3,611,007

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Note 12. 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 13. Related Party Transactions

During the year ended June 30, 2010, the cities of Tulsa and Oklahoma City purchased fixed assets for the Authority's use totaling $459,075 and none, respectively. As of June 30, 2010, the cities of Tulsa and Oklahoma City have purchased fixed assets currently in service for the Authority's use in the amount of $6,790,919 and $8,243,494, 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 2010 would reflect additional depreciation expense of $563,120 and $1,151,279, respectively.

During the year ended June 30, 2009, the cities of Tulsa and Oklahoma City purchased fixed assets for the Authority's use totaling $404,098 and $1,309,270, respectively. As of June 30, 2009, the cities of Tulsa and Oklahoma City have purchased fixed assets currently in service for the Authority's use in the amount of $6,743,482 and $8,937,169, respectively. If the Authority retained ownership of the assets in the Eastern and Western Divisions, the accompanying statement of operations for 2009 would reflect additional depreciation expense of $633,813 and $1,445,116, respectively.

During the years ended June 30, 2010 and 2009, the Authority purchased capital assets that were gifted to the City of Tulsa Fire Department totaling $125,632 and $194,490, respectively.

The Authority paid $1,600,000 for the City of Tulsa during fiscal year June 30, 2010 for the First Responder fee temporary contract. On April 28, 2010, the Board of Trustees approved continuing the contract with the City for fiscal year 2011 with the same fees and a cap of $1,600,000.

There was no First Responder fee contract during fiscal year 2009.

Emergency Medical Services Authority

Supplementary Information of Operating Divisions
Balance Sheet Information
June 30, 2010

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,599,902	$ 715,566	$ -	$ 2,315,468
Restricted cash	175,020	-	-	175,020
Short-term deposits	1,001,436	-	-	1,001,436
Patient accounts receivable, net of allowance for bad debts and contractual allowances of $11,798,710 and $15,680,581 for the Eastern and Western Divisions, respectively	5,048,291	6,756,419	-	11,804,710
Grant receivables	1,245,108	-	-	1,245,108
Other receivables	174,612	28,176	-	202,788
Appropriations from the City of Tulsa receivable	1,051,108	-	-	1,051,108
Interdivision receivable	2,590,233	-	(2,590,233)	-
Interdivision receivable - interest	141,158	-	(141,158)	-
Prepaid expenses	78,017	93,133	-	171,150
Total current assets	13,104,885	7,593,294	(2,731,391)	17,966,788
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	7,135,533	4,548,524	-	11,684,057
Other assets	10,699	3,978	-	14,677
Total assets	$ 20,315,317	$ 12,145,796	$ (2,731,391)	$ 29,729,722
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 5,603,920	$ 5,817,412	$ -	$ 11,421,332
Line of credit	-	900,000	-	900,000
Deferred revenues	262,500	-	-	262,500
Interdivision payable	-	2,590,233	(2,590,233)	-
Interdivision payable - interest	-	141,158	(141,158)	-
Total current liabilities and total liabilities	5,866,420	9,448,803	(2,731,391)	12,583,832
Net assets				
Invested in capital assets, net of related debt	7,199,733	4,548,524	-	11,748,257
Unrestricted	7,249,164	(1,851,531)	-	5,397,633
Total net assets	14,448,897	2,696,993	-	17,145,890
Total liabilities and net assets	$ 20,315,317	$ 12,145,796	$ (2,731,391)	$ 29,729,722

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Emergency Medical Services Authority

Supplementary Information of Operating Divisions
Balance Sheet Information
June 30, 2009

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 4,698,363	$ 1,737,689	$ -	$ 6,436,052
Restricted cash	291,436	-	-	291,436
Short-term deposits	1,010,402	-	-	1,010,402
Patient accounts receivable, net of allowance for bad debts and contractual allowances of $12,084,710 and $15,106,581 for the Eastern and Western Divisions, respectively	4,497,771	5,456,289	-	9,954,060
Grant receivables	906,617	-	-	906,617
Other receivables	232,876	16,969	-	249,845
Appropriations from the City of Tulsa receivable	1,034,682	-	-	1,034,682
Interdivision receivable	1,625,531	-	(1,625,531)	-
Interdivision receivable - interest	78,810	-	(78,810)	-
Prepaid expenses	103,475	135,437	-	238,912
Total current assets	14,479,963	7,346,384	(1,704,341)	20,122,006
Capital assets (land)	64,200	-	-	64,200
Capital assets, net of depreciation	4,333,176	714,754	-	5,047,930
Other assets	10,699	3,978	-	14,677
Total assets	$ 18,888,038	$ 8,065,116	$ (1,704,341)	$ 25,248,813
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 4,716,128	$ 4,349,576	$ -	$ 9,065,704
Deferred revenues	390,406	2,657	-	393,063
Interdivision payable	-	1,625,531	(1,625,531)	-
Interdivision payable - interest	-	78,810	(78,810)	-
Total current liabilities and total liabilities	5,106,534	6,056,574	(1,704,341)	9,458,767
Net assets				
Invested in capital assets, net of related debt	4,397,376	714,754	-	5,112,130
Unrestricted	9,384,128	1,293,788	-	10,677,916
Total net assets	13,781,504	2,008,542	-	15,790,046
Total liabilities and net assets	$ 18,888,038	$ 8,065,116	$ (1,704,341)	$ 25,248,813

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Emergency Medical Services Authority

Supplementary Information of Operating Divisions
Statements of Revenues, Expenses and Changes in Net Assets Information
Year Ended June 30, 2010

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern $44,104,228; Western $48,234,446	$ 21,743,267	$ 24,687,213	$ -	$ 46,430,480
Operating expenses:				
Contracted professional services	19,675,083	24,973,004	-	44,648,087
Salaries, wages and benefits	1,225,492	1,389,097	-	2,614,589
Lease, maintenance and utilities	1,180,630	1,657,989	-	2,838,619
Other	1,317,417	1,332,407	-	2,649,824
Grant expenditures	1,927,077	-	-	1,927,077
First responder fee	1,764,256		-	1,764,256
Depreciation	1,546,771	822,921	-	2,369,692
Total operating expenses	28,636,726	30,175,418	-	58,812,144
Operating loss	(6,893,459)	(5,488,205)	-	(12,381,664)
Nonoperating revenue (expense):				
Investment income	89,817	2,628	(62,347)	30,098
Interest expense	(139)	(102,818)	62,347	(40,610)
Noncapital grants and contributions	1,927,077	-	-	1,927,077
Noncapital subsidies	492,752	6,277,214	-	6,769,966
Appropriations from the City of Tulsa	5,163,977	-	-	5,163,977
Loss on disposal of capital assets (gain)	13,000	(368)	-	12,632
Total nonoperating revenues (expenses)	7,686,484	6,176,656	-	13,863,140
Excess of revenues over expenses before capital contributions	793,025	688,451	-	1,481,476
Capital contributions to Tulsa Fire Department	(125,632)	-	-	(125,632)
Change in net assets	667,393	688,451	-	1,355,844
Net assets, beginning of year	13,781,504	2,008,542	-	15,790,046
Net assets, end of year	$ 14,448,897	$ 2,696,993	$ -	$ 17,145,890

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE

Emergency Medical Services Authority

Supplementary Information of Operating Divisions
Statements of Revenues, Expenses and Changes in Net Assets Information
Year Ended June 30, 2009

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern $41,134,294; Western $31,203,492	$ 20,469,819	$ 22,474,545	$ -	$ 42,944,364
Operating expenses:				
Contracted professional services	16,815,173	21,595,450	-	38,410,623
Salaries, wages and benefits	1,190,691	1,346,513	-	2,537,204
Lease, maintenance and utilities	1,116,497	1,556,534	-	2,673,031
Other	958,984	1,308,231	-	2,267,215
Grant expenditures	103,817	3,507,190	-	3,611,007
Depreciation	1,287,990	488,048	-	1,776,038
Total operating expenses	21,473,152	29,801,966	-	51,275,118
Operating loss	(1,003,333)	(7,327,421)	-	(8,330,754)
Nonoperating revenue (expense):				
Investment income	86,534	10,301	(50,571)	46,264
Interest expense	(4,310)	(55,699)	50,571	(9,438)
Noncapital grants and contributions	103,817	3,507,190	-	3,611,007
Noncapital subsidies	492,752	3,937,658	-	4,430,410
Appropriations from the City of Tulsa	5,190,712	-	-	5,190,712
Loss on disposal of capital assets	(17,919)	(2,948)	-	(20,867)
Total nonoperating revenues (expenses)	5,851,586	7,396,502	-	13,248,088
Excess of revenues over expenses before capital contributions	4,848,253	69,081	-	4,917,334
Capital contributions to Tulsa Fire Department	(194,490)	-	-	(194,490)
Change in net assets	4,653,763	69,081	-	4,722,844
Net assets, beginning of year	9,127,741	1,939,461	-	11,067,202
Net assets, end of year	$ 13,781,504	$ 2,008,542	$ -	$ 15,790,046

PRELIMINARY DRAFT - FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE