

MEDICAL RESCUE TEAM SOUTH AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
WITH
INDEPENDENT AUDITOR'S REPORT

MEDICAL RESCUE TEAM SOUTH AUTHORITY
YEARS ENDED DECEMBER 31, 2017 AND 2016

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Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Medical Rescue Team South Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the MEDICAL RESCUE TEAM SOUTH AUTHORITY, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Board of Directors
Medical Rescue Team South Authority
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the MEDICAL RESCUE TEAM SOUTH AUTHORITY, as of December 31, 2017 and 2016, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2017 the MEDICAL RESCUE TEAM SOUTH AUTHORITY adopted the provisions of Governmental Accounting Standards Board Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14", Statement No. 81, "Irrevocable Split-Interest Agreements", and Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

April 19, 2017
Pittsburgh, Pennsylvania

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

As management of the Medical Rescue Team South Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017.

Financial Highlights

- The assets of Medical Rescue Team South Authority exceeded its liabilities at the close of the most recent fiscal year (2017) by \$1,083,473 (*net position*), a decrease of 16% over the prior fiscal year (2016).
- There were changes in both net investment in capital assets and unrestricted net position in 2017. Net investment in capital assets decreased by \$36,268 or 3% in 2017, while unrestricted net position decreased by \$170,262 or 87% for the same period, decreasing the unrestricted net position to a surplus of \$25,125 at the end of the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is engaged in only business-type activities (functions that are intended to recover all, or a significant portion of, their costs through user fees and charges). Therefore, the Authority has not presented government-wide financial statements, and has presented only the financial statements required for an enterprise fund (proprietary fund financial statements). The Authority's basic financial statements are comprised of two components: 1) proprietary fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements. The notes to the financial statements can be found on pages 10 to 18 of the 2017 audited financial statement report.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Analysis

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of Medical Rescue Team South Authority, assets exceeded liabilities by \$1,083,473 at the close of the most recent fiscal year or 16% decrease from fiscal year 2016.

The net position total includes as part of its calculation, a positive balance in unrestricted net position of \$25,125. Unrestricted net position decreased by 87% during the current fiscal year.

NET POSITION

	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,315,969	\$ 1,167,597
Capital assets	<u>1,470,912</u>	<u>1,685,484</u>
Total assets	<u>2,786,881</u>	<u>2,853,081</u>
Current liabilities	1,418,870	1,150,514
Non-current liabilities	<u>284,538</u>	<u>412,564</u>
Total liabilities	<u>1,703,408</u>	<u>1,563,078</u>
Net position:		
Net investment in capital assets	1,058,348	1,094,616
Unrestricted	<u>25,125</u>	<u>195,387</u>
Total net position	<u>\$ 1,083,473</u>	<u>\$ 1,290,003</u>

Total net position decreased in 2017 in the amount of \$206,530. As noted earlier, this amount includes the unrestricted net position balance of \$25,125 at the end of the current fiscal year.

CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Operating revenues - charges for services	\$ 3,484,696	\$ 3,487,317
Operating expenses	<u>4,859,980</u>	<u>4,740,776</u>
Operating loss	(1,375,284)	(1,253,459)
Non-operating revenues (expenses)	<u>600,480</u>	<u>673,452</u>
Loss before Community Assessment	(774,804)	(580,007)
Community Assessment	568,274	539,653
Changes in net position	(206,530)	(40,354)
Net position - beginning of year	<u>1,290,003</u>	<u>1,330,357</u>
Net position - end of year	<u>\$ 1,083,473</u>	<u>\$ 1,290,003</u>

Total operating revenues were consistent with prior year operating revenues. Related operating expenses increased by 2.5% over the prior fiscal year. This increase is the result of an increase in salaries and fringes.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Budgetary Highlights

All expenses are reviewed and approved by the board of directors and a comparison of budgeted to actual expenses is monitored on a monthly basis. Operating revenues had a negative variance of \$177,364 or 4.84% under the original approved budget, while operating expenditures had a negative variance of \$35,905 or .74% over the original approved budget. Currently the Authority does not amend the approved budget throughout the fiscal year.

Capital Asset and Debt Administration

Capital assets. Medical Rescue Team South Authority's investment in capital assets for its business type activities as of December 31, 2017 amounts to \$1,470,912 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and equipment, office furniture and equipment, and building. The total decrease in the Authority's capital assets for the current fiscal year was 12.72%. There were capital assets totaling \$22,888 purchased during the 2017 fiscal year.

CAPITAL ASSETS
(net of accumulated depreciation)

	<u>2017</u>	<u>2016</u>
Land	\$ 256,708	\$ 256,708
Building	1,927,953	1,927,953
Ambulances	1,149,199	1,149,199
Equipment	1,032,291	1,027,521
Vehicles	75,127	75,127
Leasehold improvements	179,257	161,139
Accumulated depreciation	<u>(3,149,623)</u>	<u>(2,912,163)</u>
	<u>\$ 1,470,912</u>	<u>\$ 1,685,484</u>

Additional information on Medical Rescue Team Authority's capital assets can be found in note 4 on page 14 of the audited financial statements.

OUTSTANDING DEBT

	<u>2017</u>	<u>2016</u>
Loans payable	\$ 412,564	\$ 590,868
Total outstanding debt	<u>\$ 412,564</u>	<u>\$ 590,868</u>

Long-term debt. At the end of the current fiscal year, the Authority had total long term debt outstanding of \$412,564, which is related to obligations outstanding for the Authority's 4 ambulances purchased during 2012, 2 new ambulances purchased in 2015, a loan established for capital improvements, and a loan established for the financing of monitors. The total current portion of long-term obligations is \$128,026 at December 31, 2017.

Additional information on the Authority's long-term debt can be found in note 5 on pages 15 and 16 of the audited financial statements.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Economic Factors and Next Year's Budgets and Rates

These economic factors are considered important to Medical Rescue Team South Authority's operations for the 2017 fiscal year.

- The Authority has presented a \$206,530 net financial decrease for the current fiscal year, mainly due to bad debt write-offs. The consistent increase in Medicare billing allowances, the gross increase in health care insurance expense and the increase of uncollectible patient accounts (bad debt write-offs) will continue to challenge the Authority's position of consistent positive cash flow.
- The Authority will continue to analyze and maintain competitive vendor rates for all of its insurances related to health care, liability, disability, and vehicle coverage. These rates, in particular, along with all vendor rates are reviewed annually by the current administration.

Requests for Information

This financial report is designed to provide a general overview of Medical Rescue Team Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director (Todd Pritchard) at 315 Cypress Way, Pittsburgh, PA 15228.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current:		
Cash and cash equivalents	\$ 588,017	\$ 526,160
Accounts receivable, net	684,538	605,520
Prepaid expenses	43,414	35,917
Total current assets	1,315,969	1,167,597
Capital assets, net of accumulated depreciation of \$3,149,445 and \$2,912,163 for 2017 and 2016, respectively	<u>1,470,912</u>	<u>1,685,484</u>
Total Assets	<u>\$ 2,786,881</u>	<u>\$ 2,853,081</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable	\$ 40,356	\$ 49,549
Accrued payroll and payroll withholding	70,482	54,071
Accrued FICA taxes and retirement	21,287	21,514
Accrued sick pay buy back	48,334	38,652
Accrued compensated absences	73,969	61,519
Unearned subscription revenue	431,720	377,271
Line of credit	604,696	369,634
Long-term debt, current portion	128,026	178,304
Total current liabilities	1,418,870	1,150,514
Long-Term Liabilities:		
Loans payable	<u>284,538</u>	<u>412,564</u>
Total long term liabilities	<u>284,538</u>	<u>412,564</u>
Total Liabilities	<u>1,703,408</u>	<u>1,563,078</u>
Net Position:		
Net investment in capital assets	1,058,348	1,094,616
Unrestricted	<u>25,125</u>	<u>195,387</u>
Total Net Position	<u>1,083,473</u>	<u>1,290,003</u>
Total Liabilities and Net Position	<u>\$ 2,786,881</u>	<u>\$ 2,853,081</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Ambulance service	\$ 3,448,793	\$ 3,443,622
Community education	35,902	43,695
Total Operating Revenue	<u>3,484,695</u>	<u>3,487,317</u>
Operating Expenses:		
Salaries and fringes	3,162,411	3,045,326
Depreciation	237,282	247,429
Service and programs	6,275	(1,033)
Insurance	40,533	38,581
Vehicle maintenance and repairs	47,175	38,698
Building maintenance and support	141,869	155,102
Professional services	238,085	247,100
Fuel expense	39,947	22,083
Supplies	59,721	53,998
Miscellaneous	85,196	83,269
Bad debt expense	801,485	810,223
Total Operating Expenses	<u>4,859,979</u>	<u>4,740,776</u>
Operating Loss	<u>(1,375,284)</u>	<u>(1,253,459)</u>
Non-operating Revenues (Expenses)		
Subscriptions	513,465	518,426
Grants and donations	7,537	66,638
Standby revenue	19,517	23,255
Miscellaneous	2,105	-
Interest income	8	15
Refunds	76,500	84,436
Interest expense	(18,652)	(19,318)
Total Non-operating Revenue (Expenses)	<u>600,480</u>	<u>673,452</u>
Net Loss	(774,804)	(580,007)
Community Assessment	<u>568,274</u>	<u>539,653</u>
Change in Net Position after Community Assessment	(206,530)	(40,354)
Net Position, Beginning of Year	<u>1,290,003</u>	<u>1,330,357</u>
Net Position, End of Year	<u>\$ 1,083,473</u>	<u>\$ 1,290,003</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Cash Flow From Operating Activities:	<u>2017</u>	<u>2016</u>
Receipts from customers and users	\$ 2,604,192	\$ 2,725,272
Payments to suppliers	(675,492)	(629,399)
Payments to employees	<u>(3,124,095)</u>	<u>(3,034,048)</u>
Net cash used in operating activities	<u>(1,195,394)</u>	<u>(938,175)</u>
 Cash Flow From Non-Capital Financing Activities:		
Receipts from subscriptions	567,914	492,942
Receipts from grants and donations	7,537	66,638
Receipts from community assessments	568,274	539,653
Receipts from other non-capital financing activities	21,622	23,255
Receipts (payments) from/on line of credit	<u>235,062</u>	<u>(98,400)</u>
Net cash provided by non-capital financing activities	<u>1,400,409</u>	<u>1,024,088</u>
 Cash Flow From Capital and Related Financing Activities:		
Purchase of capital assets	(22,710)	(262,034)
Proceeds from issuing debt for capital assets	-	165,845
Principal paid on capital debt	(178,304)	(173,419)
Interest paid on capital debt	<u>(18,652)</u>	<u>(19,318)</u>
Net cash used in capital and related financing activities	<u>(219,666)</u>	<u>(288,926)</u>
 Cash Flow From Investing Activities		
Interest on investments	8	15
Refund of prior year expenses	<u>76,500</u>	<u>84,436</u>
Net cash provided by investing activities	<u>76,508</u>	<u>84,451</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	<u>61,857</u>	<u>(118,562)</u>
 Cash and Cash Equivalents		
Beginning of Year	<u>526,160</u>	<u>644,722</u>
End of Year	<u>\$ 588,017</u>	<u>\$ 526,160</u>
 Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating Loss	\$ (1,375,284)	\$ (1,253,459)
Adjustments to reconcile operating loss to net cash		
Used in operating activities:		
Depreciation	237,282	247,429
Change In:		
Accounts receivable	(79,018)	48,178
Accounts payable	(9,193)	(33,400)
Prepaid and other assets	(7,497)	41,799
Accrued payroll and related liabilities	<u>38,316</u>	<u>11,278</u>
Total adjustments	<u>179,890</u>	<u>315,284</u>
Net cash used in operating activities	<u>\$ (1,195,394)</u>	<u>\$ (938,175)</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Medical Rescue Team South Authority (Authority) was originally incorporated in 1984 under the provisions of the Municipal Authorities Act of 1945. The Authority is organized to provide emergency medical services (EMS) to its six contiguous participating municipalities: Baldwin Township, Castle Shannon, Dormont, Greentree, Mt. Lebanon, and Whitehall. At December 31, 2017 and 2016, all of these municipalities were member communities. All member communities have voting representation on the Board of Directors (Board).

In addition to EMS, the Authority also provides non-emergency transportation services (NETS) to the participating communities.

Reporting Entity

The governing body of the Authority is its Board, which is comprised of two members from each member community. The Board appoints the operations director to administer the affairs of the Authority. Beyond appointing Board members, the individual member communities do not have the ability to significantly influence the Authority's operations. Therefore, the Authority is not considered a component unit of any one member community.

In the event the Authority's expenses exceed its revenues, or if the Authority were to default on its outstanding debt, contributions could be required from member communities.

Measurement Focus and Basis of Accounting

The Authority accounts for its activities as an Enterprise Fund which is similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Accordingly, the financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized as earned and expenditures are recognized as incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for ambulance and related services. Operating expenses include the cost of those services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Unearned Subscription Revenue

The Authority begins each year's subscription drive during the latter part of the previous year. Accordingly, the subscriptions received as of December 31st are deferred and recognized in the following year.

Compensated Absences

Full-time employees are granted five to twenty-five days of vacation leave per year, dependent upon employment classification and length of service. Vacation days are earned based upon the previous year's service and unused days are payable upon termination or retirement. Full-time employees are granted 10 sick days per year. The employees may sell their sick days back to the Authority the first pay of the next year based on the amount used during the previous year at various rates. Accordingly, the Authority has recorded a liability for unused vacation days and sick pay buy back due to employees at December 31, 2017 and 2016. As of 2015, employees also have the option to "bank" sick days into a Short Term Disability (STD) bank at one third of their hourly rate. In the event that the employee is injured, they can use the STD bank to make themselves "whole".

Use of 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 and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

At December 31, 2017 and 2016, the Authority used the direct write-off method of accounting for its receivables, as well as an allowance for doubtful accounts of \$100,000 for December 31, 2017 and 2016. Bad debt expense was \$801,485 and \$810,223 at December 31, 2017 and 2016, respectively.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017 AND 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

Capital Assets

Capital assets, which include property, equipment, vehicles, and leasehold improvements, are defined as assets with an initial individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Ambulances	5
Equipment	5
Vehicles	5
Leasehold improvements	5

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt) and unrestricted.

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of these assets.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

Adoption of Governmental Accounting Standards Board Statements

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The adoption of this statement had no effect on previously reported amounts.

In January 2016, the GASB issued Statement No. 80 "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*" The adoption of this statement had no effect on previously reported amounts.

In March 2016, the GASB issued Statement No. 81 "*Irrevocable Split-Interest Agreements.*" The adoption of this statement had no effect on previously reported amounts.

In March of 2016, the GASB issued Statement No. 82 "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73.*" The adoption of this statement had no effect on previously reported amounts.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The Authority is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

In November of 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The Authority is required to adopt Statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Authority is required to adopt Statement No. 84 for its fiscal year 2019 financial statements.

In March 2017, the GASB issues Statement No. 85, "*Omnibus 2017*". The Authority is required to adopt Statement No. 85 for its fiscal year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The Authority is required to adopt Statement No. 86 for its fiscal year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Authority is required to adopt Statement No. 87 for its fiscal year 2020 financial statements.

The Authority has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

In April 2018 the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The District is required to adopt Statement No. 88 for is fiscal year 2019 financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits

The Authority only maintains bank deposits in checking and savings accounts. The following is a description of the Authority's deposit risks:

Custodial credit risk – 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 formal deposit policy for custodial credit risk. At December 31, 2017 and 2016, the carrying amounts of the Authority's deposits were \$588,017 and \$526,160, respectively. The Authority's bank deposits at December 31, 2017 and 2016 were \$640,793 and \$547,028, respectively. Of the bank balance, \$289,896 and \$272,058 were covered by federal depository insurance at December 31, 2017 and 2016, respectively. The remaining balance was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all government's deposits and have the collateral held by an approved custodian in the institution's name.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017 AND 2016

NOTE 3: ACCOUNTS RECEIVABLE

At December 31, 2017 and 2016 accounts receivable are composed of the following:

	<u>2017</u>	<u>2016</u>
Gross Accounts Receivable	\$ 784,538	\$ 705,520
Less: Allowance for doubtful accounts	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 684,538</u>	<u>\$ 605,520</u>

NOTE 4: CAPITAL ASSETS

Capital assets balances at December 31, 2017 are as follows:

	<u>Balance at January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Land	\$ 256,708	\$ -	\$ -	\$ 256,708
Capital assets being depreciated				
Building	1,927,953	-	-	1,927,953
Ambulances	1,149,199	-	-	1,149,199
Equipment	1,027,521	4,770	(178)	1,032,113
Vehicles	75,127	-	-	75,127
Leasehold improvements	<u>161,139</u>	<u>18,118</u>	<u>-</u>	<u>179,257</u>
Total capital assets being depreciated	<u>4,340,939</u>	<u>22,888</u>	<u>(178)</u>	<u>4,363,649</u>
Less: Accumulated depreciation				
Building	(1,076,896)	(49,435)	-	(1,126,331)
Ambulances	(902,282)	(111,832)	-	(1,014,114)
Equipment	(801,911)	(54,793)	-	(856,704)
Vehicles	(65,056)	(6,043)	-	(71,099)
Leasehold improvements	<u>(66,018)</u>	<u>(15,179)</u>	<u>-</u>	<u>(81,197)</u>
Total accumulated depreciation	<u>(2,912,163)</u>	<u>(237,282)</u>	<u>-</u>	<u>(3,149,445)</u>
Total capital assets being depreciated, net	<u>1,428,776</u>	<u>(214,394)</u>	<u>(178)</u>	<u>1,214,204</u>
Capital assets, net	<u>\$ 1,685,484</u>	<u>\$ (214,394)</u>	<u>\$ (178)</u>	<u>\$ 1,470,912</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017 AND 2016

NOTE 5: LONG-TERM DEBT

Changes in long-term debt for the years ended December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 590,868	\$ 598,442
Additions	-	165,845
Payments	<u>(178,304)</u>	<u>(173,419)</u>
Balance - end of year	<u>\$ 412,564</u>	<u>\$ 590,868</u>
Shown as:		
Current	\$ 128,026	\$ 178,304
Long term	\$ 284,538	\$ 412,564

2012 Ambulance Loan

During 2012, the Authority entered into a delayed term note, series 2012 to provide \$495,222 for the purchase of 4 new ambulances for their fleet. This agreement was payable over a period of 60 monthly installments of \$8,692 including interest at a rate of 3.25% per annum. In 2015, the Authority transferred the loan from Allegheny Valley Bank to Dollar Bank. The new agreement is for a loan with a principal of \$340,000, of which \$68,000 was paid off with proceeds immediately. The remaining \$272,000 is payable over a period of 36 monthly installments of \$7,905 including interest rate of 2.91% per annum. During 2017 and 2016, the Authority made principal payments of \$92,675 and \$89,968 respectively.

2015 Ambulance Loan

During 2015, the Authority entered into a loan for \$270,000 for the purchase of 2 2015 F-450 Ambulances. This agreement is payable over a period of 60 monthly installments of \$4,863 including interest rate of 3.05% per annum. During 2017, the Authority made principal payments of \$53,538. The Authority has recorded both the fixed asset and debt on its books. The related depreciation for this asset has been included as depreciation expense.

2015 Capital Improvement Loan

During 2015, the Authority entered into a loan for \$171,000 for capital improvements approved by the Board of Directors. This agreement is payable over a period of 120 monthly installments of \$1,683 including interest rate of 3.35% per annum. During 2017, the Authority made principal payments of \$15,506.

2016 Monitor Loan

During 2016, the Authority entered into a loan for \$165,845 for the purchase of 15 monitors. This agreement is payable over a period of 6 years. The agreement calls for an annual payment of \$16,584 for the first two years, and annual payments of \$33,169 for the 4 remaining years of the agreement.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 5: LONG-TERM DEBT (CONTINUED)

Future maturities for the loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 128,026	\$ 7,454	\$ 135,480
2019	106,714	5,006	111,720
2020	64,841	3,113	67,954
2021	50,928	2,436	53,364
2022	18,372	1,823	20,195
2023-2025	<u>43,683</u>	<u>1,753</u>	<u>45,436</u>
Total debt	<u>\$ 412,564</u>	<u>\$ 21,585</u>	<u>\$ 434,149</u>

NOTE 6: RETIREMENT PLAN & DEFERRED COMPENSATION PLANS

As of April 2009, the Authority's previous Section 403(b) plan was replaced by the current non-matching 401(a) plan in which the Authority will contribute 6% of the employees' gross wages. In addition, the employees may voluntarily participate in a Section 457 plan to which they may contribute at will. All amounts deposited are 100% vested with the employee upon deposit. In 2017 and 2016, the Authority's contributions were \$122,245 and \$114,853, respectively.

NOTE 7: INCOME TAX STATUS

The Authority is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Authority is not classified as a private foundation. The accounting standard on accounting for uncertainty income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Authority may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Authority and various positions related to the potential sources of unrelated business taxable income (UBIT). Tax benefits would be recognized in the financial statements from such a position and be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2017. The Authority files Form 990 in the U.S. federal jurisdiction. The Authority is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 8: CONTINGENCIES AND COMMITMENTS

The Authority receives a significant amount of its operating revenues from the federal Medicare program. The receipt of funds from the Medicare program generally requires compliance with the terms and conditions as specified in the federal regulations. Payments for service may also be subject to retrospective review for medical necessity and/or appropriateness. Payments may be disallowed as a result of these reviews thus resulting in a liability to the Authority. The amount, if any, of revenues that may be disallowed by the Medicare program in future audits cannot be determined at this time.

During 2009, the Authority entered into a \$500,000 revolving line of credit with a variable interest rate equal to the Bank's Prime Rate of 3.50% at December 31, 2009. During 2012, this revolving line of credit was amended to \$748,000 with a variable interest rate equal to the Bank's Prime Rate of 3.25% at December 31, 2012. The line of credit is secured by a first mortgage on real estate located at 315 Cypress Way, Pittsburgh, PA and business assets, excluding ambulances. The outstanding balance at December 31, 2017 and 2016 was \$604,696 and \$369,634, respectively.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past four years. There were no significant reductions in insurance coverage from coverage in the prior year.

For its workers compensation insurance coverage, the Authority participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 199 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2017 and 2016 were \$87,009 and \$109,108, respectively. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments, but has no claim on any assets of the Trust.

In the normal course of operations, the Authority is involved in various disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect of the Authority's financial position.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 9: MANAGEMENT'S PLANS

The Authority had a positive unrestricted net position balance in the amount of \$25,125 at December 31, 2017. Management will strive to improve the financial position of the Authority by reviewing operations to reduce costs and increase efficiencies. The Authority has the capacity to assess the municipalities to generate additional funds for operations.

NOTE 10: SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through the report issue date of April 19, 2018. No events have taken place that effect the financial statements or disclosure.