

MEDICAL RESCUE TEAM SOUTH AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
WITH
INDEPENDENT AUDITOR'S REPORT

MEDICAL RESCUE TEAM SOUTH AUTHORITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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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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, 2019 and 2018, 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 2019 the County adopted the provisions of Governmental Accounting Standards Board Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". 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 Axelrod LLC

ZELENKOFSCHE AXELROD LLC

November 11, 2020
Pittsburgh, Pennsylvania

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

Financial Highlights

- The assets of Medical Rescue Team South Authority exceeded its liabilities at the close of the most recent fiscal year (2019) by \$880,563 (*net position*), an increase of 10% over the prior fiscal year (2018).
- There were changes in both net investment in capital assets and unrestricted net position in 2019. Net investment in capital assets decreased by \$63,052 or 7% in 2019, while unrestricted net position increased by \$146,720 or 71% for the same period, decreasing the unrestricted net position to a deficit of \$60,139 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 2019 audited financial statement report.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$880,563 at the close of the most recent fiscal year or 10% increase from fiscal year 2018.

The net position total includes as part of its calculation, a negative balance in unrestricted net position of (\$60,139). Unrestricted net position decreased by 71% during the current fiscal year.

NET POSITION

	<u>2019</u>	<u>2018</u>
Current assets	\$ 906,729	\$ 1,945,987
Capital assets	<u>1,669,414</u>	<u>1,628,007</u>
Total assets	<u>2,576,143</u>	<u>3,573,994</u>
Current liabilities	1,161,057	2,323,182
Non-current liabilities	<u>534,523</u>	<u>453,917</u>
Total liabilities	<u>1,695,580</u>	<u>2,777,099</u>
Net position:		
Net investment in capital assets	940,702	1,003,754
Unrestricted	<u>(60,139)</u>	<u>(206,859)</u>
Total net position	<u>\$ 880,563</u>	<u>\$ 796,895</u>

Total net position increased in 2019 in the amount of \$83,668. As noted earlier, this amount includes the unrestricted net position balance of (\$60,139) at the end of the current fiscal year.

CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Operating revenues - charges for services	\$ 3,748,225	\$ 3,379,927
Operating expenses	<u>5,062,096</u>	<u>4,939,670</u>
Operating loss	(1,313,871)	(1,559,743)
Non-operating revenues (expenses)	<u>624,031</u>	<u>656,548</u>
Loss before Community Assessment	(689,840)	(903,195)
Community Assessment	<u>773,508</u>	<u>616,617</u>
Changes in net position	83,668	(286,578)
Net position - beginning of year	796,895	1,083,473
Net position - end of year	<u>\$ 880,563</u>	<u>\$ 796,895</u>

Total operating revenues were consistent with prior year operating revenues. Related operating expenses increased by 2.4% 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, 2019

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 \$78,175 or 2.04% under the original approved budget, while operating expenditures had a positive variance of \$322,709, or 5.99% under 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, 2019 amounts to \$1,669,414 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and equipment, office furniture and equipment, and building. The total increase in the Authority's capital assets for the current fiscal year was 2.48%. There were capital assets totaling \$333,312 purchased during the 2019 fiscal year.

CAPITAL ASSETS
(net of accumulated depreciation)

	2019	2018
Land	\$ 256,708	\$ 256,708
Building	1,927,953	1,927,953
Ambulances	1,808,048	1,486,316
Equipment	1,045,183	1,040,251
Vehicles	75,127	75,127
Leasehold improvements	185,905	179,257
Accumulated depreciation	(3,629,510)	(3,337,605)
	<u>\$ 1,669,414</u>	<u>\$ 1,628,007</u>

Additional information on Medical Rescue Team Authority's capital assets can be found in note 4 on page 15 of the audited financial statements.

OUTSTANDING DEBT

	2019	2018
Loans payable	\$ 728,712	\$ 624,253
Total outstanding debt	<u>\$ 728,712</u>	<u>\$ 624,253</u>

Long-term debt. At the end of the current fiscal year, the Authority had total long term debt outstanding of \$728,712, 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, a loan established for the financing of monitors, 2 new ambulances purchased in 2018, and 1 ambulance, a camera system, EWC zone system in 2019. The total current portion of long-term obligations is \$194,189 at December 31, 2019.

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, 2019

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 2019 fiscal year.

- The Authority has presented an \$83,688 net financial increase 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 (John Trant) at 315 Cypress Way, Pittsburgh, PA 15228.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current:		
Cash and cash equivalents	\$ 134,832	\$ 1,051,222
Accounts receivable, net	740,431	849,954
Prepaid expenses	31,466	44,811
	<hr/>	<hr/>
Total current assets	906,729	1,945,987
Capital assets, net of accumulated depreciation of \$3,629,510 and \$3,337,605 for 2019 and 2018, respectively	1,669,414	1,628,007
	<hr/>	<hr/>
Total Assets	<u>\$ 2,576,143</u>	<u>\$ 3,573,994</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable	\$ 140,069	\$ 27,710
Accrued payroll and payroll withholding	30,422	77,272
Accrued sick pay buy back	29,784	44,401
Accrued compensated absences	61,046	63,218
Unearned subscription revenue	126,558	1,190,245
Line of credit	578,989	750,000
Long-term debt, current portion	194,189	170,336
	<hr/>	<hr/>
Total current liabilities	1,161,057	2,323,182
Long-Term Liabilities:		
Loans payable	534,523	453,917
	<hr/>	<hr/>
Total long term liabilities	534,523	453,917
	<hr/>	<hr/>
Total Liabilities	<u>1,695,580</u>	<u>2,777,099</u>
Net Position:		
Net investment in capital assets	940,702	1,003,754
Unrestricted	(60,139)	(206,859)
	<hr/>	<hr/>
Total Net Position	880,563	796,895
	<hr/>	<hr/>
Total Liabilities and Net Position	<u>\$ 2,576,143</u>	<u>\$ 3,573,994</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Ambulance service	\$ 3,738,139	\$ 3,355,141
Community education	10,086	24,786
	<u>3,748,225</u>	<u>3,379,927</u>
Total Operating Revenue		
Operating Expenses:		
Salaries and fringes	3,140,237	3,264,530
Depreciation	291,905	187,804
Service and programs	4,375	7,900
Insurance	56,423	42,173
Vehicle maintenance and repairs	31,244	36,452
Building maintenance and support	151,478	120,430
Professional services	323,191	268,742
Fuel expense	37,479	32,885
Supplies	55,881	66,840
Miscellaneous	65,069	95,967
Bad debt expense	904,814	815,947
	<u>5,062,096</u>	<u>4,939,670</u>
Total Operating Expenses		
Operating Loss	<u>(1,313,871)</u>	<u>(1,559,743)</u>
Non-operating Revenues (Expenses)		
Subscriptions	592,223	567,846
Grants and donations	14,294	8,780
Standby revenue	8,213	13,486
Miscellaneous	10,699	-
Interest income	178	143
Refunds	44,695	92,578
Interest expense	(46,271)	(26,285)
	<u>624,031</u>	<u>656,548</u>
Total Non-operating Revenue (Expenses)		
Net Loss	(689,840)	(903,195)
Community Assessment	<u>773,508</u>	<u>616,617</u>
Change in Net Position after Community Assessment	83,668	(286,578)
Net Position, Beginning of Year	<u>796,895</u>	<u>1,083,473</u>
Net Position, End of Year	<u>\$ 880,563</u>	<u>\$ 796,895</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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Cash Flow From Operating Activities:	<u>2019</u>	<u>2018</u>
Receipts from customers and users	\$ 2,952,934	\$ 2,398,563
Payments to suppliers	(599,436)	(685,431)
Payments to employees	<u>(3,203,876)</u>	<u>(3,293,711)</u>
Net cash used in operating activities	<u>(850,378)</u>	<u>(1,580,579)</u>
 Cash Flow From Non-Capital Financing Activities:		
Receipts from subscriptions	(471,464)	1,326,371
Receipts from grants and donations	14,294	8,780
Receipts from community assessments	773,508	616,617
Receipts from other non-capital financing activities	18,912	13,486
Receipts (payments) from/on line of credit	<u>(171,011)</u>	<u>145,304</u>
Net cash provided by non-capital financing activities	<u>164,239</u>	<u>2,110,558</u>
 Cash Flow From Capital and Related Financing Activities:		
Purchase of capital assets	(333,312)	(344,899)
Principal paid on capital debt	(220,541)	(138,311)
Debt for capital assets additions	325,000	350,000
Interest paid on capital debt	<u>(46,271)</u>	<u>(26,285)</u>
Net cash used in capital and related financing activities	<u>(275,124)</u>	<u>(159,495)</u>
 Cash Flow From Investing Activities		
Interest on investments	178	143
Refund of prior year expenses	<u>44,695</u>	<u>92,578</u>
Net cash provided by investing activities	<u>44,873</u>	<u>92,721</u>
 Net Increase in Cash and Cash Equivalents	<u>(916,390)</u>	<u>463,205</u>
 Cash and Cash Equivalents		
Beginning of Year	<u>1,051,222</u>	<u>588,017</u>
End of Year	<u>\$ 134,832</u>	<u>\$ 1,051,222</u>
 Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating Loss	\$ (1,313,871)	\$ (1,559,743)
Adjustments to reconcile operating loss to net cash		
Used in operating activities:		
Depreciation	291,905	187,804
Change In:		
Accounts receivable	109,523	(165,416)
Accounts payable	112,359	(12,646)
Prepaid and other assets	13,345	(1,398)
Accrued payroll and related liabilities	<u>(63,639)</u>	<u>(29,180)</u>
Total adjustments	<u>463,493</u>	<u>(20,836)</u>
Net cash used in operating activities	<u>\$ (850,378)</u>	<u>\$ (1,580,579)</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 AND 2018

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, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018. Bad debt expense was \$904,814 and \$815,947 at December 31, 2019 and 2018, respectively.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019 AND 2018

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

The Authority adopted the requirements of GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The Authority is required to adopt statement No. 83 for its calendar year 2020 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Authority is required to adopt statement No. 84 for its calendar year 2020 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.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

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

Pending Changes in Accounting Principles (Continued)

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The Authority is required to adopt statement No. 88 for its calendar year 2020 financial statements.

In June of 2018, the GASB issued Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The Authority is required to adopt statement No. 89 for its fiscal year 2020 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The Authority is required to adopt Statement No. 90 for its calendar year 2020 financial statements.

In May of 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". The Authority is required to adopt Statement No. 91 for its fiscal year 2021 financial statements.

In January of 2020, the GASB issued Statement No. 92, "Omnibus 2020". The Authority is required to adopt Statement No. 92 for its fiscal year 2021 financial statements.

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*". The Authority is required to adopt Statement No. 93 for its calendar year 2021 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnership and Availability Payment Arrangements*". The Authority is required to adopt Statement No. 94 for its calendar year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The Authority is required to adopt Statement No. 96 for its calendar year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The Authority is required to adopt Statement No. 97 for its calendar year 2022 financial statements.

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

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the carrying amounts of the Authority's deposits were \$134,832 and \$1,051,222, respectively. The Authority's bank deposits at December 31, 2019 and 2018 were \$187,143 and \$1,055,641, respectively. Of the bank balance, \$187,143 and \$254,995 were covered by federal depository insurance at December 31, 2019 and 2018, 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.

NOTE 3: ACCOUNTS RECEIVABLE

At December 31, 2019 and 2018 accounts receivable are composed of the following:

	2019	2018
Gross Accounts Receivable	\$ 840,431	\$ 949,954
Less: Allowance for Doubtful Accounts	(100,000)	(100,000)
	<u>\$ 740,431</u>	<u>\$ 849,954</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 4: CAPITAL ASSETS

Capital assets balances at December 31, 2019 are as follows:

	Beginning Balance at January 1, 2019	Additions	Deletions	Ending Balance at December 31, 2019
Capital assets, not being depreciated				
Land	\$ 256,708	\$ -	\$ -	\$ 256,708
Capital assets being depreciated				
Building	1,927,953	-	-	1,927,953
Ambulances	1,486,316	321,732	-	1,808,048
Equipment	1,040,251	4,932	-	1,045,183
Vehicles	75,127	-	-	75,127
Leasehold improvements	179,257	6,648	-	185,905
Total capital assets being depreciated	4,708,904	333,312	-	5,042,216
Less: Accumulated depreciation				
Building	(1,175,766)	(49,435)	-	(1,225,201)
Ambulances	(1,081,149)	(176,940)	-	(1,258,089)
Equipment	(908,027)	(48,970)	-	(956,997)
Vehicles	(75,127)	-	-	(75,127)
Leasehold improvements	(97,536)	(16,560)	-	(114,096)
Total accumulated depreciation	(3,337,605)	(291,905)	-	(3,629,510)
Total capital assets being depreciated, net	1,371,299	41,407	-	1,412,706
Capital assets, net	\$ 1,628,007	\$ 41,407	\$ -	\$ 1,669,414

NOTE 5: LONG-TERM DEBT

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

	2019	2018
Balance - beginning of year	\$ 624,253	\$ 412,564
Additions	325,000	350,000
Payments	(220,541)	(138,311)
Balance - end of year	\$ 728,712	\$ 624,253
Shown as:		
Current	\$ 194,189	\$ 170,336
Long term	\$ 534,523	\$ 453,917

MEDICAL RESCUE TEAM SOUTH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019 AND 2018

NOTE 5: LONG-TERM DEBT (CONTINUED)

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 2019 and 2018, the Authority made principal payments of \$56,950 and \$55,218 respectively. 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 2019 and 2018, the Authority made principal payments of \$16,595 and \$16,041 respectively.

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.

2018 Ambulance Loan

During 2018, the Authority entered into a loan for \$350,000 for the purchase of 2 Ambulances. This agreement is payable over a period of 5 years with payments of \$6,620 including interest rate of 5.02% per annum. During 2019 and 2018, the Authority made principal payments of \$63,622 and \$10,285.

2019 Ambulance Loan

During 2019, the Authority entered into a loan for \$325,000 for the purchase of 2 Ambulances. This agreement is payable over a period of 5 years with payments of \$6,179 including interest rate of 4.67% per annum. During 2019, the Authority made a principal payment of \$50,207.

Future maturities for the loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 194,189	\$ 27,354	\$ 221,543
2021	186,858	20,096	206,954
2022	161,141	12,644	173,785
2023	161,845	4,878	166,723
2024	19,659	536	20,195
2025-2026	<u>5,020</u>	<u>28</u>	<u>5,048</u>
Total debt	<u>\$ 728,712</u>	<u>\$ 65,536</u>	<u>\$ 794,248</u>

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

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 2019 and 2018, the Authority's contributions were \$123,482 and \$121,305, 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, 2019. 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 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 \$750,000 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, 2019 and 2018 was \$578,989 and \$750,000, 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.

MEDICAL RESCUE TEAM SOUTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 8: CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 2019 and 2018 were \$61,063 and \$104,998, 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.

NOTE 9: MANAGEMENT'S PLANS

The Authority had a negative unrestricted net position balance in the amount of \$(60,139) at December 31, 2019. 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 negative events in the financial markets as well as the general economic conditions in the United States and worldwide due to the COVID-19 pandemic, could cause a significant decrease in revenues. These declines, at present, are expected to be temporary and not permanent declines, however revenue recovery may take some time. The major resulting impact of the revenue decline on the District will be in the form of a decrease in revenue.

Subsequent to year end the Authority issued Term Notes Series A of 2020 and Series B of 2020 in the amounts of \$1,898,000 and \$543,000, respectively. The Series A Note will be used to fund capital expenses of the Authority as well as pay the costs of issuance of the Notes. The Series B Note will be used to repay Series 2015 C, Series 2018 and Series 2019 Notes.

Subsequent to year end, May 6, 2020, the Authority received Payroll Protection Program funds in the amount of \$542,700. On October 14, 2020, the Authority received \$25,000 from the CARES Act.

Subsequent events have been evaluated through November 11, 2020, which is the date the financial statements were available to be issued.