

**MAYES EMERGENCY SERVICES
TRUST AUTHORITY**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015,
WITH COMPARATIVE TOTALS FOR 2014

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MAYES EMERGENCY SERVICES TRUST AUTHORITY
BOARD OF DIRECTORS

Trent Peper	Chairman
Brent Crittenden	Vice-Chairman
Leon Blankenship	Treasurer/Secretary
Larry Williams	Trustee
Jason Joice	Trustee
Steve Hall	Trustee
Sherman Weaver	Trustee
Don Berger	Trustee
Rob Foreman	Trustee
Position Vacant	Trustee
Position Vacant	Trustee
Position Vacant	Ambulance Director

OBER & LITTLEFIELD
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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Trustees
Mayes Emergency Services Trust Authority
Mayes County, Oklahoma

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying modified cash basis financial statements of Mayes Emergency Services Trust Authority (Authority), a discretely presented component unit of Mayes County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, which is described in Note 2. 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Authority, as of December 31, 2015 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 2.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

The financial statements of the Authority as of December 31, 2014, were prepared in accordance with generally accepted accounting principles and were audited by other auditors whose report dated June 15, 2015, expressed an unmodified opinion on those statements. As discussed in Note 1 to the financial statements, the Authority has adjusted its 2014 financial statements to retrospectively apply the change in basis of accounting to the modified cash basis. We did not audit or review the 2014 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements of the Authority as of and for the year ended December 31, 2014.

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 4 through 7 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

We draw attention to Note 2 of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other reporting required by government auditing standards

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2016 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Sincerely,



OBER & LITTLEFIELD, CPAs, PLLC
MIAMI, OKLAHOMA

July 8, 2016

OUR DISCUSSION AND ANALYSIS OF MAYES EMERGENCY SERVICES TRUST AUTHORITY'S FINANCIAL PERFORMANCE PROVIDES AN OVERVIEW OF THE AUTHORITY'S FINANCIAL ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015. PLEASE REVIEW IT IN CONJUNCTION WITH THE TRANSMITTAL LETTER AND AUTHORITY'S BASIC FINANCIAL STATEMENTS, WHICH BEGIN ON PAGE 8.

HIGHLIGHTS

1. MESTA Board members approved an annual Christmas Bonus to all employees
2. Morehead Construction was awarded the contract for renovation of Station 2 at 20 Old Highway 20. As of the date of this audit, the renovations have been recently completed.
3. 2 MESTA board member positions remain unfilled. The Town of Locust Grove and the City of Pryor have made their new appointments to the Board several months ago and the County Commissioners have refused to confirm the new appointments. This looks to be tied up in the legal system for some time.
4. MESTA awarded scholarships for Ryan Lemmings and Jerry Sherley for paramedic training.
5. 2 New underground diesel tanks were put into service at Station 2.
6. MESTA signed contracts with Works & Lentz for collection of old accounts.
7. New software (ALADTEC) was put into service for communication with MESTA employees.

USING THIS ANNUAL REPORT

This annual report consists of two parts; Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

Required Financial Statements

The Financial Statements of Mayes Emergency Services Trust Authority report information about the Authority using accounting methods similar to those used by private sector companies. They are prepared on a modified cash basis. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluation of the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

This statement measures the success of the Authority's operations over the past year and can be used to determine profitability, credit worthiness and whether the Authority has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?" "for what was cash used?" and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off as a result of the year's activities?". The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority and about its activities in a way that helps answer this question. These statements report the net position of the Authority and the changes in them. You can think of the Authority's net position—the differences between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the net position are one indicator of whether its financial health is improving or deteriorating.

The Authority's total Net Position at the end of the fiscal year was \$2,338,459, an increase from prior year of approximately \$43,671 or 1.9%. Our analysis below focuses on the Authority's Net Position (Table 1) and the Authority's Change in Net Position (Table 2) during the year.

TABLE 1

	<u>12/31/2015</u>	<u>12/31/2014</u>
Current and other assets	\$ 1,228,416	\$ 1,099,892
Capital assets (net)	<u>1,130,198</u>	<u>1,216,370</u>
Total Assets	<u>2,358,614</u>	<u>2,316,262</u>
Current liabilities	<u>20,155</u>	<u>21,474</u>
Total Liabilities	<u>20,155</u>	<u>21,474</u>
Net Position		
Invested in Capital Assets	1,130,198	1,216,370
Unrestricted	<u>1,208,261</u>	<u>1,078,418</u>
Total Net Position	<u>\$ 2,338,459</u>	<u>\$ 2,294,788</u>

As the above table indicates, current assets increased by \$128,524 or approximately 11.7%. Capital assets decreased by \$86,172 or approximately 7.1%. Current liabilities decreased by \$1,319 or approximately 6.1%.

TABLE 2

	<u>12/31/2015</u>	<u>12/31/2014</u>
Total Operating Revenues	\$ 2,017,772	\$ 2,173,902
Depreciation	197,479	180,058
Personnel Expenses	2,019,023	2,232,593
Maintenance and Operations	<u>889,928</u>	<u>860,711</u>
Total Operating Expenses	<u>3,106,430</u>	<u>3,273,362</u>
Sales Tax	1,128,113	1,086,570
Grants and Contributions (net)	1,208	1,609
Other Non-Operating Revenues(Expenses)	<u>3,007</u>	<u>6,951</u>
Total Other Revenues (Expenses)	<u>1,132,328</u>	<u>1,095,130</u>
Total Increases	43,670	(4,330)
Net Position, Beginning of Year	2,294,789	2,299,119
Net Position, End of Year	<u>\$ 2,338,459</u>	<u>\$ 2,294,789</u>

The Authority's primary source of revenue is charges for services. During the current year, the Authority's Operating Revenues decreased by \$156,130 or approximately 7.2%. The Authority's population is largely made up of senior citizens. The patient/customer breakdown is about 80% Medicare/Medicaid insured. The national collection rate for Medicaid has been below 23%.

CAPITAL ASSETS AND BAD DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the Authority had \$1,130,198 (net of accumulated depreciation) invested in capital assets, including the buildings, ambulances, equipment, and satellite stations. The amount represents a net decrease (including additions, deletions and depreciation of \$ 86,172. These changes are presented in detail in Note III of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Medicaid has announced some drastic cuts in health care reimbursements for 2016. A possible cut of up to 25% in many areas. This, with the continued impact of Obama Care should cause MESTA to see a decline in health care reimbursements and revenue

Sales tax revenue broke record highs in 2015 for Mayes County and MESTA. 2016 is not expected to be as high.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money that it receives. If you have any questions about this report or need additional financial information, contact the Board of Trustees at Mayes Emergency Services Trust Authority, 4 Redden Street, Pryor, OK 74361

MAYES EMERGENCY SERVICES TRUST AUTHORITY
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
December 31, 2015
With Comparative Total for Year Ended December 31, 2014

	2015	2014
<u>Assets</u>		
Cash and cash equivalents	\$ 1,144,883	\$ 1,029,860
Inventory	13,175	-
Prepaid insurance	70,358	70,032
Total Current Assets	<u>1,228,416</u>	<u>1,099,892</u>
Non Current Assets:		
Capital Assets	<u>1,130,198</u>	<u>1,216,370</u>
Total Non- Current Assets	1,130,198	1,216,370
Total Assets	<u><u>2,358,614</u></u>	<u><u>2,316,262</u></u>
<u>Liabilities and Net Position</u>		
Current Liabilities		
Retirement Payable	19,425	20,938
Payroll tax liabilities	<u>730</u>	<u>535</u>
Total Current Liabilities	20,155	21,473
Net Position		
Net Investment in Capital Assets	1,130,198	1,216,370
Unrestricted	<u>1,208,261</u>	<u>1,078,419</u>
Total Net Position	<u>2,338,459</u>	<u>2,294,789</u>
Total Liabilities and Net Assets	<u><u>\$ 2,358,614</u></u>	<u><u>\$ 2,316,262</u></u>

The accompanying notes are an integral part of the financial statement.

MAYES EMERGENCY SERVICES TRUST AUTHORITY
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
December 31, 2015
With Comparative Total for Year Ended December 31, 2014

	2015	2014
Operating Revenues		
Ambulance service fees, net of charity, bad debt, and capitation	\$ 1,976,208	\$ 2,099,101
911 operation and mapping fees	-	30,000
Other income	41,564	44,801
Total Operating Revenue	<u>2,017,772</u>	<u>2,173,902</u>
Operating Expense		
Advertising	1,337	982
Ambulance fuel	100,954	137,088
Billing and outside services	137,334	147,177
Biohazard waste	1,864	1,582
Depreciation	197,479	180,058
Dispatch	17,790	6,218
Dues and fees	2,555	3,804
Employee benefits	182,010	201,019
Insurance and bond	145,240	138,830
Mileage	2,380	2,540
Office expense	5,487	7,323
Other expense	2,952	2,455
Payroll tax expense	124,077	137,513
Professional expenses	89,105	70,636
Rent	10,783	9,931
Retirement	131,053	149,936
Repairs and maintenance-vehicles	133,122	94,274
Repairs and maintenance-other	32,127	23,900
Supplies	154,334	159,805
Telephone	12,801	15,619
Uniforms	11,127	10,974
Utilities	28,636	27,573
Wages	1,581,883	1,744,125
Total Operating Expense	<u>3,106,430</u>	<u>3,273,362</u>
Total Change in Operating Revenues and Expenses	<u>(1,088,658)</u>	<u>(1,099,460)</u>
Non Operating Revenue (Expense)		
Interest income	3,007	2,940
Gain/(Loss) on sale of asset	-	4,011
Sales tax revenues	1,128,113	1,086,570
Insurance Proceeds	-	-
Grants received	4,000	4,240
Grant disbursements	(2,792)	(2,631)
Total Non Operating Revenue (Expenses)	<u>1,132,328</u>	<u>1,095,130</u>
Change in Net Position	43,670	(4,330)
Net Position, beginning of year	2,294,789	2,299,119
Net Position, end of year	<u>\$ 2,338,459</u>	<u>\$ 2,294,789</u>

The accompanying notes are an integral part of the financial statement.

MAYES EMERGENCY SERVICES TRUST AUTHORITY
STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS)
December 31, 2015
With Comparative Total for Year Ended December 31, 2014

	2015	2014
Cash Flows from Operating Activities		
Payments received from customers	\$ 2,017,772	\$ 2,173,902
Payments for salaries and benefits	(2,020,342)	(2,254,415)
Payments to suppliers for goods and services	(903,429)	(879,821)
Net Cash Flows from Operating Activities	<u>(905,999)</u>	<u>(960,334)</u>
Net Cash Provided by (Used for) Non Capital Financing Activities		
Grants received	4,000	4,240
Grant disbursements	(2,792)	(2,631)
Sales tax received	1,128,113	1,086,570
Net Cash Provided by (Used for) Non Capital Financing Activities	<u>1,129,321</u>	<u>1,088,179</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities		
Purchases of capital assets	(111,306)	(646,548)
Cash received on sale of capital assets	-	4,011
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(111,306)</u>	<u>(642,537)</u>
Net Cash Provided by (Used for) from Investing Activities		
Interest income	3,007	2,940
Net Cash Provided by (Used for) from Investing Activities	<u>3,007</u>	<u>2,940</u>
Net Increase (Decrease) in Cash and Cash Equivalents	115,023	(511,752)
Cash and Cash Equivalents, beginning of year	1,029,860	1,541,612
Cash and Cash Equivalents, end of year	<u>\$ 1,144,883</u>	<u>\$ 1,029,860</u>
Cash Flows form Operating Activities		
Operating income (loss)	\$ (1,088,658)	\$ (1,099,460)
Depreciation	197,479	180,058
Increase/Decrease in operating assets		
(Increase)/Decrease in inventory	(13,175)	-
(Increase)/Decrease in prepaid insurance	(326)	(19,110)
Increase/(Decrease) in accrued payroll expense	(1,319)	(21,822)
Net Cash Provided by (Used In) Operating Activities	<u>\$ (905,999)</u>	<u>\$ (960,334)</u>

The accompanying notes are an integral part of the financial statement.

Note 1 – Nature of the Organization

Mayes Emergency Services Trust Authority, Pryor, Oklahoma (the Authority) was created by a declaration of Trust dated January 21, 1986, under the provision of Title 60, Oklahoma statutes 1981, sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The trust was created for the purpose of promoting, financing, and developing ambulatory facilities and services including emergency medical health care facilities and services for the benefit of Mayes County, Oklahoma. The Authority is exempt from federal and state income taxes.

Note 2 – Significant Accounting Policies

Reporting Entity

Mayes Emergency Services Trust Authority is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing emergency services is financed primarily through user charges. In addition, the Authority receives sales tax revenue from Mayes County to supplement its revenues.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulted from cash transactions adjusted only for certain modifications. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and sales tax receivable) and certain liabilities and their related expenses (such as accounts payable and accrued payroll) are not recorded in these financial statements. Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

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

Note 2 – Significant Accounting Policies -Continued

Assets, Liabilities and Net Position

1. **Cash and Cash Equivalents**
For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.
2. **Fair Value of Financial Instruments**
The Authority's financial statements include cash and investments. The Authority's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Net Position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.
3. **Compensated Absences**
The Authority's policy regarding vacation and paid time off permit employees to accumulate earned but unused vacation and paid time off leave. No accrual of compensated absences has been recorded on the financial statements, in accordance with the modified cash basis of accounting. The amounts for the years ending December 31, 2015 and December 31, 2014 were \$45,142 and \$55,675.
4. **Inventory**
The Authority has an inventory of fuel on hand. A physical inventory is taken and is recorded in the financial statements at cost on a first in first out (FIFO) basis. There is also an inventory of medical supplies, etc. on hand. These miscellaneous supplies are expensed as purchased.
5. **Capital Assets**
Capital assets are carried at historical cost. Donated capital assets are reported at fair market value as of the date donated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years. The Authority's capitalization threshold is \$1,000.
6. **Prepaid Insurance**
Prepaid insurance represents the unexpired premiums paid on policies as of yearend.
7. **Equity Classifications**
Equity is classified as net position and displayed in three components:
 - 1) Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - 2) Restricted - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - 3) Unrestricted - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets. "

Note 2 – Significant Accounting Policies –Continued

8. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Authority to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Authority has not experienced any losses on its cash equivalents.

9. Revenues

In addition to revenues from charges for ambulance services, the Authority receives sales tax of one quarter of one percent (1/4%) on all sales within Mayes county.

10. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain 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.

Note 3 – Stewardship, Compliance, and Accountability

Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Mayes Emergency Services Trust Authority. The use of budgets and monitoring of equity status facilitates the Authority's compliance with legal requirements.

Note 4 – Deposits and Investments

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in certificates of deposit.

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's cash deposits, including interest-bearing certificates of deposits, are maintained at several financial institutions which, at times, may exceed federally insured limits. The Authority does not have a deposit policy for custodial risk. The Authority has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

MAYES EMERGENCY SERVICES TRUST AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015
 With Comparative Totals for Year Ended December 31, 2014

Note 5 - Fixed Assets

Fixed asset activity for the years is as follows:

	12/31/2014	Additions	Deletions	12/31/2015
Depreciable assets				
Buildings	\$ 259,669	\$ -	\$ -	\$ 259,669
Equipment	80,472	-	-	80,472
Furniture & Fixtures	16,840	-	-	16,840
Ambulance/Vehicles	1,436,872	17,212	-	1,454,084
Medical Equipment	714,927	3,369	-	718,296
Service Animals	12,500	-	-	12,500
Total depreciable assets	<u>2,521,280</u>	<u>20,581</u>	<u>-</u>	<u>2,541,861</u>
Non-depreciable assets				
Land	15,000	-	-	15,000
Construction in process	-	88,457	-	88,457
Total Fixed Assets	<u>2,536,280</u>	<u>109,038</u>	<u>-</u>	<u>2,645,318</u>
Less Accumulated Depreciation	<u>(1,317,113)</u>	<u>(198,006)</u>	<u>-</u>	<u>(1,515,119)</u>
Net Fixed Assets	<u><u>\$ 1,219,167</u></u>	<u><u>\$ (88,968)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,130,199</u></u>

Note 6 – Risk Management

The Authority is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 – Retirement Plans

During September of 2009, the Authority discontinued participation in the retirement plan with the Principal Financial Group. The Authority enrolled in the Oklahoma Public Employees Retirement System (OPERS) with participation beginning effective January 1, 2010. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. Total retirement expense was \$131,053 and \$149,936 for the years ending December 31, 2015 and 2014, respectively.

Note 8 – Economic Dependence

The Authority's current fee schedule and collection rate for ambulance services is not sufficient to cover its operating expense. For the years ended December 31, 2015 and 2014, the Authority recognized \$1,085,709 and \$1,134,210 respectively in revenue from sales taxes. If the Authority did not receive this sales tax revenue, alternate sources of funding would need to be secured in order to continue to operate.

Note 9 – Commitments and Contingencies

As of the date of this report, the Authority had multiple pending litigation. At this time the cases are unsettled and management disputes and denies the allegations. No amounts are probable or quantifiable at this time. MESTA's former director filed suit against MESTA and two of MESTA's Trustees in their official and individual capacities, as well as the Board of County Commissioners and two County Commissioners in their individual capacities. There was a dismissal with prejudice as to some defendants. The former director has initiated a filing with the U.S. Equal Employment Opportunity Commission and a suit in the Mayes County District Court. A current employee has initiated a filing with the U.S. Equal Employment Opportunity Commission and has submitted a governmental tort claim notice to MESTA.

Note 10 – Subsequent Events

Management has evaluated subsequent events through July 8, 2016, which is the date the financial statements were available to be issued and determined there were no subsequent events requiring additional disclosure.

OBER & LITTLEFIELD
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Chairman and Trustees
Mayes Emergency Services Authority
Mayes County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of Mayes Emergency Services Authority (Authority), as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 8, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we identified 2015-1 as a deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and response at item 2015-2.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

July 8, 2016

OBER & LITTLEFIELD
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
124 S. MAIN, MIAMI, OK 74354
918-542-4401

SCHEDULE OF AUDIT FINDINGS

2015-1: UNAUTHORIZED SIGNERS

Criteria or specific requirement: Only Trustees and/or designated members of management of the Authority should be authorized bank signors.

Condition: The number of the Authority's authorized bank signatories was noted to have as many as eleven signatories on one account and all demand deposit accounts included individuals that were not Trustees or designated members of the Authority's management.

Effect: The unauthorized signors could mismanage the funds of the Authority.

Cause: The Authority has not drafted, documented, and approved a complete set of bylaws. The Bylaws should include the specific titles of the Trustees and/or management that are to be signatories on all bank accounts. They should include the procedures for adding and removing signatories, etc...

Recommendation: The Authority should remove unauthorized signers immediately. The Authority should then write a complete set of bylaws and formally adopt them.

Managements Response: We understand our responsibility regarding this issue and will take the appropriate actions as recommended.

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SCHEDULE OF AUDIT FINDINGS

2015-2: VACANT TRUSTEE POSITIONS

Criteria or specific requirement: Mayes Emergency Services Trust Authority was created and established for the use and benefit of the beneficiary. The Authority's trust indenture states that there are to be eleven Trustees.

Condition: The Authority's Trust Indenture states that the Authority is to have eleven trustees; five of which, represent five of the larger municipalities in Mayes County. The Authority has had nine trustees and two vacant positions for a significant period of time.

Effect: This is a violation of the stated articles of the Trust and has resulted in a significant portion of the Trustee's beneficiary not being represented.

Cause: The Authority does not have documented bylaws, policies or amended articles specifying the time allowed for positions to be ratified by the beneficiary or how the positions are to be filled in the interim.

Recommendation: The Authority should document a complete set of bylaws, create a policy, or amend the articles to include what is to happen in instances of vacancies that are not ratified by the County in a timely manner.

Managements Response: We understand our responsibility regarding this issue and will take the appropriate actions as recommended.