

Emergency Medical Services Authority

Financial Report
June 30, 2016

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Emergency Medical Services Authority (the Authority) as of and for the years ended June 30, 2016 and 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016 and 2015, 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.

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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 – 5 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The operating divisions, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The operating divisions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the operating divisions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2016 and 2015 dated September 19, 2016 and September 14, 2015, respectively, 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 those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are 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.

RSM US LLP

Kansas City, Missouri
September 19, 2016

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2016

This Management's Discussion and Analysis (MD&A) of Emergency Medical Services Authority (Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2016 and 2015. Please consider this information in conjunction with the financial statements and the accompanying notes to basic financial statements that follow this section. Unless otherwise indicated, amounts are in thousands.

Financial Highlights

- Cash and cash equivalents and short-term deposits increased in 2016 by \$2,295 or 31.0 percent and increased in 2015 by \$2,721 or 58.1 percent.
- The Authority's net position increased in 2016 by \$925 or 4.0 percent and increased in 2015 by \$2,835 or 14.1 percent.
- The Authority reported operating losses in both 2016 of \$10,028 and 2015 of \$8,436. The operating loss in 2016 increased by \$1,592 or 18.9 percent over the operating loss reported in 2015. The operating loss in 2015 decreased by \$4,511 or 34.8 percent under the operating loss reported in 2014.
- Net nonoperating revenues decreased by \$318 or 2.8 percent in 2016 compared to \$3,305 or 22.7 percent in 2015 compared to 2014.

Using this Annual Report

The Authority's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statements of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2016

The Statements of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position. The Authority's net position increased by \$925 or 4.0 percent in 2016 over 2015 and increased by \$2,835 or 14.1 percent in 2015 over 2014, as shown in Table 1.

Table 1 - Assets, Liabilities and Net Position

	2016	2015	2014
Assets			
Current and other assets	\$ 25,316	\$ 24,044	\$ 20,252
Capital assets, net	11,308	10,801	9,860
Total assets	\$ 36,624	\$ 34,845	\$ 30,112
Liabilities			
Current liabilities	\$ 10,956	\$ 11,863	\$ 9,965
Noncurrent liabilities	1,762	-	-
Total liabilities	12,718	11,863	9,965
Net Position			
Investment in capital assets	9,164	10,801	9,860
Unrestricted	14,742	12,181	10,287
Total net position	23,906	22,982	20,147
Total liabilities and net position	\$ 36,624	\$ 34,845	\$ 30,112

Current and other assets increased in 2016 by \$1,779 and increased in 2015 by \$3,684. The 2016 increase is a result of increases in cash generated from operations. The 2015 increase is a result of an increase in cash and other receivables. Patient accounts receivable decreased \$645 or 4.4 percent due to an increase in the allowance for doubtful accounts as a percentage of gross receivables.

The increase in noncurrent liabilities in 2016 is reflective of the noncurrent portion of two long-term debt instruments entered into in 2016. This is further discussed in Note 9 to the financial statements.

The 2016 increase in net position is a result of several factors, all of which are described within the 'Operating Results' and 'Nonoperating Revenues' sections below.

Operating Results

In 2016, operating revenues increased \$692 or 1.3 percent. The increase in gross patient service revenue is due to a general increase in transport volume and related mileage charges.

In 2016, operating expenses increased \$2,284 or 3.6 percent, primarily due to an increase in the contractual rate charged under the Authority's service contract with American Medical Response Ambulance Service, Inc. (see Note 3).

Emergency Medical Services Authority

Management's Discussion and Analysis Year Ended June 30, 2016

Table 2 - Operating Results and Changes in Net Position

	2016	2015	2014
Operating revenues	\$ 55,064	\$ 54,372	\$ 52,756
Nonoperating revenues	10,953	11,271	14,594
Total revenues	66,017	65,643	67,350
Operating expense	65,092	62,808	65,703
Nonoperating expense	-	-	18
Total expenses	65,092	62,808	65,721
Capital contributions to Tulsa Fire Department	-	-	(273)
Increase in net position	\$ 925	\$ 2,835	\$ 1,356

Nonoperating Revenues

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

Noncapital grants and contributions received decreased in 2016 by \$246 or 17 percent and decreased in 2015 by \$397 or 21.6 percent. Grants received in 2016 decreased primarily due to projects funded from the federal level winding down.

Noncapital subsidies increased by \$532 or 10.7 percent in 2016 and decreased by \$2,210 or 30.7 percent in 2015.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2016 and 2015 discussed earlier.

Capital Assets

At the end of 2016, the Authority had \$11,308 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2016, the Authority purchased new equipment costing \$4,319 compared to \$4,592 in 2015.

Long-Term Debt

At the end of 2016, the Authority had \$2.1 in long-term debt as detailed in Note 9 to the financial statements. In 2016, the Authority entered into a capital lease and a term note with \$1.9 and \$200 outstanding as of June 30, 2016, respectively. There was not outstanding debt in 2015.

Contacting the Authority's Financial Management

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

Emergency Medical Services Authority

**Statements of Net Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,693,273	\$ 7,398,461
Restricted cash	25,179	37,053
Short-term deposits	2,736	5,806
Patient accounts receivable, net of allowance for bad debts and contractual allowances 2016 \$81,738,291; 2015 \$68,721,291	14,072,223	14,716,925
Grant receivables	380,213	284,561
Receivable from contractor	548,537	395,866
Other receivables	60,196	613,034
Prepaid expenses	462,896	468,906
Inventory	60,916	107,666
Total current assets	25,306,169	24,028,278
Capital assets, nondepreciable	1,110,982	359,116
Capital assets, net of depreciation	10,196,812	10,441,452
Other assets	9,735	15,704
Total assets	\$ 36,623,698	\$ 34,844,550
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,548,418	\$ 11,825,717
Current portion of long term debt	382,184	-
Unearned revenues	25,179	37,053
Total current liabilities	10,955,781	11,862,770
Long-term debt, less current maturities	1,761,517	-
Total liabilities	12,717,298	11,862,770
Net Position		
Net investment in capital assets	9,164,093	10,800,568
Unrestricted	14,742,307	12,181,212
Total net position	23,906,400	22,981,780
Total liabilities and net position	\$ 36,623,698	\$ 34,844,550

See notes to basic financial statements.

Emergency Medical Services Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015**

	2016	2015
Operating revenues:		
Net patient service revenue, net of provision for bad debts and contractual allowances 2016 \$137,861,739; 2015 \$135,814,074	\$ 55,064,451	\$ 54,372,509
Operating expenses:		
Contracted professional services	50,080,669	47,540,637
Salaries, wages and benefits	4,001,777	3,949,365
Lease, maintenance and utilities	3,504,796	3,632,030
Other	2,499,400	2,594,920
Grant expenditures	1,194,216	1,439,886
Depreciation	3,811,314	3,651,361
Total operating expenses	65,092,172	62,808,199
Operating loss	(10,027,721)	(8,435,690)
Nonoperating revenue (expense):		
Investment income	27,807	8,226
Interest expense	(245)	-
Gain on disposal of capital assets	5,800	7,500
Other revenue	-	210,712
Noncapital grants and contributions	1,194,216	1,439,886
Noncapital subsidies	5,509,763	4,978,197
Medical service program fees	4,215,000	4,626,000
Nonoperating revenue, net	10,952,341	11,270,521
Change in net position	924,620	2,834,831
Net position, beginning of year	22,981,780	20,146,949
Net position, end of year	\$ 23,906,400	\$ 22,981,780

See notes to basic financial statements.

Emergency Medical Services Authority

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 55,709,153	\$ 53,655,930
Payments to suppliers and contractors	(57,489,609)	(52,103,484)
Payments to and on behalf of employees	(3,986,117)	(3,831,461)
Grant expenditures	(1,194,216)	(1,439,886)
Net cash (used in) operating activities	(6,960,789)	(3,718,901)
Cash flows from noncapital financing activities:		
Noncapital subsidies received	6,068,570	4,399,806
Noncapital grants and gifts received	1,098,564	1,980,344
Medical service program fees received	4,215,000	4,626,000
Net cash provided by noncapital financing activities	11,382,134	11,006,150
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,318,540)	(4,592,297)
Proceeds on sale of capital assets	5,800	7,500
Proceeds from long term borrowing	2,143,701	-
Interest paid on long term debt	(245)	-
Net cash (used in) capital and related financing activities	(2,169,284)	(4,584,797)
Cash flows from investing activities:		
Interest on deposits	27,807	8,226
Purchase/sale or maturity of short-term deposits	3,070	(2,690)
Net cash provided by investing activities	30,877	5,536
Net increase in cash	2,282,938	2,707,988
Cash, beginning of year	7,435,514	4,727,526
Cash, end of year	\$ 9,718,452	\$ 7,435,514

(Continued)

Emergency Medical Services Authority

Statements of Cash Flows (Continued)

Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 9,693,273	\$ 7,398,461
Restricted cash	25,179	37,053
Total cash and cash equivalents	\$ 9,718,452	\$ 7,435,514
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (10,027,721)	\$ (8,435,690)
Depreciation	3,811,314	3,651,361
Changes in operating assets and liabilities:		
Patient accounts receivable, net	644,702	(716,579)
Payable to suppliers and contractors	(1,292,959)	1,799,531
Payable to employees	15,660	117,904
Prepaid expenses	6,010	45,755
Inventory	46,750	(107,666)
Unearned revenues	(11,874)	(19,927)
Receivable from contractors	(152,671)	(53,590)
Net cash (used in) operating activities	\$ (6,960,789)	\$ (3,718,901)

See notes to basic financial statements.

Emergency Medical Services Authority

Notes to Basic Financial Statements

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

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

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

In 2005, the Authority created a nonprofit corporation, EMSA Initiatives for Public Health, Inc. (the Corporation) to provide free car seats and education to predominately low-income residents of the City of Tulsa, City of Oklahoma City and the surrounding nonbeneficiary member jurisdictions. The Corporation was formed under Section 501(c)(3) of the Internal Revenue Code. The Corporation had no activity during the years ended June 30, 2016 and 2015.

Significant accounting policies:

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

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Emergency Medical Services Authority

Notes to Basic Financial Statements

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

Cash equivalents: The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2016 and 2015, cash equivalents consisted primarily of certificates of deposit. The Authority defines cash and cash equivalents used in the statement of cash flows as all cash and liquid investments with original maturities of three months or less (both restricted and unrestricted).

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

Medical service program fees: Effective July 1, 2007, the City of Tulsa approved an ordinance establishing a Medical Service Program offering Total Care program membership to every single-family residential and multifamily residential water customer within the corporate limits of the City of Tulsa unless they affirmatively decline participation in the program. Medical Service Program fees are assessed monthly with the residents' water bill. Effective January 2012, certain eligibility requirements were established for the Authority to receive the fees, therefore revenue is recognized when all recognition criteria has been met. The Authority received approximately 6.4 percent in 2016 and 7.1 percent in 2015 of its financial support from these appropriations. This represents 13.6 percent in 2016 and 14.7 percent in 2015 of Eastern Division revenue.

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

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

Capital assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an initial useful life of one year or greater. Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by contribution. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Buildings and leasehold improvements	7-12 years
Ambulances and other transportation equipment	4-6 years
Communications and data processing equipment	3-5 years
Office equipment	3-7 years

Inventory: Inventory is stated at the lower of cost or market with cost being determined on an average cost basis.

Emergency Medical Services Authority

Notes to Basic Financial Statements

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

Compensated absences: The Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as an expense when the time off occurs; no liability is accrued for sick leave benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The compensated absences liability as of June 30, 2016 and 2015 was \$264,884 and \$249,479, respectively. The estimated compensated absences liability is expected to be used within one year after the statement of net position date and is included in current liabilities.

Net position: Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of borrowings used to finance the purchase or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Unearned revenue: The Authority received funds from the Department of Homeland Security and recognizes this revenue once it has been earned; that is, when eligible expenses have been incurred. The Authority had \$25,179 and \$37,053 as of June 30, 2016 and 2015, respectively, relating to unearned grant funds.

Net patient service revenue and contractual allowances: The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and a provision for uncollectible accounts. Included in net patient service revenue are the revenues generated by the Total Care membership program.

Income taxes: The Authority is exempt from taxation under Section 115 of the Internal Revenue Code and a similar provision of state law as a political subdivision of the beneficiaries of the Trust. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Reclassifications: Certain comparative balances for the year ended June 30, 2015 have been reclassified to make them consistent with the current year presentation. The reclassifications had no effect on change in net position or net position.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 2. Deposits

As of June 30, 2016 and 2015, the Authority's deposits consisted of checking accounts and certificates of deposit. The Authority had no investments. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of June 30, 2016 and 2015, all of the Authority's bank balances of \$10,708,722 and \$8,523,633, respectively, were collateralized or insured and were not exposed to custodial credit risk.

Note 3. Business and Credit Risks

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

The Authority provides emergency medical services by contracting with a third-party service provider, American Medical Response Ambulance Service, Inc. (AMRAS). The Authority's existing contract with AMRAS is effective for the period from November 1, 2013 through October 31, 2018. Under this contract, AMRAS, is obligated to provide paramedic services, including labor and materials, to the Authority. The Authority is obligated to use AMRAS for paramedic services for the same period under a set fee schedule based on the number and type of transports. Expenses paid to AMRAS are reported as contracted professional services in the accompanying statements of revenues, expenses and changes in net position.

Note 4. Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable as of June 30, 2016 and 2015, consisted of:

	2016	2015
Medicare	\$ 2,634,497	\$ 2,661,754
Medicaid	1,965,501	1,889,502
Other third-party payors	7,788,683	8,874,494
Patients	83,421,833	70,012,466
	<u>95,810,514</u>	<u>83,438,216</u>
Less allowance for bad debts and contractual allowances	81,738,291	68,721,291
	<u>\$ 14,072,223</u>	<u>\$ 14,716,925</u>

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 5. Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015 was:

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Nondepreciable, CIP	294,916	751,866	-	1,046,782
Total nondepreciable assets	359,116	751,866	-	1,110,982
Depreciable:				
Buildings and leasehold improvements	3,746,530	167,143	-	3,913,673
Ambulances and other transportation equipment	22,250,453	462,765	(681,950)	22,031,268
Communications and data processing equipment	15,135,151	2,615,783	-	17,750,934
Office equipment	2,645,434	320,983	-	2,966,417
Total depreciable assets	43,777,568	3,566,674	(681,950)	46,662,292
Less accumulated depreciation:				
Buildings and leasehold improvements	2,959,560	235,674	-	3,195,234
Ambulances and other transportation equipment	15,096,675	2,264,938	(681,950)	16,679,663
Communications and data processing equipment	13,000,989	1,116,635	-	14,117,624
Office equipment	2,278,892	194,067	-	2,472,959
Total accumulated depreciation	33,336,116	3,811,314	(681,950)	36,465,480
Total capital assets being depreciated, net	10,441,452	(244,640)	-	10,196,812
Capital assets, net	\$ 10,800,568	\$ 507,226	\$ -	\$ 11,307,794
	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable, land	\$ 64,200	\$ -	\$ -	\$ 64,200
Nondepreciable, CIP	89,722	205,194	-	294,916
Total nondepreciable assets	153,922	205,194	-	359,116
Depreciable:				
Buildings and leasehold improvements	3,746,530	-	-	3,746,530
Ambulances and other transportation equipment	19,021,283	3,261,135	(31,965)	22,250,453
Communications and data processing equipment	14,186,720	948,431	-	15,135,151
Office equipment	2,467,897	177,537	-	2,645,434
Total depreciable assets	39,422,430	4,387,103	(31,965)	43,777,568
Less accumulated depreciation:				
Buildings and leasehold improvements	2,732,224	227,336	-	2,959,560
Ambulances and other transportation equipment	12,878,119	2,250,521	(31,965)	15,096,675
Communications and data processing equipment	11,992,024	1,008,965	-	13,000,989
Office equipment	2,114,353	164,539	-	2,278,892
Total accumulated depreciation	29,716,720	3,651,361	(31,965)	33,336,116
Total capital assets being depreciated, net	9,705,710	735,742	-	10,441,452
Capital assets, net	\$ 9,859,632	\$ 940,936	\$ -	\$ 10,800,568

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities as of June 30, 2016 and 2015 consisted of:

	2016	2015
Payable to suppliers and contractors	\$ 9,823,566	\$ 11,116,525
Accrued expenses (including payroll taxes and benefits)	724,852	709,192
	<u>\$ 10,548,418</u>	<u>\$ 11,825,717</u>

Note 7. Operating Leases

The Authority leases buildings, office facilities and other equipment under noncancellable operating leases. Total expenses for such leases were \$440,074 and \$430,553 for the years ended June 30, 2016 and 2015, respectively. The future minimum lease payments for these leases as of June 30, 2016 are as follows:

Year ending June 30:	
2017	\$ 405,137
2018	187,998
2019	20,237
2020	7,410
	<u>\$ 620,782</u>

Note 8. Line of Credit

The Authority has a revolving line of credit with Prosperity Bank in the amount of \$2,000,000 which expires April 1, 2017. As of both June 30, 2016 and 2015, there was \$0 borrowed and outstanding against the line of credit. There were no draws on the line of credit during both years ended June 30, 2016 and 2015. The amounts borrowed on the line of credit are collateralized by accounts receivable, excluding Medicare receivables. The line of credit bears a variable interest rate based on The Wall Street Journal Prime Rate, with a floor of 3.500 percent and 3.250 percent for June 30, 2016 and 2015, respectively.

Note 9. Long-Term Debt

Long term debt consisted of the following at June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Equipment lease purchase	\$ -	\$ 1,869,091	\$ -	\$ 1,869,091	\$ 382,184
Term note for building expansion	-	274,610	-	274,610	-
Total long-term debt	<u>\$ -</u>	<u>\$ 2,143,701</u>	<u>\$ -</u>	<u>\$ 2,143,701</u>	<u>\$ 382,184</u>

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

On May 28, 2015 the Authority entered into an Equipment Lease - Purchase Agreement for purposes of acquiring radio equipment to be used in its operations. The obligation bears interest at 4.462 percent with principal and interest due on July 1 from 2016 thru 2020. The obligation is secured by the equipment purchased. Equipment with a cost of \$1,869,091 and associated accumulated depreciation of \$140,155 is included in communications and data processing equipment as of June 30, 2016. Aggregate maturities during the next five years are as follows:

Year ending June 30:	
2017	\$ 414,097
2018	414,097
2019	414,097
2020	414,097
Thereafter	414,097
	<u>2,070,485</u>
Less imputed interest	(201,394)
	<u>\$ 1,869,091</u>

On July 1, 2015, the Authority entered into an agreement with Prosperity Bank for a \$5,500,000 secured term loan for purposes of financing the construction of a building addition to its headquarters building in Tulsa, Oklahoma. Borrowing will occur as the building costs are incurred. The note bears interest at 2.25 percent on the outstanding balance of costs incurred by the trustee. The note requires the payment of interest only on the amount borrowed through September 15, 2017; therefore, none of the long-term debt balance is reported as a current liability as of June 30, 2016. Quarterly principal and interest payments commence on October 15, 2017 and end on July 15, 2025. The loan agreement requires compliance with a financial covenant to maintain in the Eastern Division annual net revenues at least equal to 1.25 times the average annual principal and interest on the loan. Assuming the full balance is drawn, aggregate maturities during the next five years will be as follows:

Year ending June 30:	Principal	Interest	Total
2017	\$ -	*	*
2018	474,108	\$ 91,515	\$ 565,623
2019	644,984	109,179	754,163
2020	659,581	94,582	754,163
2021	675,001	79,162	754,163
Thereafter	3,046,326	158,871	3,205,197
	<u>\$ 5,500,000</u>	<u>\$ 533,309</u>	<u>\$ 6,033,309</u>

* Interest due during year ending June 30, 2017 will be determined based on the amount drawn on the loan.

Emergency Medical Services Authority

Notes to Basic Financial Statements

Note 10. Retirement Plan

The Authority administers and maintains a noncontributory defined contribution plan. The Emergency Medical Services Authority Money Purchase Pension Plan (the Plan) is available for all employees who have attained the age of 18 and completed 1,000 hours of service as of the entrance date. The plan provides for full vesting immediately upon participation in the plan. Under the provisions of the plan, the Authority will contribute 10 percent of total compensation paid. Benefits payable under the plan are limited to the amount of plan assets allocable to the account of each participant. Total contributions to the retirement plan for the years ended June 30, 2016 and 2015 were \$282,504 and \$270,284, respectively. At June 30, 2016, \$320,245 was due from the Authority to the Plan for contributions. There were no forfeitures used to pay administrative expenses or to reduce Authority contributions during fiscal year ending June 30, 2016.

Note 11. Litigation

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

Note 12. Related Party Transactions

During the year ended June 30, 2016, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$1,155,295 of equipment for the Authority's use. As of June 30, 2016, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$1,949,439 and \$7,843,852, respectively. The Cities hold title to these assets and are responsible for managing the assets. If the Authority retained ownership of the assets in the Eastern and Western Divisions, the accompanying statement of operations for 2016 would reflect additional depreciation expense of \$42,731 and \$928,473, respectively.

During the year ended June 30, 2015, the City of Tulsa purchased no capital assets for the Authority's use, and the City of Oklahoma City purchased \$2,517,887 of equipment for the Authority's use. As of June 30, 2015, the cities of Tulsa and Oklahoma City have purchased capital assets currently in service for the Authority's use at a cost of \$2,657,568 and \$6,552,035, respectively. The Cities hold title to these assets and are responsible for managing the assets. If the Authority retained ownership of the assets in the Eastern and Western Divisions, the accompanying statement of operations for 2015 would reflect additional depreciation expense of \$42,614 and \$520,043, respectively.

During the years ended June 30, the Authority also conducted the following transactions with related entities:

	2015	2014
Payments from the City of Tulsa for medical services program fees	\$ 4,215,000	\$ 4,626,000

Emergency Medical Services Authority

**Supplementary Information of Operating Divisions
Statement of Net Position Information
June 30, 2016**

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,689,209	\$ 6,004,064	\$ -	\$ 9,693,273
Restricted cash	25,179	-	-	25,179
Short-term deposits	2,736	-	-	2,736
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$38,841,710 and \$42,896,581 for the Eastern and Western Divisions, respectively	6,255,891	7,816,332	-	14,072,223
Grant receivables	380,213	-	-	380,213
Receivable from contractor	548,537	-	-	548,537
Other receivables	6,338	53,858	-	60,196
Interdivision receivable	4,866	559,489	(564,355)	-
Prepaid expenses	192,046	270,850	-	462,896
Inventory	44,846	16,070	-	60,916
Total current assets	11,149,861	14,720,663	(564,355)	25,306,169
Capital assets, nondepreciable	881,158	229,824	-	1,110,982
Capital assets, net of depreciation	6,683,931	3,512,881	-	10,196,812
Other assets	8,274	1,461	-	9,735
Total assets	\$ 18,723,224	\$ 18,464,829	\$ (564,355)	\$ 36,623,698
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,758,859	\$ 4,789,559	\$ -	\$ 10,548,418
Current portion of long-term debt	192,850	189,334	-	382,184
Unearned revenues	25,179	-	-	25,179
Interdivision payable	559,489	4,866	(564,355)	-
Total current liabilities	6,536,377	4,983,759	(564,355)	10,955,781
Long-term debt, less current maturities	1,024,926	736,591	-	1,761,517
Net position				
Net investment in capital assets	6,347,313	2,816,780	-	9,164,093
Unrestricted	4,814,608	9,927,699	-	14,742,307
Total net position	11,161,921	12,744,479	-	23,906,400
Total liabilities and net position	\$ 18,723,224	\$ 18,464,829	\$ (564,355)	\$ 36,623,698

Emergency Medical Services Authority

**Supplementary Information of Operating Divisions
Statement of Net Position Information
June 30, 2015**

	Eastern Division	Western Division	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,107,890	\$ 4,290,571	\$ -	\$ 7,398,461
Restricted cash	37,053	-	-	37,053
Short-term deposits	5,806	-	-	5,806
Patient accounts receivable, net of allowance for bad debts and contractual allowances of \$32,092,710 and \$36,628,581 for the Eastern and Western Divisions, respectively	6,681,506	8,035,419	-	14,716,925
Grant receivables	284,561	-	-	284,561
Receivable from contractor	395,866	-	-	395,866
Other receivables	15,273	597,761	-	613,034
Interdivision receivable	689,344	450,767	(1,140,111)	-
Prepaid expenses	214,921	253,985	-	468,906
Inventory	52,496	55,170	-	107,666
Total current assets	11,484,716	13,683,673	(1,140,111)	24,028,278
Capital assets, nondepreciable	304,269	54,847	-	359,116
Capital assets, net of depreciation	7,239,013	3,202,439	-	10,441,452
Other assets	11,983	3,721	-	15,704
Total assets	\$ 19,039,981	\$ 16,944,680	\$ (1,140,111)	\$ 34,844,550
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 7,151,290	\$ 4,674,427	\$ -	\$ 11,825,717
Unearned revenues	37,053	-	-	37,053
Interdivision payable	450,767	689,344	(1,140,111)	-
Total current liabilities	7,639,110	5,363,771	(1,140,111)	11,862,770
Net position				
Investment in capital assets	7,543,282	3,257,286	-	10,800,568
Unrestricted	3,857,589	8,323,623	-	12,181,212
Total net position	11,400,871	11,580,909	-	22,981,780
Total liabilities and net position	\$ 19,039,981	\$ 16,944,680	\$ (1,140,111)	\$ 34,844,550

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statement of Revenues, Expenses and Changes in Net Position Information Year Ended June 30, 2016

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$64,403,083; Western \$73,458,656	\$ 24,866,304	\$ 30,198,147	\$ -	\$ 55,064,451
Operating expenses:				
Contracted professional services	23,320,286	26,760,383	-	50,080,669
Salaries, wages and benefits	1,872,524	2,129,253	-	4,001,777
Lease, maintenance and utilities	1,441,618	2,063,178	-	3,504,796
Other	1,279,821	1,219,579	-	2,499,400
Grant expenditures	1,194,216	-	-	1,194,216
Depreciation	2,312,712	1,498,602	-	3,811,314
Total operating expenses	31,421,177	33,670,995	-	65,092,172
Operating loss	(6,554,873)	(3,472,848)	-	(10,027,721)
Nonoperating revenue (expense):				
Investment income	11,906	15,901	-	27,807
Interest expense	(245)	-	-	(245)
Gain on disposal of fixed asset	-	5,800	-	5,800
Other revenue	-	-	-	-
Noncapital grants and contributions	1,194,216	-	-	1,194,216
Noncapital subsidies	895,046	4,614,717	-	5,509,763
Medical service program fees	4,215,000	-	-	4,215,000
Total nonoperating revenues	6,315,923	4,636,418	-	10,952,341
Change in net position	(238,950)	1,163,570	-	924,620
Net position, beginning of year	11,400,871	11,580,909	-	22,981,780
Net position, end of year	\$ 11,161,921	\$ 12,744,479	\$ -	\$ 23,906,400

Emergency Medical Services Authority

Supplementary Information of Operating Divisions Statement of Revenues, Expenses and Changes in Net Position Information Year Ended June 30, 2015

	Eastern Division	Western Division	Eliminations	Total
Operating revenues, net patient service revenue, net of provision for bad debts and contractual allowances Eastern \$62,184,034; Western \$73,630,040	\$ 24,684,675	\$ 29,687,834	\$ -	\$ 54,372,509
Operating expenses:				
Contracted professional services	22,073,713	25,466,924	-	47,540,637
Salaries, wages and benefits	1,850,789	2,098,576	-	3,949,365
Lease, maintenance and utilities	1,601,147	2,030,883	-	3,632,030
Other	1,522,291	1,072,629	-	2,594,920
Grant expenditures	1,439,886	-	-	1,439,886
Depreciation	2,130,232	1,521,129	-	3,651,361
Total operating expenses	30,618,058	32,190,141	-	62,808,199
Operating loss	(5,933,383)	(2,502,307)	-	(8,435,690)
Nonoperating revenue (expense):				
Investment income	4,924	3,302	-	8,226
Gain on disposal of fixed asset	7,500	-	-	7,500
Other revenue	90,475	120,237	-	210,712
Noncapital grants and contributions	1,439,886	-	-	1,439,886
Noncapital subsidies	694,893	4,283,304	-	4,978,197
Medical service program fees	4,626,000	-	-	4,626,000
Total nonoperating revenues	6,863,678	4,406,843	-	11,270,521
Change in net position	930,295	1,904,536	-	2,834,831
Net position, beginning of year	10,470,576	9,676,373	-	20,146,949
Net position, end of year	\$ 11,400,871	\$ 11,580,909	\$ -	\$ 22,981,780