

MAYES EMERGENCY SERVICES TRUST AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018,
WITH COMPARATIVE TOTALS FOR 2017

	<u>Page</u>
Board of Directors	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-6
Basic Financial Statements:	
Statement of Net Position – Modified Cash Basis	7
Statement of Activities – Modified Cash Basis.....	8
Statement of Cash Flows - Modified Cash Basis	9
Notes to the Financial Statements.....	10-14
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16

MAYES EMERGENCY SERVICES TRUST AUTHORITY
BOARD OF DIRECTORS

Brent Crittenden	Chairman
Larry Williams	Vice-Chairman
Leon Blankenship	Treasurer/Secretary
Trent Peper	Trustee
Leslie Considine	Trustee
Steve Hall	Trustee
Sherman Weaver	Trustee
Don Berger	Trustee
Harriet Dunham	Trustee
Jody Dunham	Trustee
Joe Brown	Trustee
Steve VanHorn	Ambulance Director



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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 (the “Authority”), a discretely presented component unit of Mayes County, State of Oklahoma, as of and for the year ended December 31, 2018, 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, 2018, 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

We have previously audited the Mayes Emergency Services Trust Authority’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated August 17, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER MATTERS

VOLUNTARY SUPPLEMENTARY INFORMATION

The management’s discussion and analysis, on pages 4 through 6, is presented for purposes of additional analysis, and are not a required part of the financial statements.

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, which 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 May 29, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting, and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s 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

May 29, 2020

Our discussion and analysis of Mayes Emergency Services Trust Authority (the "Authority")'s financial performance provides an overview of the Authority's financial activities, for the fiscal year ended December 31, 2018. Please review it in conjunction with the Independent Auditor's Report, and the Authority's basic financial statements, which begin on page 7.

HIGHLIGHTS

1. Approved a one time allowance to all employees.
2. Tommy Parker, later Leslie Considine, was appointed to the MESTA Board.
3. Installed new engine in ambulance.
4. Installed cot loader system in ambulance.
5. Received a grant from OD Mayor for the purchase of cot loader system.
6. Received grants/donations from local companies for safety equipment.
7. Began security camera upgrades for all MESTA stations.

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 it 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, or worse off, as a result of the year's activities?" The statement of net position and statement of activities report information about the Authority, and about its activities, in a way that helps answer this question.

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

These statements report the net position of the Authority, and the changes in them. You can think of the Authority's net position - the difference 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 \$1,903,007, a decrease from prior year of approximately \$27,237, or 1.4%. 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>12/31/2018</u>	<u>12/31/2017</u>
Current and Other Assets	\$ 944,606	\$ 897,607
Capital Assets (net)	<u>970,897</u>	<u>1,046,756</u>
Total Assets	<u>\$ 1,915,502</u>	<u>\$ 1,944,363</u>
Current Liabilities	<u>\$ 12,496</u>	<u>\$ 14,120</u>
Net Position		
Invested in Capital Assets	970,897	1,046,756
Unrestricted	<u>932,110</u>	<u>883,487</u>
Total Net Position	<u>\$ 1,903,007</u>	<u>\$ 1,930,243</u>

As the above table indicates, current assets increased by \$46,998, or approximately 5.2%, primarily due to an increase in cash balances held. Capital assets decreased by \$75,860, or approximately 7.2%, primarily due to normal depreciation. Current liabilities decreased by \$1,625, or approximately 11.5%.

TABLE 2

	<u>12/31/2018</u>	<u>12/31/2017</u>
Ambulance Service Fees, Net	\$ 1,985,262	\$ 2,110,509
Other Income	<u>23,868</u>	<u>19,724</u>
Total Operating Revenues	<u>2,009,130</u>	<u>2,130,233</u>
Depreciation	159,441	188,848
Personnel Expenses	2,139,795	2,260,905
Maintenance and Operations	<u>870,958</u>	<u>883,056</u>
Total Operating Expenses	<u>3,170,193</u>	<u>3,332,809</u>
Sales Tax	1,106,547	964,955
Grants and Contributions (net)	24,500	-
Other Non-Operating Revenues/(Expenses)	<u>2,779</u>	<u>2,774</u>
Total Other Revenues/(Expenses)	<u>1,133,826</u>	<u>967,729</u>
Total Increases/(Decreases)	(27,237)	(234,847)
Net Position, Beginning of Year	<u>1,930,244</u>	<u>2,165,090</u>
Net Position, End of Year	<u>\$ 1,903,007</u>	<u>\$ 1,930,243</u>

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

The Authority's primary source of revenue is charges for services. During the current year, the Authority's operating revenues decreased by \$121,103, or approximately 5.7%. The Authority's population is largely made up of senior citizens. The patient/customer breakdown is about 80% Medicare/Medicaid insured.

CAPITAL ASSETS AND BAD DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the Authority had \$970,897 (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 \$75,860. These changes are presented in detail in Note 5 of the financial statements.

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, 2018
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 890,384	\$ 812,924
Inventory	13,519	31,193
Prepaid insurance	<u>40,703</u>	<u>53,490</u>
Total Current Assets	944,606	897,607
Non-Current Assets		
Capital assets	<u>970,897</u>	<u>1,046,756</u>
Total Assets	<u>\$ 1,915,502</u>	<u>\$ 1,944,363</u>
Liabilities and Net Position		
Current Liabilities		
Retirement payable	\$ 12,281	\$ 14,120
Payroll tax liabilities	<u>214</u>	<u>-</u>
Total Current Liabilities	<u>12,495</u>	<u>14,120</u>
Net Position		
Net investment in capital assets	970,897	1,046,756
Unrestricted	<u>932,110</u>	<u>883,487</u>
Total Net Position	<u>1,903,007</u>	<u>1,930,243</u>
Total Liabilities and Net Position	<u>\$ 1,915,502</u>	<u>\$ 1,944,363</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, 2018
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Operating Revenue		
Ambulance service fees, net of charity, bad debt, and capitation	\$ 1,985,262	\$ 2,110,509
Other income	23,868	19,724
Total Operating Revenue	<u>2,009,130</u>	<u>2,130,233</u>
Operating Expenses		
Advertising	6	385
Ambulance fuel	109,985	91,518
Billing and outside services	72,286	95,475
Biohazard waste	803	973
Computers and technology	5,073	-
Depreciation	159,441	188,848
Dispatch	4,225	7,838
Dues and fees	3,644	1,620
Employee benefits	292,044	273,576
Insurance and bonds	208,118	187,334
Mileage	2,354	2,320
Office expense	6,231	8,570
Other expense	7,350	1,505
Payroll tax expense	122,045	121,863
Professional services	50,471	96,285
Rent	6,600	6,000
Retirement	139,027	289,446
Repairs and maintenance - vehicles	163,849	131,690
Repairs and maintenance - other	22,350	39,013
Supplies	137,106	146,278
Telephone	23,955	16,386
Uniforms	10,801	18,229
Utilities	35,751	31,638
Wages	1,586,679	1,576,020
Total Operating Expenses	<u>3,170,193</u>	<u>3,332,809</u>
Total Change in Operating Revenue and Expenses	<u>(1,161,064)</u>	<u>(1,202,576)</u>
Non-Operating Revenue/(Expenses)		
Interest income	2,779	2,774
Sales tax revenue	1,106,547	964,955
Grants received	24,500	-
Total Non-Operating Revenue/(Expenses)	<u>1,133,826</u>	<u>967,729</u>
Change in Net Position	(27,237)	(234,847)
Net Position, Beginning of Year	1,930,244	2,165,090
Net Position, End of Year	<u>\$ 1,903,007</u>	<u>\$ 1,930,243</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, 2018
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Payments received from customers	\$ 2,009,130	\$ 2,130,233
Payments for salaries and benefits	(2,142,054)	(2,278,005)
Payments to suppliers for goods and services	(839,861)	(884,335)
Net Cash Provided/(Used) by Operating Activities	<u>(972,785)</u>	<u>(1,032,107)</u>
Cash Flows from Non-Capital Financing Activities		
Grants received	24,500	-
Sales tax received	1,106,547	964,955
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>1,131,047</u>	<u>964,955</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	<u>(83,581)</u>	<u>(115,443)</u>
Cash Flows from Investing Activities		
Interest income	<u>2,779</u>	<u>2,774</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	77,460	(179,821)
Cash and Cash Equivalents, beginning of year	812,924	992,745
Cash and Cash Equivalents, end of year	<u>\$ 890,384</u>	<u>\$ 812,924</u>
Cash Flows from Operating Activities		
Operating income/(loss)	\$(1,161,064)	\$(1,202,576)
Depreciation	159,441	188,848
Increase/Decrease in operating assets and liabilities:		
(Increase)/Decrease in inventory	17,674	(6,893)
(Increase)/Decrease in prepaid insurance	12,787	(10,207)
Increase/(Decrease) in accrued liabilities	(1,627)	(1,279)
Net Cash Provided/(Used) by Operating Activities	<u>\$ (972,789)</u>	<u>\$(1,032,108)</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 statute 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 Authority 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 resulting 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 revenue 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.

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.

Note 2 – Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

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 permits 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.

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 year-end.

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 position 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 position that do not meet the definition of "restricted," or "net investment in capital assets. "

Note 2 – Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (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 deposit, 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 THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018
 WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017

Note 5 - Fixed Assets

Fixed asset activity, for the years, is as follows:

	<u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2018</u>
Depreciable Assets:				
Buildings	\$ 438,625	\$ -	\$ -	\$ 438,625
Equipment	109,457	-	-	109,457
Furniture and fixtures	24,714	2,392	-	27,106
Ambulances and vehicles	1,504,570	-	-	1,504,570
Medical equipment	850,128	81,189	-	931,317
Service animals	12,500	-	(6,250)	6,250
Total Depreciable Assets	<u>2,939,994</u>	<u>83,581</u>	<u>(6,250)</u>	<u>3,017,325</u>
Non-Depreciable Assets:				
Land	15,000	-	-	15,000
Total Fixed Assets	<u>2,954,994</u>	<u>83,581</u>	<u>(6,250)</u>	<u>3,032,325</u>
Less: Accumulated Depreciation	<u>(1,908,238)</u>	<u>(159,441)</u>	<u>6,250</u>	<u>(2,061,428)</u>
Net Fixed Assets	<u>\$ 1,046,756</u>	<u>\$ (75,860)</u>	<u>\$ -</u>	<u>\$ 970,897</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, 2011. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. Total retirement expense was \$139,027 and \$289,446, for the years ending December 31, 2018, and 2017, respectively. The Authority made a payment in 2017, for prior years' retirement contributions assessed on past bonuses paid to employees, in the amount of \$144,497, as a result of an audit performed by the State Auditor & Inspector, at the request of the Authority.

Note 8 – Economic Dependence

The Authority's current fee schedule and collection rates for ambulance services is not sufficient to cover its operating expenses. For the years ended December 31, 2018, and 2017, the Authority recognized \$1,106,547 and \$964,955, 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 10 – Subsequent Events

Management has evaluated subsequent events through May 29, 2020, which is the date the financial statements were available to be issued, and no additional disclosures required.



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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 Trust Authority (the Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon, dated May 29, 2020.

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 did not identify any deficiencies 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.

COMPLIANCE AND OTHER MATTERS (continued)

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 no instances of noncompliance, or other matters, that are required to be reported under *Government Auditing Standards*.

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

May 29, 2020