

MAYES EMERGENCY SERVICES TRUST AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR 2015

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



124 S. Main Street, Miami, Oklahoma 74354
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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated July 8, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

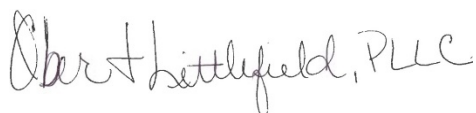
Emphasis of Matter

We draw attention to Note 2 of the financial statements, 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 June 30, 2017 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

June 30, 2017

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, 2016. PLEASE REVIEW IT IN CONJUNCTION WITH THE TRANSMITTAL LETTER, AND THE AUTHORITY'S BASIC FINANCIAL STATEMENTS, WHICH BEGIN ON PAGE 8.

HIGHLIGHTS

1. Approved a one time allowance to all employees.
2. Completed and opened a new ambulance station (Station 2), providing 14 hour daily coverage.
3. Filled all vacant board positions, as well as the Director.
4. Awarded scholarships for Niki Kinder and Carrie Kirchner for training.
5. Purchased and installed 6 cot-loading systems for ambulances.
6. Engages the Oklahoma State Auditor for special audit services.
7. Purchased clothing lockers and narcotic lockers for all stations.
8. Contracted with IHS to allow streamlined billing.
9. Upgraded dispatch computer systems.
10. Increased health benefits to 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 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 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 \$2,165,090, a decrease from prior year of approximately \$173,369, or 7.4%. 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>12/31/2016</u>	<u>12/31/2015</u>
Current and Other Assets	\$ 1,060,327	\$ 1,228,416
Capital Assets (net)	<u>1,120,162</u>	<u>1,130,198</u>
Total Assets	<u><u>2,180,489</u></u>	<u><u>2,358,614</u></u>
Current Liabilities	<u>15,399</u>	<u>20,155</u>
Total Liabilities	<u><u>15,399</u></u>	<u><u>20,155</u></u>
Net Position		
Invested in Capital Assets	1,120,162	1,130,198
Unrestricted	<u>1,044,928</u>	<u>1,208,261</u>
Total Net Position	<u><u>\$ 2,165,090</u></u>	<u><u>\$ 2,338,459</u></u>

As the above table indicates, current assets decreased by \$168,089, or approximately 13.7%. Capital assets decreased by \$10,036, or approximately 0.9%. Current liabilities decreased by \$4,756, or approximately 23.6%.

TABLE 2

	<u>12/31/2016</u>	<u>12/31/2015</u>
Total Operating Revenues	\$ 2,019,952	\$ 2,017,772
Depreciation	204,269	197,479
Personnel Expenses	2,115,488	2,019,023
Maintenance and Operations	885,586	889,928
Total Operating Expenses	<u>3,205,343</u>	<u>3,106,430</u>
Sales Tax	1,001,644	1,128,113
Grants and Contributions (net)	4,600	1,208
Other Non-Operating Revenues (Expenses)	5,778	3,007
Total Other Revenues (Expenses)	<u>1,012,022</u>	<u>1,132,328</u>
Total Increases	(173,369)	43,670
Net Position, Beginning of Year	<u>2,338,459</u>	<u>2,294,789</u>
Net Position, End of Year	<u>\$ 2,165,090</u>	<u>\$ 2,338,459</u>

The Authority's primary source of revenue is charges for services. During the current year, the Authority's operating revenues increased by \$2,180, or approximately 0.1%. 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, 2016, the Authority had \$1,120,162 (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 \$10,036. These changes are presented in detail in Note III of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Medicaid concerns still remain, however the decrease for 2016 was not as drastic as expected.

Sales tax revenues were down over 10%, and are expected to remain flat for 2017.

Employee benefits costs could increase and result in budgetary review.

MESTA will be reviewing billing options; along with Contracts made with HIS, we are looking for options to increase revenues.

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, 2016
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 992,745	\$ 1,144,883
Inventory	24,299	13,175
Prepaid insurance	43,283	70,358
Total Current Assets	<u>1,060,327</u>	<u>1,228,416</u>
Non-Current Assets		
Capital assets	1,120,162	1,130,198
Total Non-Current Assets	<u>1,120,162</u>	<u>1,130,198</u>
Total Assets	<u>\$ 2,180,489</u>	<u>\$ 2,358,614</u>
Liabilities and Net Position		
Current Liabilities		
Retirement payable	\$ 14,917	\$ 19,425
Payroll tax liabilities	482	730
Total Current Liabilities	<u>15,399</u>	<u>20,155</u>
Net Position		
Net investment in capital assets	1,120,162	1,130,198
Unrestricted	1,044,928	1,208,261
Total Net Position	<u>2,165,090</u>	<u>2,338,459</u>
Total Liabilities and Net Position	<u>\$ 2,180,489</u>	<u>\$ 2,358,614</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, 2016
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Ambulance service fees, net of charity, bad debt, and capitation	\$ 2,017,829	\$ 1,976,208
Other income	2,123	41,564
Total Operating Revenue	<u>2,019,952</u>	<u>2,017,772</u>
Operating Expense		
Advertising	22	1,337
Ambulance fuel	82,308	100,954
Billing and outside services	123,212	137,334
Biohazard waste	1,319	1,864
Depreciation	204,269	197,479
Dispatch	13,836	17,790
Dues and fees	1,390	2,555
Employee benefits	231,928	182,010
Insurance and bond	139,192	145,240
Mileage	1,980	2,380
Office expense	9,335	5,487
Other expense	2,841	2,952
Payroll tax expense	125,942	124,077
Professional expenses	91,771	89,105
Rent	10,286	10,783
Retirement	149,538	131,053
Repairs and maintenance - vehicles	148,708	133,122
Repairs and maintenance - other	47,801	32,127
Supplies	156,449	154,334
Telephone	16,623	12,801
Uniforms	10,733	11,127
Utilities	27,780	28,636
Wages	1,608,080	1,581,883
Total Operating Expenses	<u>3,205,343</u>	<u>3,106,430</u>
Total Change in Operating Revenues and Expenses	<u>(1,185,391)</u>	<u>(1,088,658)</u>
Non-Operating Revenue (Expenses)		
Interest income	3,814	3,007
Gain/(loss) on sale of asset	1,964	-
Sales tax revenues	1,001,644	1,128,113
Insurance proceeds	-	-
Grants received	4,600	4,000
Grant disbursements	-	(2,792)
Total Non-Operating Revenue (Expenses)	<u>1,012,022</u>	<u>1,132,328</u>
Change in net position	(173,369)	43,670
Net position, beginning of year	<u>2,338,459</u>	<u>2,294,789</u>
Net position, end of year	<u>\$ 2,165,090</u>	<u>\$ 2,338,459</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, 2016
WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Payments received from customers	\$ 2,019,952	\$ 2,017,772
Payments for salaries and benefits	(2,120,244)	(2,020,342)
Payments to suppliers for goods and services	<u>(869,635)</u>	<u>(903,429)</u>
Net Cash Flows from Operating Activities	<u>(969,927)</u>	<u>(905,999)</u>
Cash Flows from Non-Capital Financing Activities		
Grants received	4,600	4,000
Grant disbursements	-	(2,792)
Sales tax received	<u>1,001,644</u>	<u>1,128,113</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,006,244</u>	<u>1,129,321</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(194,233)	(111,306)
Cash received on sale of capital assets	<u>1,964</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(192,269)</u>	<u>(111,306)</u>
Cash Flows from Investing Activities		
Interest income	<u>3,814</u>	<u>3,007</u>
Net Cash Provided by (Used for) Investing Activities	<u>3,814</u>	<u>3,007</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(152,138)	115,023
Cash and Cash Equivalents, beginning of year	<u>1,144,883</u>	<u>1,029,860</u>
Cash and Cash Equivalents, end of year	<u>\$ 992,745</u>	<u>\$ 1,144,883</u>
Cash Flows from Operating Activities		
Operating income (loss)	\$(1,185,391)	\$(1,088,658)
Depreciation	204,269	197,479
Increase/Decrease in operating assets		
(Increase)/Decrease in operating activities	(11,124)	(13,175)
(Increase)/Decrease in prepaid insurance	27,075	(326)
(Increase)/Decrease in accrued payroll expense	<u>(4,756)</u>	<u>(1,319)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (969,927)</u>	<u>\$ (905,999)</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 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 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, 2016 and December 31, 2015 were \$29,988 and \$45,142.

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)

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.

Note 5 - Fixed Assets

Fixed asset activity for the years is as follows:

	<u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
Depreciable Assets				
Buildings	\$ 259,669	\$ 178,956	\$ -	\$ 438,625
Equipment	80,472	21,843	-	102,315
Furniture and fixtures	16,840	7,875	-	24,714
Ambulance and vehicles	1,454,084	-	-	1,454,084
Medical equipment	718,296	74,017	-	792,313
Service animals	12,500	-	-	12,500
Total Depreciable Assets	<u>2,541,861</u>	<u>282,691</u>	<u>-</u>	<u>2,824,551</u>
Non-Depreciable Assets				
Land	15,000	-	-	15,000
Construction in process	88,457	-	(88,457)	-
Total Fixed Assets	<u>2,645,318</u>	<u>282,691</u>	<u>(88,457)</u>	<u>2,839,551</u>
Less Accumulated Depreciation	<u>(1,515,120)</u>	<u>(204,269)</u>	<u>-</u>	<u>(1,719,389)</u>
Net Fixed Assets	<u>\$ 1,130,198</u>	<u>\$ 78,422</u>	<u>\$ (88,457)</u>	<u>\$ 1,120,162</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 \$149,538 and \$131,053 for the years ending December 31, 2016 and 2015, 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, 2016 and 2015, the Authority recognized \$1,001,644 and \$1,128,113, 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 suits. At this time, the cases are unsettled and management disputes and denies the allegations. No amounts are probable or quantifiable, at this time. The former director has initiated a filing with the Oklahoma Workers Compensation Commission. A former employee has initiated a filing with the U.S. Equal Employment Opportunity Commission.

Note 10 – Subsequent Events

Management has evaluated subsequent events through June 30, 2017, which is the date the financial statements were available to be issued. The Authority has engaged the Oklahoma State Auditor for special audit purposes. The final report is not available at this time, but it has been determined that there is a liability to OPERS in the amount of \$144,497 that will be paid in May 2017 for retirement contributions assessed on past bonuses paid to employees.



Certified Public Accountants, PLLC

124 S. Main Street, Miami, Oklahoma 74354

22 South Adair, Pryor, Oklahoma 74361

918-542-4401

**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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2017.

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 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

June 30, 2017



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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 signers.

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.

Update: During our audit testing procedures, it was noted that the Board has removed all unauthorized signers.