

*Mayes Emergency Services Trust Authority*  
Pryor, Oklahoma

Independent Auditor's Report  
and Financial Statements

December 31, 2012

*Mayes Emergency Services Trust Authority*

Board of Trustees

December 31, 2012

Chairman	Trent Peper
Vice-Chairman	Kevin Dodson
Treasurer/Secretary	Leon Blankenship
Member	Kaye Baldrige
Member	Harriett Dunham
Member	Brent Crittenden
Member	Steve Hall
Member	Chuck Ward
Member	Don Berger
Member	Jamie Starling
Member	Rob Foreman
Ambulance Director	Rick Langkamp

*Mayes Emergency Services Trust Authority*

Pryor, Oklahoma  
December 31, 2012

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Independent Auditor's Report

July 8, 2013

Board of Directors  
Mayes Emergency Services Trust Authority

I have audited the accompanying financial statements of *Mayes Emergency Services Trust Authority* which comprise the Statement of Net Assets as of December 31, 2012 and the related Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows for the year then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including the assessment of 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of *Mayes Emergency Services Trust Authority* as of December 31, 2012, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated July 8, 2013 on my consideration of the *Mayes Emergency Services Trust Authority* internal control over financial reporting and my tests of 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 my testing of internal control over financial reporting or on 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 *Mayes Emergency Services Trust Authority's* internal control over financial reporting and compliance.



Violet F. Kirkendall CPA, PC

***Violet F. Kirkendall CPA, PC***

*Certified Public Accountant*

*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

*Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

July 8, 2013

Board of Directors

Mayes Emergency Services Trust Authority

Pryor, Oklahoma

I 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 financial statements of the business-type activities of *Mayes Emergency Services Trust Authority* as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise which comprise *Mayes Emergency Services Trust Authority* basic financial statements, and have issued my report thereon dated July 8, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the *Mayes Emergency Services Trust Authority* internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the *Mayes Emergency Services Trust Authority* internal control.

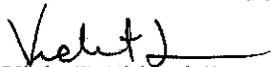
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the *Mayes Emergency Services Trust Authority* financial statements are free of material misstatement, I performed tests of the 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of my 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.



Violet F. Kirkendall CPA, PC

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, 2012. PLEASE REVIEW IT IN CONJUNCTION WITH THE TRANSMITTAL LETTER AND AUTHORITY'S BASIC FINANCIAL STATEMENTS, WHICH BEGIN ON PAGE 8.

## FINANCIAL HIGHLIGHTS

1. Board member Harriet Dunham's appointment was replaced by Sherman Weaver. Trent Peper replaced Murray Underwood as Chairman.
2. 2012 saw the completion of the change from 25mhz radio frequencies to 12.5mhz. This included purchasing of some new radios and the frequency changes on all radios in emergency services in Mayes County including tower frequencies.
3. MESTA and Mayes County 911 completed an upgrade in our 911 system and CAD to enable Next Gen 911 functionality. This purchase and upgrade was at Mayes county 911, the Pryor PD and the Mayes county Sheriff's Department.
4. MESTA purchased a new copier for the office. The old copier was donated to the Locust Grove dispatch center.
5. Station 3 in Locust Grove got new carpet throughout.
6. Two new life-pack 12's were purchased and placed on units to eliminate the need for the old 3 lead D-Fib units.
7. Placed new stair chairs on all the frontline ambulances.
8. Responded the REMSS team to assist with the wild land fires in Creek County Oklahoma.
9. Had members of our 911 dispatch attend advanced training in Emergency Fire Dispatch Quality Assurance and Emergency Medical Quality Assurance Dispatch.
10. MESTA increased our number of fully stocked ambulances from six to eight in 2012.
11. Renegotiated the billing contract from 10 percent down to 8 percent. Collections have remained stable across the board.
12. Christmas bonuses were give again at year end in 2012.
13. MESTA is looking at building a new station north of Pryor just off Highway 69.

## 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. These statements offer short and long-term financial information about its activities. The Statement of Net Assets 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 Revenues, Expenses, and Changes in Net Assets.

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

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

#### FINANCIAL ANALYSIS OF THE AUTHORITY

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

The Authority's total Net Assets at the end of the fiscal year were \$3,208,830 an increase from prior year of approximately \$ 68,221 or 2%. Our analysis below focuses on the Authority's Net Assets (Table 1) and the Authority's Change in Net Assets (Table 2) during the year.

TABLE 1

	<u>12/31/2012</u>	<u>12/31/2011</u>
Current and other assets	\$ 2,680,642	\$ 2,494,103
Capital assets (net)	<u>741,095</u>	<u>866,718</u>
Total Assets	<u>3,421,737</u>	<u>3,360,821</u>
Current liabilities	<u>212,907</u>	<u>220,212</u>
Total Liabilities	<u>212,907</u>	<u>220,212</u>
Net Assets		
Invested in Capital Assets	741,095	866,718
Unrestricted	<u>2,467,735</u>	<u>2,273,891</u>
Total Net Assets	<u>\$ 3,208,830</u>	<u>\$ 3,140,609</u>

As the above table indicates, current assets increased by \$186,539 or approximately 7.5%. Capital assets decrease by \$125,623 or approximately 14.5%. Current liabilities decreased by \$7,305 or approximately 3.3%.

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

TABLE 2

	<u>12/31/2012</u>	<u>12/31/2011</u>
Total Operating Revenues	\$ 2,301,934	\$ 2,337,319
Depreciation	165,830	201,016
Personnel Expenses	2,096,508	2,054,530
Maintenance and Operations	<u>863,172</u>	<u>708,165</u>
Total Operating Expenses	<u>3,125,510</u>	<u>2,963,711</u>
Sales Tax	885,690	812,354
Grants and Contributions (net)	-	500
Other Non-Operating Revenues(Expenses)	<u>6,107</u>	<u>19,628</u>
Total Other Revenues (Expenses)	<u>891,797</u>	<u>832,482</u>
Total Increases	68,221	206,090
Net Assets, Beginning of Year	3,140,609	2,934,519
Net Assets, End of Year	<u>\$ 3,208,830</u>	<u>\$ 3,140,609</u>

The Authority's primary source of revenue is charges for services. During the current year, the Authority's Operating Revenues decreased by \$35,385 or approximately 1.5%. The Authority's population is largely made up of senior citizens. The patient/customer breakdown is about 80% Medicare/Medicaid insured. The national collection rate for Medicaid has been below 25%.

#### CAPITAL ASSETS AND BAD DEBT ADMINISTRATION

##### Capital Assets

As of December 31, 2012, the Authority had \$741,095 (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 \$ 125,623. These changes are presented in detail in Note III of the financial statements.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The new healthcare system and its impact on our ambulance service and collections could start to take effect in 2013. MESTA will be looking for any ill effects that this new system could cause. The major healthcare changes are set for 2014 and beyond but we are not sure what effects they will have on collections.

MESTA and Mayes County 911 have been looking toward a centralized 911 center to include Police, Fire and EMS. MESTA has separated the budget to start to analyze the dollars a little closer.

Sales tax revenue is on the increase in Mayes County. The economy in our area is rebounding. The Mid America Industrial Park has a new administrator. All these factors could potentially cause significant change in Mayes County and MESTA.

### **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 Assets  
December 31, 2012

	Totals	
Assets	2012	(Memo Only) 2011
<i>Current Assets:</i>		
Cash and cash equivalents – unrestricted	\$ 1,409,782	\$ 1,177,571
Accounts receivable – net of allowance	1,063,642	1,121,927
Due from other governments	155,848	139,585
Prepaid Insurance	51,370	55,020
Total Current Assets	2,680,642	2,494,103
 <i>Non-Current Assets</i>		
Property and Equipment, net of accumulated depreciation	741,095	866,718
 Total Assets	 \$ 3,421,737	 \$ 3,360,821
<u>Liabilities and Fund Net Assets</u>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 60,821	\$ 89,158
Accrued payroll	71,524	63,906
Payroll tax liabilities	6,422	6,365
Employee benefits	74,140	60,783
Total Current Liabilities	212,907	220,212
 <i>Fund Net Assets:</i>		
Invested in Capital Assets, net of related debt	741,095	866,718
Unrestricted	2,467,735	2,273,891
Total Fund Net Assets	 \$ 3,421,737	 \$ 3,360,821

*The accompanying notes are an Integral part of the financial statements.*

**Mayes Emergency Services Trust Authority**  
Statement of Revenue, Expenses & Changes in Net Assets  
For the Year Ended December 31, 2012

	Totals	
	2012	(Memo Only) 2011
<i>Operating Revenues:</i>		
Ambulance service fees, net of charity, bad debt & capitation	\$ 2,022,422	\$ 2,045,025
911 operation and mapping fees	180,000	180,000
Other income	<u>99,512</u>	<u>112,294</u>
Total operating revenues	<u>2,301,934</u>	<u>2,337,319</u>
<i>Operating Expenses:</i>		
Ambulance fuel	148,084	129,249
Bank charges	548	624
Billing and outside services	170,010	170,772
Biohazard waste	1,580	1,942
Condolence expenses	2,295	1,364
Depreciation	165,830	201,016
Dispatch	2,105	2,100
Dues and fees	727	1,062
Employee benefits	181,938	180,255
Insurance and bonds	149,372	131,086
Mileage	1,895	2,207
Office expenses	7,225	6,138
Other expenses	1,247	2,068
Payroll expenses	133,861	123,108
Professional expenses	33,432	25,270
Rent	8,714	7,275
Retirement	142,919	130,123
Repairs and maintenance	91,061	85,817
Search and rescue	1,022	3,072
Safety and materials	362	425
Supplies	114,660	123,159
Telephone	18,158	18,232
Temporary employees	12,483	16,819
Uniforms	16,420	18,516
Utilities	24,335	21,408
Wages	<u>1,695,227</u>	<u>1,560,604</u>
Total Operating Expenses	<u>3,125,510</u>	<u>2,963,711</u>
Operating Income (Loss)	<u>(823,576)</u>	<u>(626,392)</u>
<i>Non-Operating Revenues (Expenses)</i>		
Interest Income	5,322	8,182
Gain (Loss) on sale of assets	785	11,446
Sales tax revenues	885,690	812,354
Grants received	10,000	31,300
Grant disbursements	<u>(10,000)</u>	<u>(30,800)</u>
Total Non-Operating Revenues (Expenses)	<u>891,797</u>	<u>832,482</u>
Change in Net Assets	68,221	206,090
Fund Net Assets at beginning of the year	<u>3,140,609</u>	<u>2,934,519</u>
Fund Net Assets at end of the year	<u>\$ 3,208,830</u>	<u>\$ 3,140,609</u>

*The accompanying notes are an Integral part of the financial statement.*

**Rural Water District #8**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2011

	Totals	
	2012	(Memo Only) 2011
<i>Cash Flows from Operating Activities</i>		
Cash Inflows:		
Payments received from customers	\$ 2,360,219	\$ 2,057,502
Cash outflows:		
Payments for salaries and benefits	2,074,475	1,962,845
Payments to supplies for goods and services	888,859	743,294
Total cash used	<u>2,963,334</u>	<u>2,706,139</u>
Net Cash Provided (Used) by Operating Activities	<u>(603,115)</u>	<u>(648,637)</u>
<i>Cash Flows from Non-Capital Financing Activities</i>		
Grants received	10,000	31,300
Grants disbursements	(10,000)	(30,800)
Sales tax received	869,436	808,833
Net Cash Provided (Used) by NonCapital Financing Activities	<u>869,436</u>	<u>809,333</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Purchase of capital assets	(40,217)	(476,185)
Cash received on sale of capital assets	785	11,446
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(39,432)</u>	<u>(464,739)</u>
<i>Cash Flows from Investing Activities</i>		
Interest Income received	5,322	8,183
Increase (decrease) in cash & cash equivalents	232,211	(295,860)
Cash and cash equivalents, beginning of year	<u>1,177,571</u>	<u>1,473,431</u>
Cash and cash equivalents, end of year	<u>\$ 1,409,782</u>	<u>\$ 1,177,571</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash</i>		
Provided by Operating Activities:		
Operating Income (Loss)	\$ (823,576)	\$ (626,392)
Depreciation/amortization	165,830	201,016
(Increase) decrease in:		
Accounts receivable	58,285	(279,817)
Prepaid Insurance	3,650	(6,705)
Increase (decrease) in:		
Accrued payroll expenses	21,033	48,064
Accounts payable	(28,337)	15,197
Net cash provided (used) by operating activities	<u>\$ (603,115)</u>	<u>\$ (648,637)</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**

The Authority complies with GASB Statement No. 14, "The Financial Reporting Entity..." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

**Basis of Presentation**

The Authority's basic financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The Authority has elected under GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable Financial Accounting Standards Board, or any Account Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

The Authority adopted the provisions of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in fiscal year 2005. Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and result of operations.

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Note 2 – Significant Accounting Policies -Continued**

**Measurement Focus and Basis of Accounting**

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.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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 sales and 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.

**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.

**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 Assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Accounts Receivable**

Accounts receivable consists primarily of charges for ambulance services earned at year-end and not yet received. Management has established a provision for uncollectible accounts based on a historical collection rate of approximately 24.7%.

**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.

**Note 2 – Significant Accounting Policies –Continued**

Due from other Governments

Mayes County presently levies a sales tax on taxable sales within the County, a portion of which is designated for use by Mayes Emergency Services Trust Authority. The sales tax is collected by the Oklahoma Tax Commission and remitted to the County in the month following receipt by the Oklahoma Tax Commission. The County remits a portion to the Authority in the same month it receives it from the Oklahoma Tax Commission. Therefore, sales tax collected by the State in December and January (which represent sales for November and December) and received by the County in January and February have been accrued.

Prepaid Insurance

Prepaid insurance represents the unexpired premiums paid on policies as of yearend.

Restricted Cash

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. This account is comprised of an account established for the receipt of donations designated for condolences.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- 1) Invested in capital assets, net of related debt - 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 net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt. "

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.

Revenues

In addition to revenues from charges for ambulance services, the Authority receives \$15,000 per month in fees for providing 911 dispatching services. In addition, the Authority receives sales tax of one quarter of one percent (1/4%) on all sales within the county. Ambulance services fees are stated net of bad debt, charity, and capitation arrangements in accordance with GASB no. 34.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 2 – Significant Accounting Policies –Continued**

**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.

**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 in financial institutions. The Authority does not have a deposit policy for custodial risk. As of December 31, 2012, none of the Authority's investments were exposed to custodial credit risk.

**Note 5 - Fixed Assets**

Fixed asset activity for the years is as follows:

	<u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2012</u>
Buildings	\$ 274,669	\$ -	\$ -	\$ 274,669
Equipment	7,575	5,100	-	12,675
Furniture & Fixtures	11,161	5,679	-	16,840
Ambulance/Vehicles	1,271,730	-	(79,875)	1,191,855
Medical Equipment	365,068	29,429	-	394,497
Service Animals	12,500	-	-	12,500
Total Fixed Assets	1,942,703	40,208	(79,875)	1,903,036
Less Accumulated Depreciation	(1,075,985)	(165,831)	79,875	(1,161,941)
<b>Net Fixed Assets</b>	<b>\$ 866,718</b>	<b>\$ (125,623)</b>	<b>\$ -</b>	<b>\$ 741,095</b>

**Note 6 – Revenue**

	2012	2011
Gross Billings	\$ 9,305,690	\$ 7,913,867
Less: Charity Capitation, Contract Adj.	(5,527,097)	(3,433,498)
Gross Ambulance Service Fees	3,778,593	4,480,369
Less: Estimated Bad Debt	(1,756,171)	(2,435,344)
Net Ambulance Service Fees	<u>\$ 2,022,422</u>	<u>\$ 2,045,025</u>

**Note 7 – 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 8 – 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. Total retirement expense was \$142,919 and \$130,123 for the years ending December 31, 2012 and 2011, respectively.

**Note 9 – 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, 2012 and 2011, the Authority recognized \$885,690 and \$812,354 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 – Commitments and Contingencies**

As of December 31, 2012, the Authority had no pending potential legal liabilities.

*Mayes Emergency Services Trust Authority*  
Schedule of Audit Findings  
For the Year Ended December 31, 2012

**PRIOR YEAR AUDIT FINDINGS**

NONE

**CURRENT YEAR AUDIT FINDINGS**

NONE