

**EMERGENCY MEDICAL SERVICE, A TRUST
OKMULGEE, OKLAHOMA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS**

Years Ended July 31, 2013 and 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR EMERGENCY MEDICAL SERVICE, A TRUST (the "Trust") FINANCIAL STATEMENTS

Our discussion and analysis of the Trust's financial performance provides an overview of the Trust's financial activities for the year ended July 31, 2013. Please read it in conjunction with the Trust's financial statements.

FINANCIAL HIGHLIGHTS

- The Trust's total assets decreased by \$21,185 or 3% during the year ended July 31, 2013, from \$756,099 at July 31, 2012 to \$734,914 at July 31, 2013.
- Total operating revenue increased by \$52,480 or 1% for the year ended July 31, 2013, from \$3,830,981 for the year ended July 31, 2012 to \$3,883,461 for the year ended July 31, 2013.
- Total operating expenses increased by \$180,436 or 5% for the year ended July 31, 2013, from \$33,828,555 for the year ended July 31, 2012 to \$4,008,991 for the year ended July 31, 2013.

USING THIS ANNUAL REPORT

The following summarizes the content of the Trust's financial statements:

- Management's Discussion and Analysis
- Financial Statements, including the Statements of Net Position on page 3, the Statements of Revenue, Expenses, and Changes in Net Position on page 4, and the Statements of Cash Flows on page 5.
- Notes to Financial Statements.

The Trust adopted Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

The primary focus of the Trust's financial statements is on the Trust as a whole. This perspective allows the user to address relevant questions, broaden a basis for comparison and enhance the Trust's accountability.

ENTITY WIDE FINANCIAL STATEMENTS

The Trust engages only in business-type activities. The financial statements are designed to be corporate-like in that all business-type activities are consolidated to a total for the entire entity. The Trust's major business activity is providing ambulance service for Okmulgee County.

STATEMENTS OF NET POSITION

The following table reflects the condensed Statements of Net Position compared to the previous fiscal year.

	<u>2013</u>	<u>2012</u>
Current assets	\$ 321,311	\$ 374,668
Capital assets	<u>413,603</u>	<u>381,431</u>
Total Assets	<u>\$ 734,914</u>	<u>\$ 756,099</u>
Current liabilities	\$ 134,916	\$ 70,998
Non-current liabilities	<u>39,633</u>	<u>-</u>
Total Liabilities	174,549	70,998
Net position:		
Unrestricted	213,603	303,670
Invested in capital assets, net of related debt	<u>346,762</u>	<u>381,431</u>
Total Liabilities and Net Position	<u>\$ 734,914</u>	<u>\$ 756,099</u>

For more detailed information, see page 3 for the statements of net position.

MAJOR FACTORS AFFECTING THE STATEMENTS OF NET POSITION

The net decrease in current assets can be attributed primarily to a decrease in cash from the payment of a down payment on a new ambulance. The net increase in capital assets can be attributed primarily to the purchase of a new ambulance, less additional depreciation. The net change in total liabilities can be attributed primarily to a new note payable used to finance the purchase of a new ambulance.

CHANGE IN UNRESTRICTED NET POSITION

	<u>2013</u>	<u>2012</u>
Unrestricted Net position at the beginning of the year	\$ 303,670	\$ 265,961
Change in Unrestricted Net position	<u>(90,067)</u>	<u>37,709</u>
Unrestricted Net position at the end of the year	<u>\$ 213,603</u>	<u>\$ 303,670</u>

While the results of operations are a significant measure of the Trust's activities, the analysis of the change in unrestricted net position provides a clearer assessment of the change in the Trust's financial well-being. The decrease in the unrestricted net position during 2013 is primarily due to an increase in bad debt expense and salaries and payroll taxes which was partially offset by an increase in total operating revenue.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenue and expenses for the current and previous fiscal year. As stated before, the Trust engages only in business-type activities.

	<u>2013</u>	<u>2012</u>
Operating revenue:		
Ambulance service fees	\$ 3,504,733	\$ 3,462,987
Membership fees from communities served	<u>378,728</u>	<u>367,994</u>
Total operating revenue	3,883,461	3,830,981
Operating expenses	(4,008,991)	(3,828,555)
Interest income	<u>794</u>	<u>606</u>
Change in Net Position	<u>\$ (124,736)</u>	<u>\$ 3,032</u>

MAJOR FACTORS AFFECTING THE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Revenue increased \$52,480 or 1%, primarily due to an increase in average mileage per service run from 14.5 miles in 2012 to 15.03 miles in 2013. The percentage of emergency to non-emergency runs stayed the same at 87% and 13%, respectively, and total runs increased by less than 1%.

Operating expenses increased \$180,436, or 5%, primarily due to an increase of approximately \$121,000 in bad debt expense and an increase of approximately \$76,000 in salaries and payroll taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of July 31, 2013, the Trust had \$346,762 invested in a variety of capital assets and related debt of \$66,841, as reflected in the following schedule, which represents a decrease of \$34,669 from the end of last year.

	<u>2013</u>	<u>2012</u>
Land	\$ 17,700	\$ 15,700
Buildings and improvements	443,917	443,917
Vehicles	563,313	461,008
Furniture and equipment	<u>186,600</u>	<u>178,164</u>
Total cost of assets	1,211,530	1,098,789
Accumulated depreciation	<u>797,927</u>	<u>717,358</u>
Net capital assets	413,603	381,431
Related debt	<u>(66,841)</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$ 346,762</u>	<u>\$ 381,431</u>

The following summarizes the changes in capital assets:

CHANGE IN CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 381,431	\$ 416,108
Additions to capital assets	112,741	41,441
Depreciation	<u>(80,569)</u>	<u>(76,118)</u>
Balance, end of year	<u>\$ 431,603</u>	<u>\$ 381,431</u>

Current year additions primarily relate to the purchase of a new ambulance and capitalized repairs to the building in Okmulgee, OK.

ECONOMIC FACTORS

The Trust was established in 1974 as a non-profit organization providing ambulance service to the residents of Okmulgee County, Oklahoma. The Trust is funded by monthly membership fees of \$3.50 paid by residents of towns within the County and fees received for services. Ambulance service fees are based on allowable reimbursement rates from Medicare, Medicaid, and private insurance and the majority of the Trust's reimbursements are received from Medicare and Medicaid. The major expenses of the Trust are payroll, medical supplies, and fuel for vehicles. These expenses vary with demand for ambulance services and any significant increases in the costs of fuel or medical supplies could have an adverse effect on the trust.

The board is presented a budget at the July Board of Directors meeting each year and it is generally approved at that meeting.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Irma Walker, Executive Director, 918-756-8563. Specific requests may be submitted to Irma Walker, Executive Director, Box 1056, Okmulgee, Oklahoma 74447.



Independent Auditors' Report

The Board of Directors
Emergency Medical Service, A Trust
Okmulgee, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of Emergency Medical Service, A Trust (the "Trust"), as of July 31, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Trust, as of July 31, 2013 and 2012, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014, on our consideration of the Trust'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 Trust's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.



Tulsa, Oklahoma
April 1, 2014

EMERGENCY MEDICAL SERVICE - A TRUST

STATEMENTS OF NET POSITION

<i>July 31,</i>	2013	2012
ASSETS		
Current Assets:		
Cash	\$ 31,447	\$ 66,642
Certificates of deposit	85,518	85,133
Accounts receivable, less allowance for doubtful accounts of \$357,454 and \$354,139 in 2013 and 2012	164,729	183,276
Supplies and other assets	39,617	39,617
Total Current Assets	321,311	374,668
Property and Equipment, at cost:		
Land	17,700	15,700
Buildings and improvements	443,917	443,917
Vehicles	563,313	461,008
Furniture and equipment	186,600	178,164
	1,211,530	1,098,789
Less accumulated depreciation	797,927	717,358
Net Property and Equipment	413,603	381,431
	\$ 734,914	\$ 756,099

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

2013**2012**

LIABILITIES AND NET POSITION**Current Liabilities:**

Notes payable - current portion	\$ 27,208	\$ -
Accounts payable - trade	28,380	30,826
Accrued expenses	77,435	38,279
Deferred revenue	<u>1,893</u>	<u>1,893</u>
Total Current Liabilities	134,916	70,998
Notes Payable - non-current portion	<u>39,633</u>	<u>-</u>
Total Liabilities	<u>174,549</u>	<u>70,998</u>
Net Position:		
Unrestricted	213,603	303,670
Invested in capital assets, net of related debt	<u>346,762</u>	<u>381,431</u>
Total Net Position	<u>560,365</u>	<u>685,101</u>
	<u>\$ 734,914</u>	<u>\$ 756,099</u>

EMERGENCY MEDICAL SERVICE - A TRUST
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION

<i>Years ended July 31,</i>	2013	2012
Operating Revenue:		
Ambulance service fees	\$ 3,504,733	\$ 3,462,987
Membership fees from communities served	378,728	367,994
Total Operating Revenue	<u>3,883,461</u>	<u>3,830,981</u>
Operating Expenses:		
Bad debts	2,028,503	1,907,776
Salaries and payroll taxes	1,342,160	1,265,794
Insurance	244,499	260,355
Vehicle expense	115,193	96,311
Medical supplies and oxygen	63,035	64,770
Depreciation	80,569	76,118
Utilities and telephone	44,261	40,715
Professional services	30,586	37,492
Station and office supplies	13,626	19,150
Repairs and maintenance	19,862	21,016
Uniforms	3,767	10,741
Equipment rental	-	2,932
Contributions to employee benefit plan	10,526	14,118
Administrative - other	6,000	6,000
Miscellaneous	3,844	3,956
Interest expense	1,149	-
Other taxes	1,411	1,311
Total Operating Expenses	<u>4,008,991</u>	<u>3,828,555</u>
Operating Income (Loss)	<u>(125,530)</u>	<u>2,426</u>
Non-operating Revenue:		
Interest and other income	794	606
Total Non-operating Revenue	<u>794</u>	<u>606</u>
Change in Net Position	(124,736)	3,032
Net Position, beginning of year	<u>685,101</u>	<u>682,069</u>
Net Position, end of year	<u>\$ 560,365</u>	<u>\$ 685,101</u>

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

EMERGENCY MEDICAL SERVICE - A TRUST

STATEMENTS OF CASH FLOWS

<i>Years ended July 31,</i>	2013	2012
Cash Flows From Operating Activities:		
Cash received from service fees	\$ 1,494,777	\$ 1,504,174
Cash received from membership fees	378,728	367,994
Cash payments to employees for services	(1,303,004)	(1,298,772)
Cash payments for goods or services	(560,205)	(595,675)
Net Cash Provided by (used in) Operating Activities	10,296	(22,279)
Cash Flows From Capital and Related Financing Activities:		
Additions to property and equipment	(112,741)	(41,441)
Proceeds from borrowings	82,397	-
Principal payments on note payable	(15,556)	-
Net Cash Used in Capital and Related Financing Activities	(45,900)	(41,441)
Cash Flows From Investing Activities:		
Interest income reinvested on certificats of deposits	(385)	-
Interest received on investments	794	172
Net Cash Provided by Investing Activities	409	172
Decrease in Cash	(35,195)	(63,548)
Cash, beginning of year	66,642	130,190
Cash, end of year	\$ 31,447	\$ 66,642

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

<i>Years Ended July 31,</i>	2013	2012
Cash Flows From Operating Activities:		
Operating income (loss)	\$ (125,530)	\$ 2,426
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	80,569	76,118
Changes in operating assets and liabilities:		
Accounts receivable	18,547	(51,037)
Supplies and other assets	-	4,505
Accounts payable - trade	(2,446)	(21,313)
Accrued expenses and deferred revenue	39,156	(32,978)
Net Cash Provided by (Used in) Operating Activities	\$ 10,296	\$ (22,279)

EMERGENCY MEDICAL SERVICE, A TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Emergency Medical Service, A Trust, (the "Trust") is a public trust as defined under Oklahoma statutes and operates an ambulance service in Okmulgee County, Oklahoma, serving primarily the residents of the communities of Okmulgee, Henryetta, Beggs, Morris, Dewar, Schuller and Preston.

Basis of Accounting: The Trust presents its activities in a proprietary fund category. The measurement focus of proprietary activities is on the determination of the change in net position, the net position, and cash flows. As a result, the Trust uses the accrual method of accounting, whereby revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The Trust complies with generally accepted accounting principles in the United States of America ("GAAP"). The Trust applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The Trust applies Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Trust distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from providing ambulance service to residents of Okmulgee County, Oklahoma. Operating revenue consists of emergency service fees and membership fees collected from residents, and operating expenses consist of expenses associated with operating the ambulance service. All other revenue and expenses are reported as non-operating revenue and expenses.

Property and Equipment: Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred, whereas, major improvements are capitalized.

Revenue: In addition to fees collected from customers for services provided, the Trust has contracts with each community serviced, under which the community assesses additional fees to its residents. These fees are \$3.50 per month and are included on each water bill generated monthly. The fees are collected by the communities and remitted to the Trust monthly, and are reflected as membership fees from communities served in the accompanying financial statements.

Income Taxes: The Trust is exempt from federal income taxes under the Internal Revenue Code. Therefore, no provision for income taxes is included in these financial statements.

EMERGENCY MEDICAL SERVICE, A TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2013 AND 2012

Accounts Receivable: Accounts receivable consists of amounts due from customers for emergency ambulance services provided. Accounts receivable are uncollateralized obligations due under normal trade terms requiring payment upon receipt of the invoice. Accounts receivable are stated at the amount billed (less allowance for doubtful accounts) and are written off by management when they are deemed uncollectible. As of July 31, 2013 and 2012, the Trust has established an allowance for doubtful accounts based on management's best estimate of amounts that will not be collected.

Deferred Revenue: Deferred revenue consists of voluntary membership fees received annually in advance from individuals outside of the city limits of the communities served.

Net position: Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on an asset's use either through the enabling legislation adopted by the Trust or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent Events: Subsequent events have been evaluated as of April 1, 2014, the date the financial statements were available to be issued.

New Accounting Pronouncements: Effective July 1, 2013, the Trust adopted Statement of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, ("Statement no. 63"). Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and incorporates these items into the definitions of the net assets, which has been renamed net position. Other than renaming the statement of net position (which the Trust has retrospectively done for 2012), Statement No. 63 did not have a significant impact on the Trust's financial statements, as the Trust does not have any deferred outflows or deferred inflows of resources, as defined by Statement No. 63.

EMERGENCY MEDICAL SERVICE, A TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2013 AND 2012

2. CASH AND CERTIFICATES OF DEPOSIT

For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less. There were no cash equivalents as of July 31, 2013 and 2012.

The Trust's policy is to invest primarily in certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value. The certificates of deposit mature within one year of the statement of net position date. All certificates of deposit are held at financial institutions in accounts which are fully insured by the Federal Deposit Insurance Corporation ("FDIC") as of July 31, 2013 and 2012.

Cash is held at a financial institution in accounts which are fully insured by the FDIC as of July 31, 2013 and 2012.

3. PROPERTY AND EQUIPMENT

Activity in property and equipment for the years ended July 31, 2013 and 2012 is as follows:

	<u>7/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>7/31/2013</u>
Okmulgee Building	\$ 317,448	\$ -	\$ -	\$ 317,448
Henryetta Building	72,568	-	-	72,568
Beggs Building	53,901	-	-	53,901
Vehicles	461,008	102,305	-	563,313
Furniture and Fixtures	<u>178,164</u>	<u>8,436</u>	-	<u>186,600</u>
Total Depreciable Assets	<u>1,083,089</u>	<u>110,741</u>	-	<u>1,193,830</u>
Less Accumulated Depreciation for:				
Okmulgee Building	203,187	4,357	-	207,544
Henryetta Building	45,805	1,960	-	47,765
Beggs Building	31,082	1,607	-	32,689
Vehicles	301,147	60,478	-	361,625
Furniture and Fixtures	<u>136,137</u>	<u>12,167</u>	-	<u>148,304</u>
Total Accumulated Depreciation	<u>717,358</u>	<u>80,569</u>	-	<u>797,927</u>
Land	<u>15,700</u>	<u>2,000</u>	-	<u>17,700</u>
Net Property and Equipment	<u>\$ 381,431</u>	<u>\$ 34,172</u>	<u>\$ -</u>	<u>\$ 413,603</u>

EMERGENCY MEDICAL SERVICE, A TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2013 AND 2012

	<u>7/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>7/31/2012</u>
Okmulgee Building	\$ 295,698	\$ 21,750	\$ -	\$ 317,448
Henryetta Building	72,568	-	-	72,568
Beggs Building	53,901	-	-	53,901
Vehicles	455,331	5,677	-	461,008
Furniture and Fixtures	<u>164,150</u>	<u>14,014</u>	-	<u>178,164</u>
Total Depreciable Assets	<u>1,041,648</u>	<u>41,441</u>	-	<u>1,083,089</u>
Less Accumulated Depreciation for:				
Okmulgee Building	199,364	3,823	-	203,187
Henryetta Building	43,844	1,961	-	45,805
Beggs Building	29,475	1,607	-	31,082
Vehicles	243,262	57,885	-	301,147
Furniture and Fixtures	<u>125,295</u>	<u>10,842</u>	-	<u>136,137</u>
Total Accumulated Depreciation	<u>641,240</u>	<u>76,118</u>	-	<u>717,358</u>
Land	<u>15,700</u>	-	-	<u>15,700</u>
Net Property and Equipment	<u>\$ 416,108</u>	<u>\$ (34,667)</u>	<u>\$ -</u>	<u>\$ 381,431</u>

4. NOTES PAYABLE

Notes payable consists of the following as of July 31:

	<u>2013</u>	<u>2012</u>
Note payable to a financial institution bearing interest at 2.40%. The note is collateralized by a certificate of deposit and requires that monthly payments of \$2,376 be paid through the maturity date of December 10, 2015, with the remaining principal and interest due at that date.	\$ 66,841	\$ -
Less Current Portion	(27,208)	-
Non-Current Portion	<u>\$ 39,633</u>	<u>\$ -</u>

Future debt service requirements of the Trust as of July 31, 2013, are as follows:

<u>Year Ended July 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 27,208	\$ 1,306	\$ 28,514
2015	27,868	646	28,514
2016	11,765	70	11,835
Total	<u>\$ 66,841</u>	<u>\$ 2,022</u>	<u>\$ 68,863</u>

EMERGENCY MEDICAL SERVICE, A TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2013 AND 2012

Activity in notes payable is as follows for the year ended July 31, 2013

	<u>2013</u>
Balance, beginning of year	\$ -
Principal repayments	(15,556)
Additional borrowings	<u>82,397</u>
Balance, end of year	<u>\$ 66,841</u>

5. RETIREMENT PLAN

The Trust has a defined contribution plan which covers substantially all employees. Participants may make contributions up to the maximum salary reduction contribution amount as determined annually by the Internal Revenue Service. The Trust makes contributions equal to 2% of the participant's compensation for the year. Participants are fully vested in their contributions and the employer contributions plus actual earnings thereon. Trust contributions were \$10,526 and \$14,118 for the years ended July 31, 2013 and 2012, respectively.

6. REVENUE CONCENTRATION

The Trust receives a significant portion of its revenue for providing ambulance services from Medicare.

7. CONTINGENCIES

The Trust is exposed to certain risks related to providing ambulance service. Any significant losses are covered by commercial insurance up to the coverage limits. There have been no significant reductions in insurance coverage and settlement amounts have not significantly exceeded insurance coverage for 2013 and 2012.

8. SUBSEQUENT EVENT

In August 2013, the Trust entered into a note payable with a bank for approximately \$80,000. The funds of the note payable were used to purchase a new ambulance and the note is payable in monthly installments of \$2,438 and bears interest at a rate of 6.0%. The borrowings are collateralized by the new ambulance.

OTHER REPORT



Independent Auditors' 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

The Board of Directors
Emergency Medical Service, A Trust
Okmulgee, Oklahoma

We have audited, 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, the statements of net position of Emergency Medical Service, A Trust (the "Trust"), as of July 31, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of The Trust'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 Trust'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 black ink, appearing to read "Santa A. J. K. Co.", is written in a cursive style.

April 1, 2014