AREA METROPOLITAN AMBULANCE AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Year ended September 30, 2016
with Report of Independent Auditors

AREA METROPOLITAN AMBULANCE AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Year ended September 30, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
Area Metropolitan Ambulance Authority
Fort Worth, Texas

We have audited the accompanying financial statements of Area Metropolitan Ambulance Authority, which comprise the statements of net position as of September 30, 2016 and 2015, and the related statements of revenues, 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 an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Area Metropolitan Ambulance Authority as of September 30, 2016 and 2015, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information and other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other financial information 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 them.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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.

Whitley Penn LLP

Fort Worth, Texas
January 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is intended to assist the reader in assessing whether the financial position of Area Metropolitan Ambulance Authority (the "Authority") dba MedStar has improved or deteriorated as a result of the year's activities. The analysis should comment on changes in funds and significant budget variances. The analysis should describe capital asset and long-term debt activity. Finally, it should conclude with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial positions or results of operations.

All of the information in this section of the financial report is the responsibility of the Authority's management.

Basic Financial Statements

The three basic financial statements presented in this financial report are: the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statement of net position reports all assets, deferred outflows, liabilities, and deferred inflows, with the net result presented as net position.

A "special-purpose government engaged in business-type activities" is intended to recover from "customers" a significant portion of the cost of providing goods and services. To help financial statement users assess the degree to which this goal has been achieved, the statements of revenues, expenses and changes in net position, is presented in a format similar to the income statement of a for-profit business enterprise. Revenues and expenses are segregated into *operating* and *non-operating* classifications. Operating revenues are amounts received from patient service fees and subscription and program income. Operating expenses are the costs incurred by the Authority to provide emergency and non-emergency transportation to the citizens within our member jurisdictions. Non-operating revenues and expenses include insurance recoveries, net of expenses, gain (loss) on sale of assets, other income, interest expense and local member city subsidies.

The statements of cash flows provide financial statement users with the information to assess the adequacy of an entity's cash flows including the ability to generate sufficient cash to meet its obligations in a timely manner. Cash flows are classified into four categories:

- Cash flows from operating activities (operating revenues and expenses).
- Cash flows from non-capital financing activities – such as receipts from member cities buy-in and receipts from subscriptions purchases.

- Cash flows from capital and related financing activities. This category includes capital outlays; proceeds from capital-related debt; debt service payments on capital-related debt; proceeds from insurance recoveries, repair payments from insurance recoveries, and proceeds from the sale of capital assets.

- Cash flows from investing activities - interest on investment activities. The Authority did not have any cash flows related to this category.

Statements of Net Position

The statements of net position includes all assets, deferred outflows, liabilities, and deferred inflows, with the net result presented as net position. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Authority's financial health.

	September 30,	
	2016	**2015**
Total current assets	$ 36,950,067	$ 31,266,407
Capital assets	43,953,237	39,543,362
Less accumulated depreciation	16,916,623	16,560,953
Total capital assets, net, at cost	27,036,614	22,982,409
Total assets	63,986,681	54,248,816
Total current liabilities	4,315,884	3,251,878
Total noncurrent liabilities	5,531,498	6,327,444
Total liabilities	9,847,382	9,579,322
Net investment in capital assets	21,030,830	16,180,679
Unrestricted	33,108,469	28,488,815
Total net position	$ 54,139,299	$ 44,669,494

Current assets of $36,950,067 consist of cash and cash equivalents, receivables, supplies inventory, and prepaid expenses. Cash and cash equivalents are maintained at levels necessary to cover current liabilities as they come due. Receivables are from customer ambulance services provided, proceeds from insurance recoveries, and the state of Texas cost report reimbursement; supplies inventory is the amount of supplies on hand at the end of the fiscal year, while prepaid expenses are primarily attributed to annual contracts for computer maintenance software. Current assets increased from the prior year primarily due to increased balance of cash and cash equivalents.

Capital assets of $27,036,614 consist of property and equipment, less accumulated depreciation. The depreciation methods are designed to amortize the cost of assets over their estimated useful lives. Estimated useful lives of the major categories of property and equipment are as follows: communication equipment 10 years, data processing equipment and software 3 to 5 years, office furniture and equipment 7 years, building and improvements 7 to 31 ½ years, and ambulance fleet inventory 3 to 5 years. Capital assets increased from the prior year primarily due to additions to ambulance fleet, upgrades to dispatch software, and construction of special events center.

Current liabilities of $4,315,884 are comprised of current portion of long-term note payable, accounts payable and accrued liabilities, and unearned revenue. Current portion of accounts payable and accrued liabilities are the liabilities, at September 30, for goods and services received prior to the end of the fiscal year. Unearned revenue is composed of subscriptions and subsidies received but unearned prior to September 30. Subscriptions are being amortized over the period during which the subscriber is allowed to use the Authority's services. Subsidies are received on either a monthly, quarterly, or annual basis. Subsidies received in advance are recognized as income in the quarter in which they are due. Current liabilities increased from the prior year primarily due to an increase in accrued payroll and accrued expenses related to building repairs resulting from hail storm damage, which therefore increased accounts payable and accrued liabilities at September 30, 2016.

Non-current liabilities are the portions of the long-term note payable which are due in the future. The non-current liabilities decreased due to payments being made in accordance with the note agreement.

Net position of $54,139,299 consists of net investment in capital assets and unrestricted net position. The net investment in capital assets is the total of property and equipment, less accumulated depreciation, and any related debt. Unrestricted net position is the remaining net position available for use by the Authority for which a specific use has not been designated by the Authority.

	September 30,	
	2015	**2014**
Total current assets	$ 31,266,407	$ 29,691,077
Capital assets	39,543,362	34,042,688
Less accumulated depreciation	16,560,953	16,792,706
Total capital assets, net, at cost	22,982,409	17,249,982
Total assets	54,248,816	46,941,059
Total current liabilities	3,251,878	5,044,760
Total noncurrent liabilities	6,327,444	3,549,750
Total liabilities	9,579,322	8,594,510
Net investment in capital assets	16,180,679	12,937,205
Unrestricted	28,488,815	25,409,344
Total net position	$ 44,669,494	$ 38,346,549

Current assets of $31,266,407 consist of cash and cash equivalents, receivables, supplies inventory, and prepaid expenses. Cash and cash equivalents are maintained at levels necessary to cover current liabilities as they come due. Receivables are from customer ambulance services provided and the state of Texas cost report reimbursement; supplies inventory is the amount of supplies on hand at the end of the fiscal year, while prepaid expenses are primarily attributed to annual contracts for computer maintenance software.

Noncurrent assets of $22,982,409 consist of property and equipment, less accumulated depreciation. The depreciation methods are designed to amortize the cost of assets over their estimated useful lives. Estimated useful lives of the major categories of property and equipment are as follows: communication equipment 10 years, data processing equipment and software 3 to 5 years, office furniture and equipment 7 years, building and improvements 7 to 31 ½ years, and ambulance fleet inventory 3 to 5 years. Noncurrent assets increased from the prior year primarily due to completion of the Authority's new facilities.

Current liabilities of $3,251,878 are comprised of current portion of note payments, accounts payable and accrued liabilities, and unearned revenue. Current portion of accounts payable and accrued liabilities are the liabilities, at September 30, for goods and services received prior to the end of the fiscal year. Unearned revenue is composed of subscriptions and subsidies received but unearned prior to September 30. Subscriptions are being amortized over the period during which the subscriber is allowed to use the Authority's services. Subsidies are received on either a monthly, quarterly, or annual basis. Subsidies received in advance are recognized as income in the quarter in which they are due. Current liabilities decreased from the prior year primarily due to the completion of the Authority's new facilities which therefore reduced accounts payable and accrued liabilities and retainage payable at September 30, 2015.

Non-current liabilities are the portions of the long-term note payable which are due in the future. The non-current liabilities increased as a result of the completion of the Authority's new facility which was partially funded through long-term note payable.

Net position of $44,669,494 consists of net investment in capital assets and unrestricted net position. The net investment in capital assets is the total of property and equipment, less accumulated depreciation, and any related debt. Unrestricted net position is the remaining net position available for use by the Authority for which a specific use has not been designated by the Authority.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating.

	Year Ended September 30,	
	2016	**2015**
Operating revenues	$158,694,759	$ 146,193,397
Less estimated uncollectible fees	109,436,811	99,111,581
Net operating revenues	49,257,948	47,081,816
Net operating expenses	39,886,227	40,564,271
Operating income	9,371,721	6,517,545
Total nonoperating revenues (expenses), net	98,084	(194,600)
Change in net position	9,469,805	6,322,945
Net position, beginning of year	44,669,494	38,346,549
Net position, end of year	$ 54,139,299	$ 44,669,494

Operating revenues consist mainly of patient services fees and other, which includes state of Texas cost report reimbursements, and subscription income. Patient service fees are gross billings to the Authority's customers for ambulance services provided. The subscription income is annual dollars received from the Authority's customers for a household membership. Operating revenue also includes other program income, which consists of fees from patients of hospitals for service. These revenue sources, less estimated uncollectible fees, which are calculated on the estimated collection percentage for the fiscal year, results in net operating revenue of $49,257,948 and $47,081,816 for 2016 and 2015, respectively. Increase in operating revenue is primarily related to increase in service provided.

Operating expenses of $39,886,227 and $40,564,271 for 2016 and 2015, respectively are from field operations, ambulance fleet operations, general and administrative and depreciation.

The field operation expenses are expenses the Authority incurred for the field personnel, and also the office staff for the departments of Clinical, Community Health, Communication Center, Health & Safety, Human Resources, Logistics, IT, PIO, and Deployment. Ambulance fleet operations expenses are expenses incurred to maintain the ambulances. Decreases in these expenses are the result of decreased fuel expenses.

General and administrative expenses are the expenses incurred to manage the non-operational functions of the MedStar system, including billing, collections, and infrastructure maintenance. Depreciation expense is provided on a straight-line basis and the methods are designed to amortize the cost of assets over their estimated useful lives. Depreciation increased due to increased capital assets. Decreases in general and administrative expense are primarily the result of lower insurance expenses, a decrease in expenses paid to the medical director, and consulting expenses relating to the cost reporting.

Total nonoperating revenues (expense) consists primarily of interest expense, proceeds received from insurance claims (net of repairs expense), and other and subsidy income. The increase in non-operating revenues in 2016 as compared to non-operating expenses in 2015 is primarily the result of net proceeds received from insurance claims related to hail storm which damaged our building and ambulance fleet the current year.

	Year Ended September 30,	
	2015	**2014**
Operating revenues	$146,193,397	$ 137,753,228
Less estimated uncollectible fees	99,111,581	96,433,490
Net operating revenues	47,081,816	41,319,738
Net operating expenses	40,564,271	35,624,270
Operating income	6,517,545	5,695,468
Total nonoperating revenues (expenses), net	(194,600)	60,185
Change in net position	6,322,945	5,755,653
Net position, beginning of year	38,346,549	32,590,896
Net position, end of year	$ 44,669,494	$ 38,346,549

Operating revenues generally consist mainly of patient services fees and other, which includes state of Texas cost report reimbursements, and subscription income. Patient service fees are gross billings to the Authority's customers for ambulance services provided. The subscription income is annual dollars received from the Authority's customers for a household membership. For fiscal year 2015 and 2014, operating revenue also includes other program income, which consists of fees from patients of hospitals for service. These revenue sources, less estimated uncollectible fees, which are calculated on the estimated collection percentage for the fiscal year, results in net operating revenue of $47,081,816.

Operating expenses of $40,564,271 and $35,624,270 for 2015 and 2014, respectively are from field operations, ambulance fleet operations, general and administrative and depreciation.

The field operation expenses are expenses the Authority incurred for the field personnel, and also the office staff for the departments of Clinical, Community Health, Communication Center, Health & Safety, Human Resources, Logistics, IT, PIO, and Deployment. Ambulance fleet operations expenses are expenses incurred to maintain the ambulances. Increases in these expenses are the result of increased patient services provided during 2015.

General and administrative expenses are the expenses incurred to manage the non-operational functions of the MedStar system, including billing, collections, and infrastructure maintenance. Depreciation expense are provided on a straight-line basis. Depreciation methods are designed to amortize the cost of assets over their estimated useful lives. Increases in general and administrative expense are primarily the result of higher insurance expenses, an increase in utility and facility costs due to the Authority's new facility, and consulting expenses relating to the cost reporting.

Total nonoperating revenues (expense) consists primarily of interest expense, loss on disposition of assets, and other and subsidy income. The increase in non-operating expenses in 2015 as compared to non-operating revenues in 2014 is primarily the result of loss recorded on disposal of capital assets in fiscal year 2015 as well as additional interest expense resulting from the long-term debt on the Authority's completed facility.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2016, capital assets before depreciation, which includes both depreciable and non-depreciable assets, totaled $43,953,237. This is an increase of $4,409,875 million over 2015. Accumulated depreciation increased by $355,670 to $16,916,623 at September 30, 2016.

During 2016, data processing equipment and software increased approximately $1.1 million due to the acquisition of new dispatch software. Building and improvements increased approximately $1.4 million related to construction of a special events building. Ambulance fleet increased by approximately $3.3 million related to fleet acquisitions and upgrades made throughout the year offset by disposals of approximately $1.7 million.

At September 30, 2015, capital assets before depreciation, which includes both depreciable and non-depreciable assets, totaled $39,543,362. This is an increase of $5,500,674 over 2014. Accumulated depreciation as of year-end 2015 decreased by $231,753 to $16,560,953.

During 2015, buildings and improvements increased approximately $11.9 million and construction-in-progress decreased approximately $10.4 million, due to the completion of the Authority's new facility. Data processing equipment and software increased nearly $1.0 million due to equipment additions related to the new facility. Ambulance fleet increased approximately $2.2 million related to fleet acquisitions and upgrades made throughout the year.

More detailed information on capital assets can be found in Note E of the financial statements.

Long-Term Debt

At September 30, 2016, the Authority had approximately $6.0 million outstanding on its notes payable, which was a decrease of approximately $796,000 from the prior year. The decrease in the balance resulted continued payment on the existing obligations. The notes payable consist of an equipment loan and a construction loan related to the Authority's new facility.

At September 30, 2015, the Authority had approximately $6.8 million outstanding on its notes payable, which was an increase of approximately $2.8 million over the prior year. The increase in long-term debt resulted from additional debt of approximately $3.4 million being drawn on a construction note offset by payments made during the year.. The notes payable consist of an equipment loan and a construction loan related to the Authority's new facility.

Economic Factors and Next Year's Rates

The Authority's mission is to manage the assets and resources under its stewardship in order to provide emergency medical service and transportation to individuals in Member Municipalities in Denton, Johnson, Parker, Tarrant, and Wise counties. It is the intent of the Authority to set its fees and other charges at a level to recover the cost of its activities including renewal and replacement of its facilities and equipment. The Authority's rates are not expected to increase significantly next year. With the constant growth in the Member Municipalities, the Authority expects continued growth in services provided.

Analysis

The financial position of the Authority in fiscal 2016 saw an increase in net position. Net position increased from $44,669,494 in 2015 to $54,139,299 in 2016. Cash and cash equivalents increased from $19,065,406 in 2015 to $24,621,459 in 2016. The current ratio changed from 9.6:1 in 2015 to 8.56:1 in 2016.

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2016 budgeted net operating revenues were $46,623,554. An analysis of the actual results compared to the operating budget shows operating revenues of $49,257,948, which is $2,634,394 or 5.65% over budgeted operating revenues. The majority of this variance is due to the gross patient service fee revenue collected over the budgeted collection rates as actual quantity increase in trips provided exceeded the budgeted increase.

Operating expenses, excluding depreciation, for the year ended September 30, 2016, of $37,798,878 were $2,129,945 or 5.33%, under budgeted expenses of $39,928,823. This variance is primarily a result of decreased field operations and ambulance fleet operations expenses primarily related to decreased insurance and fuel expenses.

The financial position of the Authority in fiscal 2015 saw an increase in net position. Net position increased from $38,346,549 in 2014 to $44,669,494 in 2015. Cash and cash equivalents decreased from $23,308,668 in 2014 to $19,065,406 in 2015. The current ratio changed from 5.9:1 in 2014 to 9.6:1 in 2015.

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2015 actual net operating revenues were $47,081,816. An analysis of the actual results compared to the operating budget shows operating revenues of $47,081,816, which is $458,262 or .98% over budgeted operating revenues of $46,623,554. The majority of this variance is due to the gross patient service fee revenue collected consistent with budgeted collection rates.

Operating expenses, excluding depreciation, for the year ended September 30, 2015, of $38,699,182 were $1,229,641 or 3.08%, under budgeted expenses. This variance is primarily a result of increased field operations and ambulance fleet operations expenses necessary to support the increased patient service fees.

FINANCIAL STATEMENTS

AREA METROPOLITAN AMBULANCE AUTHORITY

STATEMENTS OF NET POSITION

	September 30, 2016	September 30, 2015
Current assets		
Cash and cash equivalents	$ 24,621,459	$ 19,065,406
Patient and other accounts receivable, less allowance for doubtful accounts of $17,742,887 in 2016; $12,317,720 in 2015	11,467,758	11,442,909
Supplies inventory	279,522	338,507
Prepaid expenses	581,328	419,585
Total current assets	36,950,067	31,266,407
Capital assets, at cost		
Land	559,380	559,380
Communication equipment	3,581,588	3,365,845
Data processing equipment and software	7,841,538	6,703,036
Office furniture and equipment	2,209,643	2,187,348
Buildings and improvements	16,553,175	15,120,999
Ambulance fleet	13,207,913	11,606,754
	43,953,237	39,543,362
Less accumulated depreciation	16,916,623	16,560,953
Total capital assets, net, at cost	27,036,614	22,982,409
Total assets	63,986,681	54,248,816
Current liabilities		
Accounts payable and accrued liabilities	3,693,822	2,613,471
Current portion of long-term note payable	474,286	474,286
Unearned revenue	147,776	164,121
Total current liabilities	4,315,884	3,251,878
Noncurrent liabilities		
Long-term note payable	5,531,498	6,327,444
Total noncurrent liabilities	5,531,498	6,327,444
Total liabilities	9,847,382	9,579,322
Net position		
Net investment in capital assets	21,030,830	16,180,679
Unrestricted	33,108,469	28,488,815
Total net position	$ 54,139,299	$ 44,669,494

See accompanying notes to financial statements.

AREA METROPOLITAN AMBULANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended September 30, 2016	2015
Operating revenues		
Patient service fees and other	$ 157,566,288	$ 145,357,729
Subscription income	308,022	318,696
Program income	809,684	516,972
Grant income	10,765	-
	158,694,759	146,193,397
Less estimated uncollectible fees	109,436,811	99,111,581
Net operating revenues	49,257,948	47,081,816
Operating expenses		
Field operations	22,111,682	21,573,866
Ambulance fleet operations	1,879,634	2,222,047
General and administrative	13,807,562	14,903,269
Depreciation	2,087,349	1,865,089
Total operating expenses	39,886,227	40,564,271
Operating income	9,371,721	6,517,545
Nonoperating revenues (expenses)		
Other income	66,853	10,091
Insurance recoveries, net of repairs expense	167,471	-
Subsidy income	27,820	27,820
Interest expense	(142,731)	(135,791)
Loss on disposition of assets	(21,329)	(96,720)
Total nonoperating revenues (expenses), net	98,084	(194,600)
Change in net position	9,469,805	6,322,945
Net position, beginning of year	44,669,494	38,346,549
Net position, end of year	$ 54,139,299	$ 44,669,494

See accompanying notes to financial statements.

AREA METROPOLITAN AMBULANCE AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2016	2015
Cash flows from operating activities		
Patient service fees received	$ 49,577,181	$ 41,132,173
Cash paid to suppliers	(15,174,320)	(15,442,567)
Cash paid to employees	(22,679,272)	(22,454,091)
Net cash provided by operating activities	11,723,589	3,235,515
Cash flows from non-capital financing activities		
Subsidy payments received	27,820	27,820
Income from community health programs	66,853	10,091
Net cash provided by noncapital financing activities	94,673	37,911
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	920,000
Proceeds from capital long-term note payable	-	3,362,154
Proceeds from insurance recoveries	1,188,260	-
Payments on repairs made due to insurance claims	(303,596)	-
Principal paid on capital long-term note payable	(795,946)	(584,460)
Principal paid on capital leases	-	(288,741)
Interest paid on capital long-term note payable	(142,731)	(141,232)
Capital expenditures	(6,208,196)	(10,784,409)
Net cash used in capital and related financing activities	(6,262,209)	(7,516,688)
Net increase (decrease) in cash and cash equivalents	5,556,053	(4,243,262)
Cash and cash equivalents at beginning of year	19,065,406	23,308,668
Cash and cash equivalents at end of year	$ 24,621,459	$ 19,065,406
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 9,371,721	$ 6,517,545
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,087,349	1,865,089
Changes in assets and liabilities		
Accounts receivable	335,578	(5,942,769)
Supplies inventory	58,985	25,254
Prepaid expenses	(161,743)	98,923
Accounts payable and accrued liabilities	48,044	678,347
Retainage payable	-	-
Unearned revenue	(16,345)	(6,874)
Net cash provided by operating activities	$ 11,723,589	$ 3,235,515
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 142,731	$ 141,232

See accompanying notes to financial statements.

A. Significant Accounting Policies

The financial statements of Area Metropolitan Ambulance Authority (the "Authority") are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to independent enterprise agencies as prescribed by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the nature of operations and significant accounting policies:

Nature of Operations

The Authority provides emergency medical service and transportation to individuals in Member Municipalities in Denton, Johnson, Parker, Tarrant, and Wise counties. All of the Authority's accounts receivable is due from county residents, Medicare, insurance providers, and the state of Texas Health and Human Services Commission.

Reporting Entity

For financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34."

No entities met the above requirements to be considered component units. In addition, the Authority is not a component unit of any other governmental entity.

Measurement Focus and Basis of Accounting

The Authority uses the economic resources measurement focus. This means that all assets, liabilities, net position, revenues, and expenses are accounted for using the accrual basis of accounting.

Revenue is recognized when earned and expenses are recognized when they are incurred.

Allowance for Uncollectible Accounts

An allowance for uncollectible billed accounts receivable is provided based on an analysis of historical trends.

Supplies Inventories

Inventories of supplies are stated at the lower of cost (first-in, first-out) or market.

A. Significant Accounting Policies – continued

Capital Assets

Capital assets having an original cost of $3,000 or more and over one year of useful life are capitalized and are stated at cost. Depreciation is provided on the straight-line basis. Depreciation methods are designed to amortize the cost of assets over their estimated useful lives. Estimated useful lives of major categories of capital assets and equipment are as follows:

Category	Estimated Life
Communication Equipment	10 years
Data Processing Equipment and Software	3-5 years
Office Furniture and Equipment	7 years
Buildings and Improvements	7-31.5 years
Ambulance Fleet	3-5 years

Maintenance, repairs, renewals, and betterments which do not enhance the value or increase the basic productive capacity of assets are charged to expense as incurred.

Accumulated Vacation and Sick Leave

Employees of the Authority earn vacation and sick leave. Unused vacation leave up to three weeks may be carried over to subsequent periods. However, employees will not be compensated for their unused sick leave.

Cash Flows Presentation

For purpose of the statement of cash flows, investments, and time deposits with maturities of three months or less are considered cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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.

Included in the accompanying financial statements are estimates of uncollectible fees based upon past collections history of the Authority. It is reasonably possible that the actual uncollectible fees may differ and that the difference may be material to the financial statements.

A. Significant Accounting Policies – continued

Operating Revenues

Operating revenues generally consist mainly of patient services fees, including the state of Texas cost report reimbursement, subscription income, and program income. Patient service fees are gross billings to the Authority's customers for ambulance services provided. The subscription income is annual dollars received from the Authority's customers for a household membership. Program income consists of fees from patients of hospitals for service.

Non-operating Revenues

Non-operating revenues are those revenues that do not relate to the Authority's nature of operations. These consist of subsidy revenues paid by cities to reduce the cost of emergency medical services to their residents and community health programs initiated by the Authority as a means to provide certified health advice for residents and reduce unnecessary transports, and other income which includes fees for placing ambulances in high traffic areas to lower response times and fees from hospitals for consulting non-emergency patients to avoid a hospital stay. Additionally, non-operating revenues consist of insurance recoveries, net of expenses.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

B. Cash and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the policy requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the Federal Deposit Insurance Corporation ("FDIC") insurance at all times.

B. Cash and Investments – continued

Custodial Credit Risk – continued

As of September 30, 2016 and 2015, the carrying amount of the Authority's cash on hand was $24,621,459 and $19,065,406, respectively and the bank balance was $25,286,354 and $19,308,516, respectively. Bank balance not covered by depository insurance under the FDIC was fully collateralized by pledged investments.

C. Unearned Revenue

Unearned revenue is composed of subscriptions received but unearned. Subscriptions are amortized over the period during which the subscriber is allowed to use the Authority's services.

D. Defined Contribution Pension Plan

The Authority has two defined contributions plans created in accordance with applicable sections of the Internal Revenue Code. The plans were previously administered by ICMA Retirement Corporation prior to all assets of both plans being transferred to new plans administered by MassMutual Retirement Services on February 2, 2015. All full-time employees are eligible for participation in these plans after six months of employment. The plans require that the Authority match a portion of participant contributions annually. Authority contributions for the years ended September 30, 2016 and 2015, were approximately $782,000 and $941,000 (which includes approximately $79,000 and $700 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2016 and 2015, were approximately $711,000 and $384,000, respectively.

E. Capital Assets Activity

Capital asset activity for the Authority for the year ended September 30, 2016 and 2015, was as follows:

	Beginning Balance 10/1/2015	Additions	Retirements	Ending Balance 9/30/2016
Capital assets not being depreciated				
Land	$ 559,380	$ -	$ -	$ 559,380
Total capital assets not being depreciated	559,380	-	-	559,380
Capital assets being depreciated				
Communication equipment	3,365,845	301,730	85,896	3,581,588
Data processing equipment and software	6,703,036	1,138,502	-	7,841,538
Office furniture and equipment	2,187,348	22,295	-	2,209,643
Buildings and improvements	15,120,999	1,432,176	-	16,553,175
Ambulance fleet	11,606,754	3,268,122	1,666,963	13,207,913
Total capital assets being depreciated	38,983,982	6,162,825	1,752,859	43,393,857
Total at historical cost	39,543,362	6,162,825	1,752,859	43,953,237
Less accumulated depreciation				
Communication equipment	1,945,461	222,623	85,986	2,082,098
Data processing equipment and software	4,985,868	366,529	-	5,352,397
Office furniture and equipment	459,834	300,549	-	760,383
Buildings and improvements	970,691	451,792	-	1,422,483
Ambulance fleet	8,199,099	745,730	1,645,683	7,299,262
Total accumulated depreciation	16,560,953	2,087,223	1,731,669	16,916,623
Capital assets, net	$ 22,982,409	$ 4,075,602	$ 21,190	$ 27,036,614

AREA METROPOLITAN AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS *(continued)*

E. Capital Assets Activity – continued

	Beginning Balance 10/1/2014	Additions	Retirements	Ending Balance 9/30/2015
Capital assets not being depreciated				
Land	$ 325,165	$ 550,767	$ 316,552	$ 559,380
Construction in progress	10,441,303	-	10,441,303	-
Total capital assets not being depreciated	10,766,468	550,767	10,757,855	559,380
Capital assets being depreciated				
Communication equipment	2,974,672	391,173	-	3,365,845
Data processing equipment and software	5,751,923	951,113	-	6,703,036
Office furniture and equipment	1,869,309	553,284	235,245	2,187,348
Buildings and improvements	3,194,349	14,488,285	2,561,635	15,120,999
Ambulance fleet	9,485,967	2,120,787	-	11,606,754
Total capital assets being depreciated	23,276,220	18,504,642	2,796,880	38,983,982
Total at historical cost	34,042,688	19,055,409	13,554,735	39,543,362
Less accumulated depreciation				
Communication equipment	1,747,094	198,367	-	1,945,461
Data processing equipment and software	4,654,961	330,907	-	4,985,868
Office furniture and equipment	459,094	235,851	235,111	459,834
Buildings and improvements	2,463,972	368,450	1,861,731	970,691
Ambulance fleet	7,467,585	731,514	-	8,199,099
Total accumulated depreciation	16,792,706	1,865,089	2,096,842	16,560,953
Capital assets, net	$ 17,249,982	$ 17,190,320	$ 11,457,893	$ 22,982,409

F. Risk Management and Commitments

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate the risk of loss, the Authority carries commercial insurance. There were no significant reductions in coverage in the years ended September 30, 2016 or 2015.

G. Capital Leases

The Authority leased certain equipment with a total cost of $901,289 under capital leases with accumulated depreciation of $901,289 as of September 30, 2015. These capital lease obligations matured during the fiscal year ended September 30, 2015 and were fully paid off by the Authority.

H. Long-Term Note Payable

In June 2013, the Authority issued General Improvement Revenue Bonds. The issuance was for $8,000,000 which consists of an equipment loan of $3,200,000 and a construction loan available for draws of up to $4,800,000, both of which were for the purpose of providing funds for the purchase of land and expenses associated with the construction of the Authority's administrative headquarters. The equipment loan bears interest at a rate of 2.27%, and is paid in monthly installments of $38,095 plus accrued interest with a balloon payment required at maturity. The outstanding balance of the equipment loan at September 30, 2016, was $1,714,286. The construction loan bears interest at a rate of 2.27%, and is to be paid in monthly installments of $28,234 plus accrued interest with a balloon payment required at maturity. The outstanding balance of the construction loan at September 30, 2016, was $4,291,498. The loans are collateralized by patient accounts receivable, supplies inventory, and capital assets. All outstanding principal and accrued interest is due June 5, 2020. The Authority is required to maintain certain debt covenants and financial ratios under the loans. At September 30, 2016, the Authority was in compliance with these covenants and financial ratios.

The annual requirements to amortize all notes payable outstanding as of September 30, 2016, are as follows:

Year Ending September 30	Principal	Interest	Total
2017	$ 474,286	$ 38,552	$ 512,838
2018	474,286	27,786	502,072
2019	474,286	17,020	491,306
2020	4,582,926	7,788	4,590,714
Total	$ 6,005,784	$ 91,146	$ 6,096,930

I. Long-Term Note Payable – continued

The following is a summary of long-term debt transactions of the Authority for the years ended September 30, 2016 and 2015:

	Balances at October 1, 2015	Increases	Decreases	Balances at September 30, 2016	Due Within One Year
Notes payable	$ 6,801,730	$ -	$ (795,946)	$ 6,005,784	$ 474,286
	$ 6,801,730	$ -	$ (795,946)	$ 6,005,784	$ 474,286

	Balances at October 1, 2014	Increases	Decreases	Balances at September 30, 2015	Due Within One Year
Notes payable	$ 4,024,036	$ 3,362,154	$ (584,460)	$ 6,801,730	$ 474,286
Capital leases	288,741	-	(288,741)	-	-
	$ 4,312,777	$ 3,362,154	$ (873,201)	$ 6,801,730	$ 474,286

J. Insurance Plan

The Authority became self-insured for health care benefits beginning January 1, 2014. The Authority contracts with Group & Pension Administrators, Inc. ("GPA") to facilitate all claims. The Authority is solely responsible for all claim costs, both reported and unreported. GPA provides administrative services to the Authority including claims administration and customer service. The Authority is protected against higher than expected claims costs through the purchase of stop loss coverage of $100,000 per covered person. Liabilities include an amount for claims that have been incurred but not reported ("IBNRs"). The resultant liability calculation is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claim liabilities are evaluated periodically. At September 30, 2016 and 2015, the IBNR liability of $144,222 and $206,238, respectively, is recorded within accounts payable and accrued liabilities on the statements of net position. The following summarizes the self-insured plan claims and liabilities for health care benefits.

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claim Payments	End of Year Accrual
2016	$ 206,238	$ 2,740,025	$ (2,802,041)	$ 144,222
2015	$ 376,627	$ 2,963,765	$ (3,134,154)	$ 206,238

SUPPLEMENTAL INFORMATION

AREA METROPOLITAN AMBULANCE AUTHORITY

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

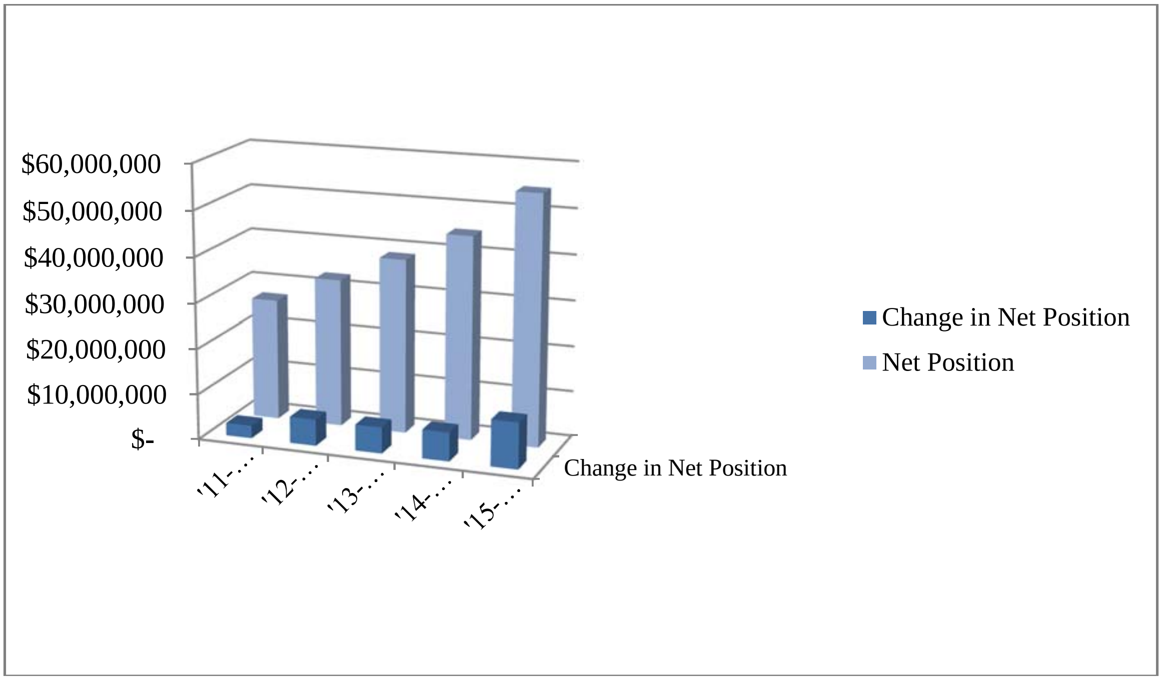
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Advertising	$ 79,357	$ 100,892
Banking and credit card fees	112,142	130,892
Collection fees	223,730	212,305
Dues and subscriptions	44,995	49,917
Equipment	232,281	175,225
Insurance	3,498,528	3,939,843
License - certification	6,280	15,344
Other	533,553	322,942
Payroll taxes	314,293	390,893
Postage	29,603	19,890
Professional fees	1,102,047	1,416,560
Public relations	56,786	43,149
Quality control	-	1,014,718
Recruitment and training	56,950	25,449
Rent expense	61,969	114,354
Repairs and maintenance	1,185,200	1,040,732
Retirement plan contribution	193,381	256,067
Salaries	4,890,604	4,646,998
Supplies	128,784	151,149
Telephone and utilities	937,922	764,485
Travel	119,157	71,465
	$ 13,807,562	$ 14,903,269

OTHER FINANCIAL INFORMATION

AREA METROPOLITAN AMBULANCE AUTHORITY

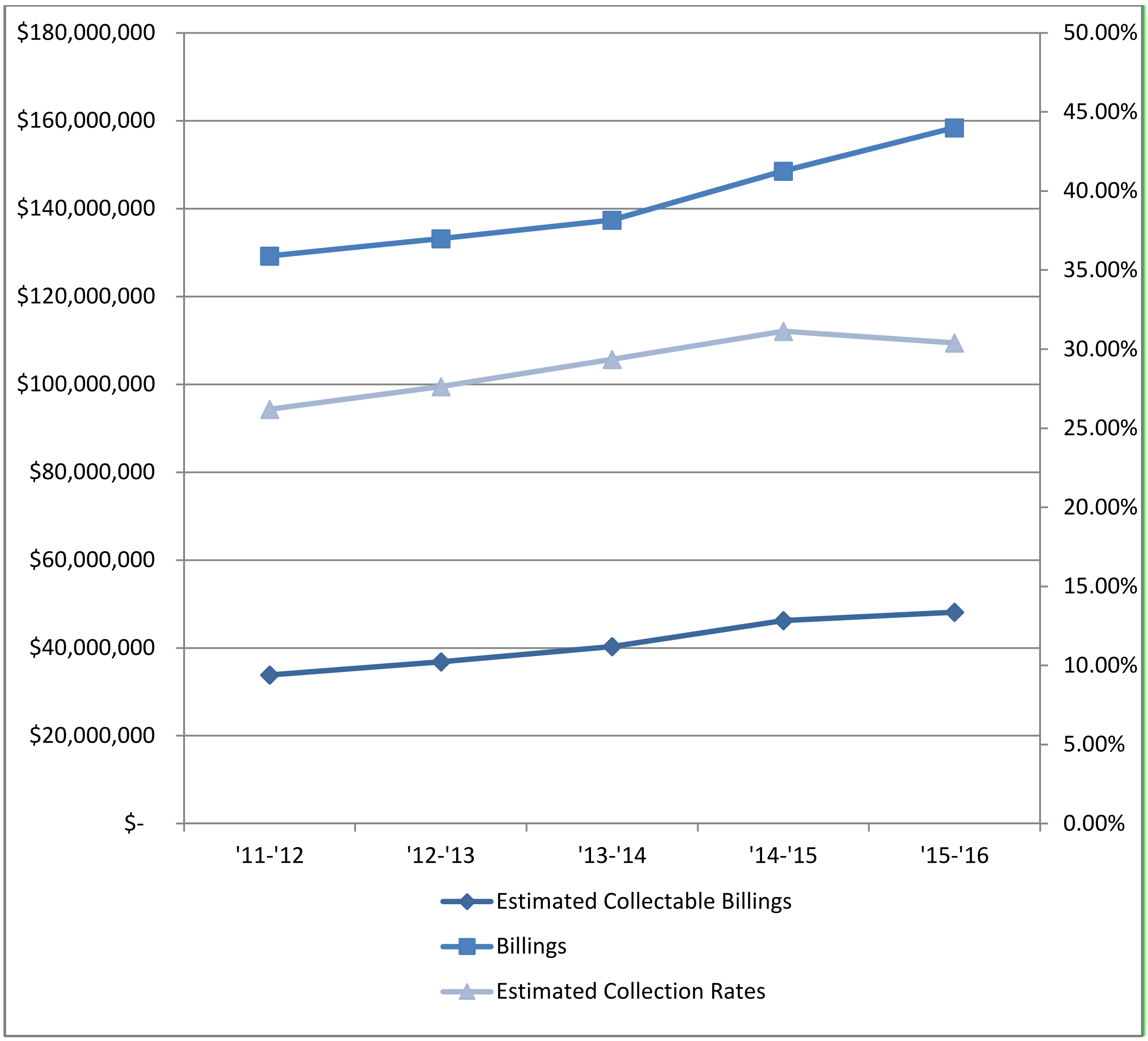
CHANGE IN NET POSITION VS. NET POSITION



	Change in Net Position	Net Position
2011-2012	$ 2,788,129	$ 26,769,415
2012-2013	5,821,481	32,590,896
2013-2014	5,755,653	38,346,549
2014-2015	6,322,945	44,669,494
2015-2016	10,186,380	54,855,874

AREA METROPOLITAN AMBULANCE AUTHORITY

BILLINGS VS. COLLECTION RATES



	Estimated Collectable Billings	Billings	Estimated Collection Rates
2011-2012	$ 33,864,165	$ 129,244,167	26.20%
2012-2013	36,814,366	133,179,607	27.64%
2013-2014	40,325,738	137,409,878	29.35%
2014-2015	46,246,148	148,574,701	31.13%
2015-2016	48,129,477	158,375,972	30.39%