METROPOLITAN AREA
EMS AUTHORITY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Years ended September 30, 2017 and 2016
with Report of Independent Auditors

METROPOLITAN AREA
EMS AUTHORITY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Years ended September 30, 2017 and 2016

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
Metropolitan Area EMS Authority

We have audited the accompanying financial statements of Metropolitan Area EMS Authority, which comprise the statements of net position as of September 30, 2017 and 2016, 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 Metropolitan Area EMS Authority as of September 30, 2017 and 2016, 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

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 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 it.

Whitley Penn LLP

Fort Worth, Texas
January 17, 2018

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 Metropolitan Area EMS Authority (the "Authority"), formerly known as Area Metropolitan Ambulance 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 other income, gain (loss) on sale of assets, 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 subsidies and community health programs.
- 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 and liabilities, 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,	
	2017	**2016**
Total current assets	$42,173,455	$36,950,067
Capital assets	46,738,564	43,953,237
Less accumulated depreciation	18,138,258	16,916,623
Total capital assets, net, at cost	28,600,306	27,036,614
Total assets	70,773,761	63,986,681
Total current liabilities	3,057,485	4,315,884
Total noncurrent liabilities	4,735,563	5,531,498
Total liabilities	7,793,048	9,847,382
Net investment in capital assets	23,390,467	21,030,830
Restricted	608,620	-
Unrestricted	38,981,626	33,108,469
Total net position	$62,980,713	$54,139,299

The financial position of the Authority in fiscal 2017 saw an increase in net position. Net position increased from $54,139,299 in 2016 to $62,980,713 in 2017. Cash and cash equivalents decreased from $24,621,459 in 2016 to $22,093,159 in 2017, which was offset by an increase of $6,988,237 in patient and other accounts receivable increased from $11,467,758 in 2016 to $18,455,995 in 2017. The current ratio changed from 8.56:1 in 2016 to 13.6:1 in 2017.

Current assets of $42,173,455 consist of cash and cash equivalents, restricted cash, receivables, supplies inventory, and prepaid expenses. Cash and cash equivalents are maintained at levels necessary to cover current liabilities as they come due. Restricted cash relates to the Emergency Physicians Advisory Board ("EPAB"), which was assumed by the Authority during 2017 as a result of the Restated Interlocal Cooperative Agreement ("Interlocal Agreement"). Receivables are from customer ambulance services provided and the state of Texas Ambulance Services Supplemental Payment Program ("ASSPP") for governmental entities; 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 the ASSPP that was recorded as a receivable at September 30, 2017, however there was no similar receivable at September 30, 2016 as it was received prior to year-end.

Capital assets of $28,600,306 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 software, improvements to facilities, and construction projects related to covered parking.

Current liabilities of $3,057,485 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 decreased from the prior year primarily due to the decrease in accounts payable and accrued liabilities for building repairs that were related to hail storm damage in fiscal year 2016, but we not paid until fiscal year 2017.

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 $62,980,713 consists of net investment in capital assets, restricted net position, and unrestricted net position. The net investment in capital assets is the total of property and equipment, less accumulated depreciation, and any related debt. The restricted net position is the total amounts related to EPAB which are restricted in accordance with the Interlocal Agreement. Unrestricted net position is the remaining net position available for use by the Authority on for which a specific use has not been designated by the Authority

	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

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.

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 and the ASSPP; 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 at September 30, 2016 due to an increase in cash provided by operating activities during 2016.

Noncurrent 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. Noncurrent assets increased from the prior year primarily due to additions to the ambulance fleet, upgrades to dispatch software, and construction of special events center.

Current liabilities of $4,315,884 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 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.

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,	
	2017	**2016**
Operating revenues	$164,621,499	$158,694,759
Less estimated uncollectible fees	113,057,380	109,436,811
Net operating revenues	51,564,119	49,257,948
Net operating expenses	43,374,733	39,886,227
Operating income	8,189,386	9,371,721
Total nonoperating revenues, net	43,408	98,084
Change in net position before special item	8,232,794	9,469,805
Special item	608,620	-
Change in net position	8,841,414	9,469,805
Net position, beginning of year	54,139,299	44,669,494
Net position, end of year	$62,980,713	$54,139,299

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2017 budgeted net operating revenues were $50,186,338. An analysis of the actual results compared to the operating budget shows operating revenues of $51,564,119, which is $1,377,781 or 2.75% 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, 2017, of $40,908,717 were $533,752 or 1.29%, under budgeted expenses of $41,442,469.

Operating revenues consist mainly of patient services fees and other, which includes ASSPP, 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 $51,564,119 and $49,257,948 for 2017 and 2016, respectively. Increase in operating revenue is primarily related to increase in service provided.

Operating expenses of $43,374,733 and $39,886,227 for 2017 and 2016, 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. The increase in field operation expenses is a related to increase in service provided, but also an increase in personnel. The Authority hired approximately 10% more field personnel in 2017 compared to 2016. Additionally, the Authority started an academy for paramedics, which began on January 1, 2017, in order to train personnel thus resulting in an increase in field operations 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. Increases in general and administrative expense are primarily due to software maintenance expenses.

Total nonoperating revenues consists primarily of interest expense, other income and subsidy income. The decrease in nonoperating revenues primarily relates to net proceeds received from insurance claims in 2016 that related to a hail storm which damaged our building and ambulance fleet. There was no similar insurance proceeds received in 2017.

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are special items. During 2017, the special item relates to the assumption of the EPAB cash account by the Authority pursuant to the Interlocal Agreement entered into by the Authority's member cities during the current year. As a result, the Authority recognized the restricted cash balance and restricted net position of EPAB during the year ended September 30, 2017.

	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, 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

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.

Operating revenues generally consist mainly of patient services fees and other, which includes ASSPP, 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 2016 and 2015, 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 are provided on a straight-line basis. Depreciation methods are designed to amortize the cost of assets over their estimated useful lives. 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 ASSPP.

Total nonoperating revenues (expenses) 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 in 2016.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2017, capital assets before depreciation, which includes both depreciable and non-depreciable assets, totaled $46,738,564. This is an increase of $2,785,327 over 2016. Accumulated depreciation increased by $1,221,635 to $18,138,258 at September 30, 2017.

During 2017, data processing equipment and software increased approximately $660,000 due to the acquisition of new software. Building and improvements increased approximately $1.7 million related to drainage improvements and covered parking construction. Ambulance fleet increased by approximately $1.4 million related to fleet acquisitions and upgrades made throughout the year offset by disposals of approximately $1.2 million. Due to these additions, depreciation expense also increased.

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 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.

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

Long-Term Debt

At September 30, 2017, the Authority had approximately $5.2 million outstanding on its notes payable, which was a decrease of approximately $796,000 from the prior year. The decrease in the balance resulted from 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, 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.

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.

FINANCIAL STATEMENTS

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF NET POSITION

	September 30, 2017	September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 22,093,159	$ 24,621,459
Cash and cash equivalents - restricted	608,620	-
Patient and other accounts receivable, less allowance for doubtful accounts of $16,152,964 in 2017; $17,742,887 in 2016	18,455,995	11,467,758
Supplies inventory	299,899	279,522
Prepaid expenses	715,782	581,328
Total current assets	42,173,455	36,950,067
Capital assets, at cost		
Land	559,380	559,380
Communication equipment	3,662,592	3,581,588
Data processing equipment and software	8,501,628	7,841,538
Office furniture and equipment	2,259,440	2,209,643
Buildings and improvements	18,294,147	16,553,175
Ambulance fleet	13,461,377	13,207,913
	46,738,564	43,953,237
Less accumulated depreciation	18,138,258	16,916,623
Total capital assets, net, at cost	28,600,306	27,036,614
Total assets	$ 70,773,761	$ 63,986,681
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,407,364	$ 3,693,822
Current portion of long-term note payable	474,276	474,286
Unearned revenue	175,845	147,776
Total current liabilities	3,057,485	4,315,884
Noncurrent liabilities		
Long-term note payable	4,735,563	5,531,498
Total liabilities	7,793,048	9,847,382
Net position		
Net investment in capital assets	23,390,467	21,030,830
Restricted - Emergency Physicians Advisory Board	608,620	-
Unrestricted	38,981,626	33,108,469
Total net position	$ 62,980,713	$ 54,139,299

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended September 30, 2017	2016
Operating revenues		
Patient service fees and other	$ 163,660,546	$ 157,566,288
Subscription income	305,442	308,022
Program income	638,742	809,684
Grant income	16,769	10,765
	164,621,499	158,694,759
Less estimated uncollectible fees	113,057,380	109,436,811
Net operating revenues	51,564,119	49,257,948
Operating expenses		
Field operations	24,907,162	22,111,682
Ambulance fleet operations	2,001,390	1,879,634
General and administrative	14,000,165	13,807,562
Depreciation	2,466,016	2,087,349
Total operating expenses	43,374,733	39,886,227
Operating income	8,189,386	9,371,721
Nonoperating revenues (expenses)		
Other income	139,680	66,853
Insurance recoveries, net of repairs expense	-	167,471
Subsidy income	27,819	27,820
Interest expense	(124,091)	(142,731)
Loss on disposition of assets	-	(21,329)
Total nonoperating revenues, net	43,408	98,084
Change in net position before special item	8,232,794	9,469,805
Special item		
Assumption of Emergency Physicians Advisory Board (Note I)	608,620	-
Change in net position	8,841,414	9,469,805
Net position, beginning of year	54,139,299	44,669,494
Net position, end of year	$ 62,980,713	$ 54,139,299

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2017	2016
Cash flows from operating activities		
Patient service fees received	$ 44,603,951	$ 49,577,181
Cash paid to suppliers	(16,879,308)	(15,174,320)
Cash paid to employees	(25,470,698)	(22,679,272)
Net cash provided by operating activities	2,253,945	11,723,589
Cash flows from non-capital financing activities		
Subsidy payments received	27,819	27,820
Income from community health programs	139,680	66,853
Net cash provided by noncapital financing activities	167,499	94,673
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	35,993	-
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	(795,945)	(795,946)
Interest paid on capital long-term note payable	(124,091)	(142,731)
Capital expenditures	(4,065,701)	(6,208,196)
Net cash used in capital and related financing activities	(4,949,744)	(6,262,209)
Net increase (decrease) in cash and cash equivalents	(2,528,300)	5,556,053
Cash and cash equivalents at beginning of year	24,621,459	19,065,406
Cash and cash equivalents at end of year	$ 22,093,159	$ 24,621,459
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 8,189,386	$ 9,371,721
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,466,016	2,087,349
Changes in assets and liabilities		
Accounts receivable	(6,988,237)	335,578
Supplies inventory	(20,377)	58,985
Prepaid expenses	(134,454)	(161,743)
Accounts payable and accrued liabilities	(1,286,458)	48,044
Unearned revenue	28,069	(16,345)
Net cash provided by operating activities	$ 2,253,945	$ 11,723,589
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 124,091	$ 142,731
Non-cash investing, capital and financing activities		
Assumption of Emergency Physicians Advisory Board (Note I)	$ 608,620	$ -

See accompanying notes to financial statements.

A. Significant Accounting Policies

The financial statements of Metropolitan Area EMS Authority (the "Authority"), formerly known as Area Metropolitan Ambulance 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 when purchased 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.

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.

As of September 30, 2017 and 2016, the carrying amount of the Authority's cash on hand was $22,093,159 and $24,621,459, respectively and the bank balance was $23,242,058 and $25,286,354, 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. The Authority's contributions for the years ended September 30, 2017 and 2016, were approximately $902,000 and $782,000 (which includes approximately $30,000 and $79,000 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2017 and 2016, were approximately $756,000 and $711,000, respectively.

E. Capital Assets Activity

Capital asset activity for the Authority for the year ended September 30, 2017 and 2016, was as follows:

	Beginning Balance 10/1/2016	Additions	Retirements	Ending Balance 9/30/2017
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	3,581,588	81,004	-	3,662,592
Data processing equipment and software	7,841,538	660,090	-	8,501,628
Office furniture and equipment	2,209,643	49,797	-	2,259,440
Buildings and improvements	16,553,175	1,776,964	35,992	18,294,147
Ambulance fleet	13,207,913	1,497,845	1,244,381	13,461,377
Total capital assets being depreciated	43,393,857	4,065,700	1,280,373	46,179,184
Total at historical cost	43,953,237	4,065,700	1,280,373	46,738,564
Less accumulated depreciation:				
Communication equipment	2,082,098	227,671	-	2,309,769
Data processing equipment and software	5,352,397	484,583	-	5,836,980
Office furniture and equipment	760,383	306,875	-	1,067,258
Buildings and improvements	1,422,483	543,439	-	1,965,922
Ambulance fleet	7,299,262	903,448	1,244,381	6,958,329
Total accumulated depreciation	16,916,623	2,466,016	1,244,381	18,138,258
Capital assets, net	$27,036,614	$ 1,599,684	$ 35,992	$28,600,306

E. Capital Assets Activity – continued

	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	301,729	85,986	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	6,162,824	1,752,949	43,393,857
Total at historical cost	39,543,362	6,162,824	1,752,949	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	745,846	1,645,683	7,299,262
Total accumulated depreciation	16,560,953	2,087,339	1,731,669	16,916,623
Capital assets, net	$22,982,409	$ 4,075,485	$ 21,280	$27,036,614

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, 2017 or 2016.

G. 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, 2017, was $1,257,143. 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, 2017, was $3,952,696. 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, 2017, the Authority was in compliance with these covenants and financial ratios.

The annual requirements to amortize all notes payable outstanding as of September 30, 2017, are as follows:

Year Ending September 30	Principal	Interest	Total
2018	$ 474,276	$ 27,786	$ 502,072
2019	474,276	17,020	491,306
2020	4,261,287	7,788	4,269,055
Total	$ 5,209,839	$ 52,594	$ 5,262,433

G. Long-Term Note Payable – continued

The following is a summary of long-term debt transactions of the Authority for the years ended September 30, 2017 and 2016:

	Beginning Balance 10/1/2016	Increases	Decreases	Ending Balance 9/30/2017	Due Within One Year
Notes payable	$ 6,005,784	$ -	$ (795,945)	$ 5,209,839	$ 474,286
	$ 6,005,784	$ -	$ (795,945)	$ 5,209,839	$ 474,286

	Beginning Balance 10/1/2015	Increases	Decreases	Ending Balance 9/30/2016	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

H. 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 changed from GPA to a new administrator beginning October 1, 2017. The Authority is protected against higher than expected claims costs through the purchase of stop loss coverage of $150,000 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, 2017 and 2016, the IBNR liability of $299,767 and $144,222, 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.

Year Ended September 30,	Beginning of Year Accrual	Current Year Estimates	Claim Payments	End of Year Accrual
2017	$ 144,222	$ 2,975,581	$(2,820,036)	$ 299,767
2016	206,238	2,740,025	(2,802,041)	144,222
2015	376,627	2,963,765	(3,134,154)	206,238

I. Emergency Physicians Advisory Board

Prior to 2017, the Authority maintained a cash account on behalf of the Emergency Physicians Advisory Board ("EPAB") for the expense of medical direction. The Authority recorded the amounts paid into the EPAB cash account within operating expenses in the accompanying statements of revenues, expenses, and changes in net position based on the number of transports that occurred during the fiscal year. In addition, amounts were also paid into the EPAB cash account for research performed by EPAB and the medical directors. Expenditures from the EPAB cash account were only made at EPAB's direction to pay its expenses and the contract fees for the medical directors.

Pursuant to the Restated Interlocal Cooperative Agreement ("Interlocal Agreement") entered into by the Authority's member cities in 2017, the Authority assumed direct responsibility for the expenses of medical direction. The Authority is no longer paying funds to the EPAB cash account. Pursuant to the Interlocal Agreement, the balance in the EPAB cash account remains restricted and can only be used for the original purposes for which the amounts were paid into the account. EPAB's approval is required for disbursements from this cash account. Upon the effective date of the Interlocal Agreement, the Authority recognized the EPAB restricted cash account and restricted net position of approximately $608,000. This amount is presented as a special item in the accompanying statement of revenues, expenses, and changes in net position.

J. New Accounting Pronouncements

New accounting standards were effective for the fiscal year ended September 30, 2017. However, the Authority has determined these pronouncements have no impact on the financial statements. The new accounting pronouncements are summarized below.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes reporting standards for state and local governmental OPEB plans – defined benefit OPEB plans and defined contribution POPEB plans—that are administered through trusts or equivalent that meet certain criteria.

GASB Statement No. 77, *Tax Abatement Disclosures,* applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement 82, *Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

K. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through January 17, 2018, the date the financial statements were available for issuance

SUPPLEMENTAL INFORMATION

METROPOLITAN AREA EMS AUTHORITY

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

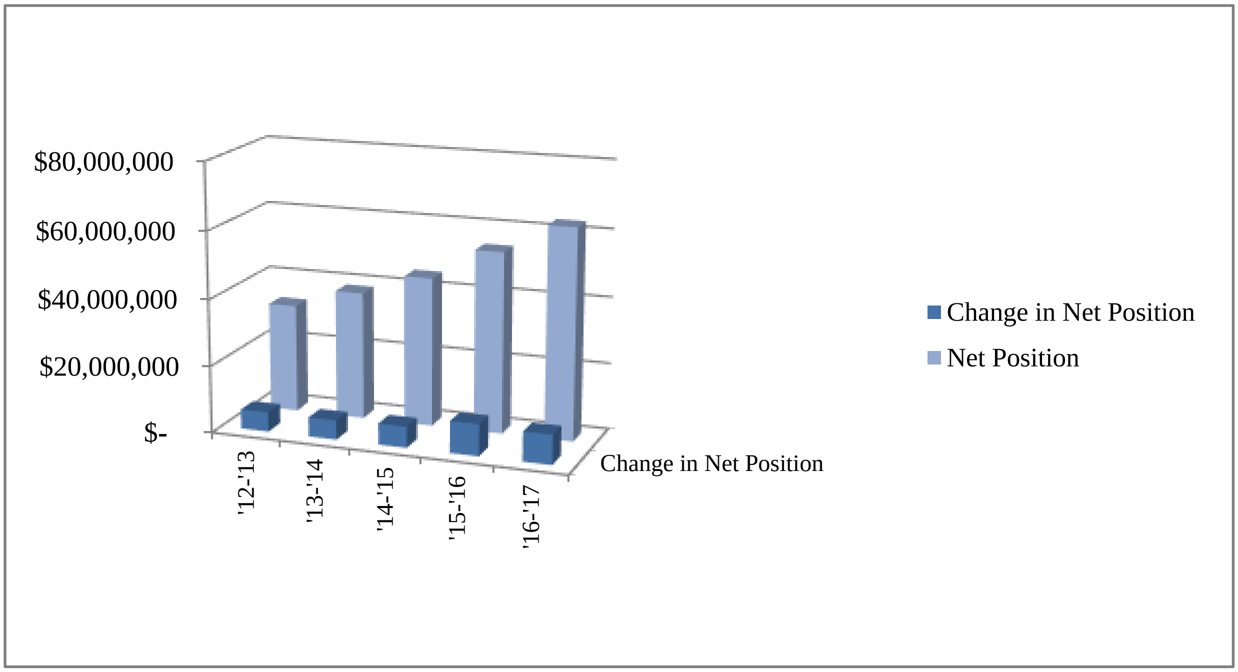
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Advertising	$ 1,454	$ 79,357
Banking and credit card fees	119,055	112,142
Collection fees	270,454	223,730
Dues and subscriptions	67,843	44,995
Equipment	141,734	232,281
Insurance	3,527,765	3,498,528
License - certification	5,303	6,280
Other	641,006	533,553
Payroll taxes	357,264	314,293
Postage	41,271	29,603
Professional fees	931,221	1,102,047
Public relations	96,448	56,786
Recruitment and training	48,499	56,950
Rent expense	45,083	61,969
Repairs and maintenance	1,509,868	1,185,200
Retirement plan contribution	213,696	193,381
Salaries	5,307,986	4,890,604
Supplies	106,629	128,784
Telephone and utilities	495,554	937,922
Travel	72,032	119,157
	$14,000,165	$13,807,562

OTHER FINANCIAL INFORMATION

METROPOLITAN AREA EMS AUTHORITY

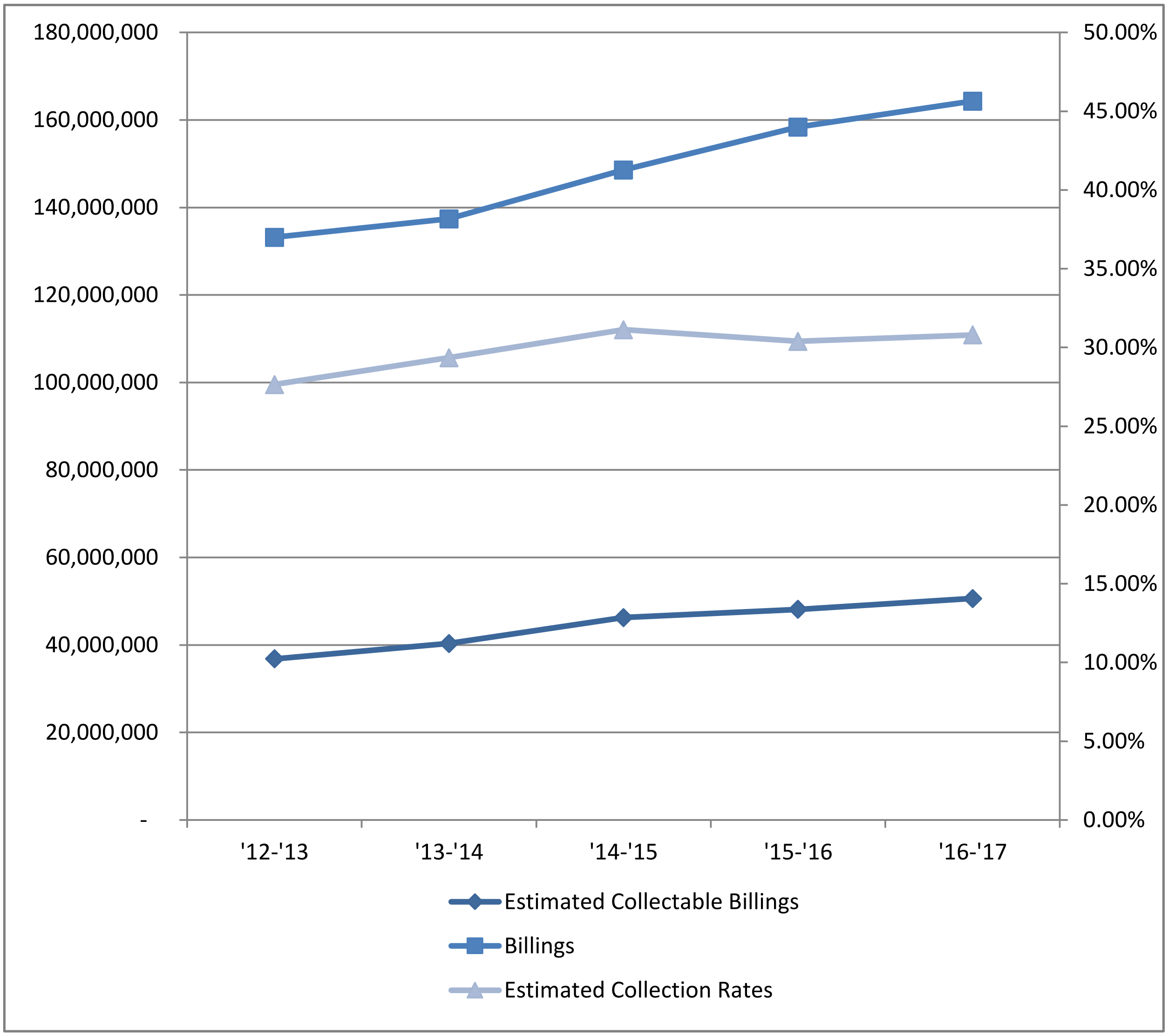
CHANGE IN NET POSITION VS. NET POSITION



	Change in Net Position	Net Position
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	9,496,805	54,139,299
2016-2017	8,841,414	62,980,713

METROPOLITAN AREA EMS AUTHORITY

BILLINGS VS. COLLECTION RATES



	Estimated Collectable Billings	Billings	Estimated Collection Rates
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%
2016-2017	50,603,166	164,299,288	30.80%