

**AREA METROPOLITAN  
AMBULANCE AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Year ended September 30, 2015  
with Report of Independent Auditors**

**AREA METROPOLITAN  
AMBULANCE AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Year ended September 30, 2015**

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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, 2015 and 2014, 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, 2015 and 2014, 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 information contained in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 consolidated financial statements as a whole.

### *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 9 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Fort Worth, Texas

January 15, 2016

## 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 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 interest revenue, gain (loss) on sale of assets, other income, 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; 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.

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

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.

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
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.

### Statements of Cash Flows

The statements of cash flows presents the information related to cash inflows and outflows summarized by operating, non-capital and capital financing and investing activities. However, there were no investing cash flows.

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Net cash provided by operating activities	\$ 3,235,515	\$ 9,847,810
Net cash provided by noncapital financing activities	37,911	148,430
Net cash used in capital and related financing activities	<u>(7,516,688)</u>	<u>(10,994,771)</u>
Net decrease in cash and cash equivalents	(4,243,262)	(998,531)
Cash and cash equivalents at beginning of year	<u>23,308,668</u>	<u>24,307,199</u>
Cash and cash equivalents at end of year	<u><u>\$ 19,065,406</u></u>	<u><u>\$ 23,308,668</u></u>

The statement of cash flows is an important factor to consider when evaluating financial viability of the Authority's ability to meet financial obligations as they mature. This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of the Authority during a period. The statements of cash flows also helps user assess the ability to generate future net cash flows, the ability to meet obligations as they come due, and the need for external financing.

The primary cash receipts from operating activities are from patient service fees, including state of Texas cost reimbursements, of \$41,132,173 in 2015 which is an increase of \$105,656 from 2014. The primary cash outlays for operating activities are payments to suppliers of \$15,442,567 which increase from 2014 by \$4,330,074 and on behalf of the employees of \$22,454,091 which increased from 2014 by \$2,387,877, resulting in net cash provided by operating activities of \$3,235,515 for fiscal year 2015 a decrease of \$6,612,295.

The cash flows from non-capital financing activities are from subsidy payments received from member municipalities of \$27,820 and \$36,182 for 2015 and 2014, respectively, and income from community health programs of \$10,091 and \$112,248 for 2015 and 2014, respectively.

The net cash used in capital and related financing activities of \$7,516,688 in 2015 primarily resulted from capital expenditures of \$10,784,409, partially offset by proceeds on the sale of capital assets of \$920,000 and proceeds from capital long-term note payable of \$3,362,154. In 2014, the net cash used in capital and related financing activities of \$10,994,771 primarily resulted from capital expenditures of \$11,192,332, partially offset by proceeds from capital long term debt of \$1,159,750.

The net decrease in overall cash and cash equivalents for the fiscal year 2015 was \$4,243,262 is primarily due to the capital expenditures on the Authority's new building. By subtracting this amount from the beginning of the year balance of \$23,308,668, the cash and cash equivalents for the fiscal year ending September 30, 2015 was \$19,065,406.

## **Analysis**

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**

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 19,065,406	\$ 23,308,668
Patient and other accounts receivable, less allowance for doubtful accounts of \$12,317,720 in 2015; \$11,601,228 in 2014	11,442,909	5,500,140
Supplies inventory	338,507	363,761
Prepaid expenses	419,585	518,508
Total current assets	31,266,407	29,691,077
<b>Capital assets, at cost</b>		
Land	559,380	325,165
Construction in progress	-	10,441,303
Communication equipment	3,365,845	2,974,672
Data processing equipment and software	6,703,036	5,751,923
Office furniture and equipment	2,187,348	1,869,309
Buildings and improvements	15,120,999	3,194,349
Ambulance fleet	11,606,754	9,485,967
	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
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,613,471	3,607,191
Retainage payable	-	503,547
Current portion of long-term note payable	474,286	474,286
Current portion of capital leases	-	288,741
Unearned revenue	164,121	170,995
Total current liabilities	3,251,878	5,044,760
<b>Noncurrent liabilities</b>		
Long-term note payable	6,327,444	3,549,750
Total liabilities	9,579,322	8,594,510
<b>Net position</b>		
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

See accompanying notes to financial statements.

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating revenues</b>		
Patient service fees and other	\$ 145,357,729	\$ 136,759,228
Subscription income	318,696	343,350
Program income	516,972	650,650
	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
<b>Operating expenses</b>		
Field operations	21,573,866	19,714,214
Ambulance fleet operations	2,222,047	2,361,945
General and administrative	14,903,269	11,758,703
Depreciation	1,865,089	1,789,408
Net operating expenses	40,564,271	35,624,270
Operating income	6,517,545	5,695,468
<b>Nonoperating revenues (expenses)</b>		
Other income	10,091	112,248
Subsidy income	27,820	36,182
Interest expense	(135,791)	(88,245)
Loss on disposition of assets	(96,720)	-
Total nonoperating revenues (expenses), net	(194,600)	60,185
Change in net position	6,322,945	5,755,653
<b>Net position, beginning of year</b>	38,346,549	32,590,896
<b>Net position, end of year</b>	\$ 44,669,494	\$ 38,346,549

See accompanying notes to financial statements.

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended September 30, 2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Patient service fees received	\$ 41,132,173	\$ 41,026,517
Cash paid to suppliers	(15,442,567)	(11,112,493)
Cash paid to employees	(22,454,091)	(20,066,214)
Net cash provided by operating activities	3,235,515	9,847,810
<b>Cash flows from non-capital financing activities</b>		
Subsidy payments received	27,820	36,182
Income from community health programs	10,091	112,248
Net cash provided by noncapital financing activities	37,911	148,430
<b>Cash flows from capital and related financing activities</b>		
Proceeds from sale of capital assets	920,000	-
Proceeds from capital long-term note payable	3,362,154	1,159,750
Principal paid on capital long-term note payable	(584,460)	(423,333)
Principal paid on capital leases	(288,741)	(538,866)
Interest paid on capital long-term note payable	(141,232)	-
Capital expenditures	(10,784,409)	(11,192,322)
Net cash used in capital and related financing activities	(7,516,688)	(10,994,771)
Net decrease in cash and cash equivalents	(4,243,262)	(998,531)
Cash and cash equivalents at beginning of year	23,308,668	24,307,199
Cash and cash equivalents at end of year	\$ 19,065,406	\$ 23,308,668
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 6,517,545	\$ 5,695,468
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,865,089	1,789,408
Changes in assets and liabilities		
Accounts receivable	(5,942,769)	(279,168)
Supplies inventory	25,254	(93,884)
Prepaid expenses	98,923	73,235
Accounts payable and accrued liabilities	678,347	2,173,257
Retainage payable	-	503,547
Unearned revenue	(6,874)	(14,053)
Net cash provided by operating activities	\$ 3,235,515	\$ 9,847,810
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 141,232	\$ 89,729

See accompanying notes to financial statements.

# **AREA METROPOLITAN AMBULANCE AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015 and 2014**

### **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.

#### **Inventories**

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

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**A. Significant Accounting Policies – continued**

**Capital Assets**

Capital assets have an original cost of \$3,000 or more and over one year of useful life 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:

<u>Category</u>	<u>Estimated Life</u>
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 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.

## AREA METROPOLITAN AMBULANCE AUTHORITY

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### 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 primarily 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.

## AREA METROPOLITAN AMBULANCE AUTHORITY

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **B. Cash and Investments – continued**

##### **Custodial Credit Risk – continued**

As of September 30, 2015 and 2014, the carrying amount of the Authority's cash on hand was \$19,065,406 and \$23,308,668, respectively and the bank balance was \$19,308,516 and \$23,900,494, 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**

As of October 1, 1997, the Authority has adopted a defined contribution pension plan created in accordance with Internal Revenue Code Section 401(a). The plan is administered by ICMA Retirement Corporation. All full-time employees are eligible for participation in the plan after six months of employment. The plan requires that the Authority match a portion of participant contributions annually. Authority contributions for the years ended September 30, 2015 and 2014, were approximately \$41,000 and \$80,000 (which includes approximately \$0 and \$2,100 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2015 and 2014, were approximately \$20,400 and \$45,500, respectively.

As of October 1, 2005, the Authority adopted a second defined contribution pension plan created in accordance with Internal Revenue Code Section 401(a) to be used by new employees. The plan is administered by ICMA Retirement Corporation. All full-time employees are eligible for participation in the plan after six months of employment. The plan requires that the Authority match a portion of participant contributions annually. Authority contributions for the years ended September 30, 2015 and 2014, were approximately \$900,100 and \$854,400 (which includes approximately \$700 and \$66,800 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2015 and 2014, were approximately \$363,300 and \$569,200, respectively.

On February 2, 2015, the Authority transferred the assets of both 401(a) plans administered by ICMA Retirement Corporation to a new plan administered by MassMutual Retirement Services. As part of this transfer, employee contributions were no longer allowed.

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**E. Capital Assets Activity**

Capital asset activity for the Authority for the year ended September 30, 2015 and 2014, was as follows:

	<b>Beginning Balance 10/1/2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance 9/30/2015</b>
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	2,096,712	16,560,953
Capital assets, net	<u>\$ 17,249,982</u>	<u>\$ 17,190,450</u>	<u>\$ 11,458,023</u>	<u>\$ 22,982,409</u>

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**E. Capital Assets Activity – continued**

	<b>Beginning Balance 10/1/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance 9/30/2014</b>
Capital assets not being depreciated				
Land	\$ 325,165	\$ -	\$ -	\$ 325,165
Construction in progress	3,794,273	6,647,030	-	10,441,303
Total capital assets not being depreciated	4,119,438	6,647,030	-	10,766,468
Capital assets being depreciated				
Communication equipment	1,809,313	1,165,359	-	2,974,672
Data processing equipment and software	4,912,015	839,908	-	5,751,923
Office furniture and equipment	630,677	1,238,632	-	1,869,309
Buildings and improvements	3,194,349	-	-	3,194,349
Ambulance fleet	8,272,821	1,216,807	3,661	9,485,967
Total capital assets being depreciated	18,819,175	4,460,706	3,661	23,276,220
Total at historical cost	22,938,613	11,107,736	3,661	34,042,688
Less accumulated depreciation				
Communication equipment	1,592,223	154,871	-	1,747,094
Data processing equipment and software	4,311,145	343,816	-	4,654,961
Office furniture and equipment	417,431	41,663	-	459,094
Buildings and improvements	2,360,548	103,424	-	2,463,972
Ambulance fleet	6,321,953	1,145,632	-	7,467,585
Total accumulated depreciation	15,003,300	1,789,406	-	16,792,706
Capital assets, net	<u>\$ 7,935,313</u>	<u>\$ 9,318,330</u>	<u>\$ 3,661</u>	<u>\$ 17,249,982</u>

**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, 2015 or 2014.

## AREA METROPOLITAN AMBULANCE AUTHORITY

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **F. Risk Management and Commitments – continued**

At September 30, 2015, the Authority was involved in litigation resulting from the ordinary course of business. While the ultimate results of these matters cannot be determined, management does not expect them to have a material adverse effect on its financial position.

#### **G. Capital Leases**

The Authority leases certain equipment with a total cost of \$901,289 and \$2,009,176 under capital leases with accumulated depreciation of \$901,289 and \$819,189 as of September 30, 2015 and 2014, respectively. 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, 2015, was \$2,171,429. The construction loan, on which \$3,362,154 was drawn in the current year, 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, 2015, was \$4,630,301. 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, 2015, the Authority was in compliance with these covenants and financial ratios.

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**I. Long-Term Note Payable – continued**

The annual requirements to amortize all notes payable outstanding as of September 30, 2015, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	474,286	49,318	523,604
2017	474,286	38,552	512,838
2018	474,286	27,786	502,072
2019	474,286	17,020	491,306
2020	4,904,586	7,788	1,660,394
<b>Total</b>	<b>\$6,801,730</b>	<b>\$140,464</b>	<b>\$6,942,184</b>

The following is a summary of long-term debt transactions of the Authority for the years ended September 30, 2015 and 2014:

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

	<b>Balances at October 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances at September 30, 2014</b>	<b>Due Within One Year</b>
Notes payable	\$ 3,287,619	\$ 1,159,750	\$ (423,333)	\$ 4,024,036	\$ 474,286
Capital leases	827,607	-	(538,866)	288,741	288,741
	<u>\$ 4,115,226</u>	<u>\$ 1,159,750</u>	<u>\$ (962,199)</u>	<u>\$ 4,312,777</u>	<u>\$ 763,027</u>

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**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, 2015 and 2014, the IBNR liability of \$206,238 and \$376,627, 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.

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claim Payments</u>	<u>End of Year Accrual</u>
2015	\$ 376,627	\$ 2,963,765	(3,134,154)	\$ 206,238
2014	\$ -	1,633,116	(1,256,489)	\$ 376,627

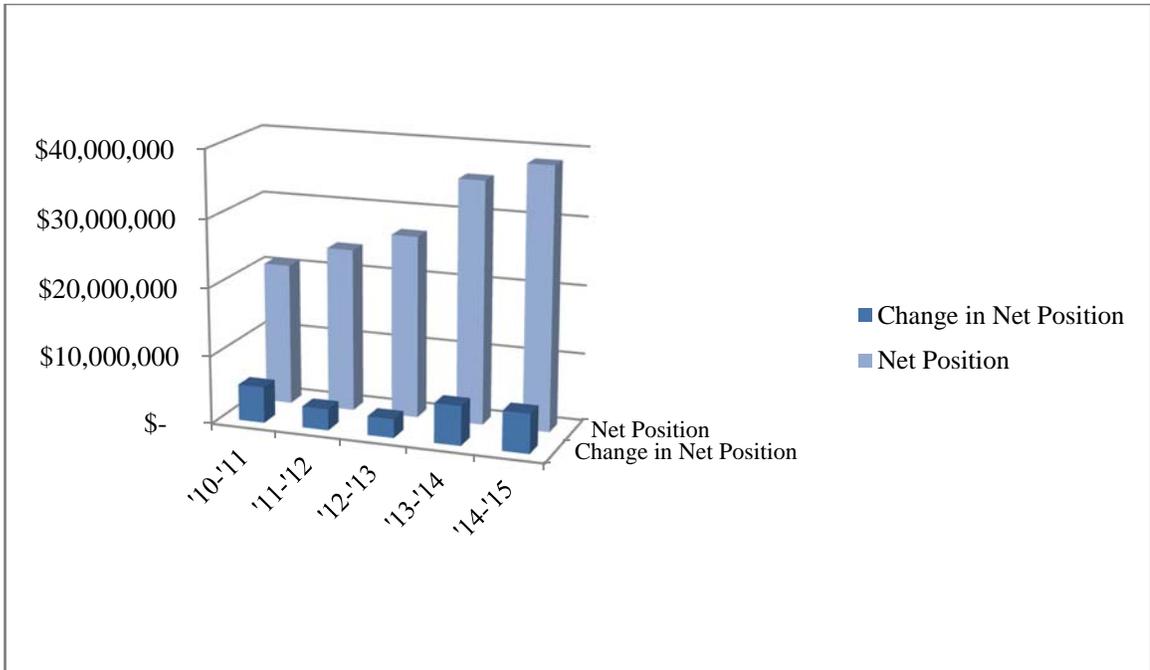
**SUPPLEMENTAL INFORMATION**

**AREA METROPOLITAN AMBULANCE AUTHORITY**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Advertising	\$ 100,892	\$ 134,775
Antenna lease	35,513	26,823
Banking and credit card fees	130,892	117,714
Collection fees	212,305	212,526
Dues and subscriptions	49,917	42,456
Equipment	175,225	188,414
Insurance	3,939,843	2,427,372
License - certification	15,344	74,033
Other	322,942	360,363
Payroll taxes	390,893	262,285
Postage	19,890	65,845
Professional fees	1,416,560	970,626
Public relations	43,149	26,412
Quality control	1,014,718	761,545
Recruitment and training	25,449	43,344
Rent expense	78,841	48,629
Repairs and maintenance	1,040,732	955,198
Retirement plan contribution	256,067	246,362
Salaries	4,646,998	4,152,100
Supplies	151,149	131,625
Telephone and utilities	764,485	409,950
Travel	71,465	100,306
	<u>\$ 14,903,269</u>	<u>\$ 11,758,703</u>

**AREA METROPOLITAN AMBULANCE AUTHORITY**

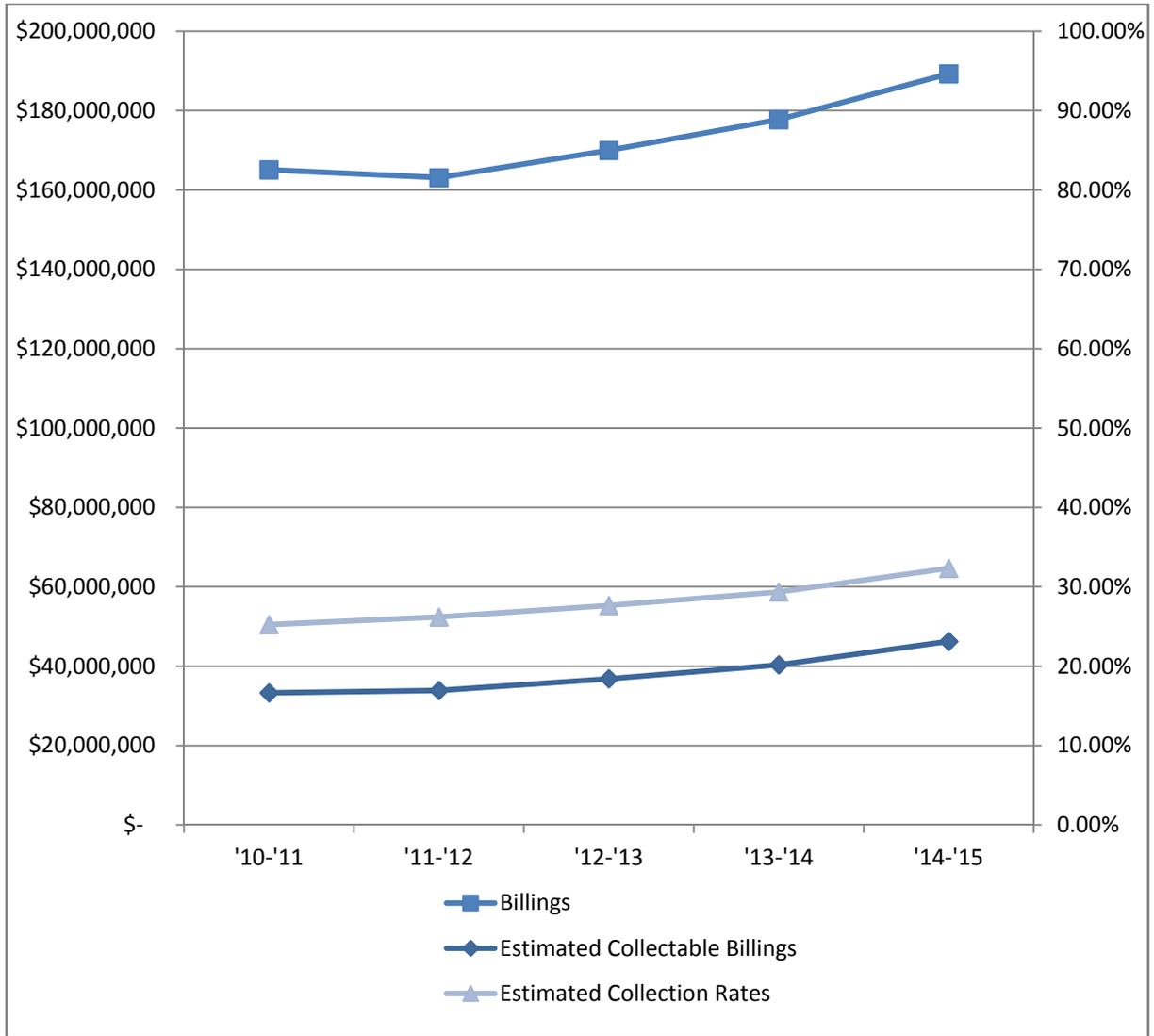
**CHANGE IN NET POSITION VS. NET POSITION**



	<u>Change in Net Position</u>	<u>Net Position</u>
2010-2011	\$ 3,147,436	\$ 23,981,286
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

**AREA METROPOLITAN AMBULANCE AUTHORITY**

**BILLINGS VS. COLLECTION RATES**



	<b>Estimated Collectable Billings</b>	<b>Billings</b>	<b>Estimated Collection Rates</b>
2010-2011	\$ 33,267,214	\$ 131,830,036	25.23%
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	145,874,701	31.70%