METROPOLITAN AREA EMS AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years ended September 30, 2019 and 2018 with Report of Independent Auditors

METROPOLITAN AREA
EMS AUTHORITY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Years ended September 30, 2019 and 2018

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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, 2019 and 2018, 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 ("GAAP"); 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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, 2019 and 2018, and the changes in net position and cash flows for the years then ended in accordance with GAAP.

Other Matters

Required Supplementary Information

GAAP requires 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 GAAS, 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 GAAS. 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 15, 2020

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") 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 statements of net position report 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 *nonoperating* classifications. Net operating revenues are amounts received from patient service fees and subscription and program income, less estimated uncollectible fees. Operating expenses are the costs incurred by the Authority to provide emergency and non-emergency transportation to the citizens within our member jurisdictions. Nonoperating revenues and expenses include other income, gain (loss) on disposition of assets, interest expense, and income from local member city subsidies.

The statements of cash flows provide financial statement users with the information to assess the adequacy of an Authority'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 expenditure outlays; proceeds from capital-related debt; debt service payments on capital-related debt; proceeds from the sale of capital assets and insurance recoveries; and purchase of a certificate of deposit required under a long-term debt agreement.

- 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 include 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,	
	2019	**2018**
Total current assets	$32,824,568	$33,269,085
Total capital assets, net, at cost	33,011,097	30,956,248
Total assets	65,835,665	64,225,333
Total current liabilities	3,899,167	3,507,315
Total noncurrent liabilities	6,637,030	3,617,948
Total liabilities	10,536,197	7,125,263
Net investment in capital assets	26,124,593	26,542,355
Restricted	503,103	608,620
Unrestricted	28,671,862	29,949,095
Total net position	$55,299,468	$57,100,070

During 2019, the financial position of the Authority saw a decrease in net position of $1,800,602, primarily resulting of an decrease in net investment in capital assets of $417,762. Current assets decreased by $444,517 primarily due to a decrease in cash and cash equivalents and prepaid expenses. The current ratio changed from 9:5 in 2018 to 8:4 in 2019.

Current assets consist of cash and cash equivalents, restricted cash, certificate of deposit, 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"). The certificate of deposit was required as part of the refinancing arrangement on existing obligations with a new financial institution in the current year. Receivables are from customer ambulance services provided and the state of Texas Ambulance Supplemental Payment Program ("ASPP") 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.

Capital assets 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 during 2019 are as follows: communication equipment 5 to 10 years, data processing equipment and software 5 to 7 years, office furniture and equipment 1 to 7 years, building and improvements 10 to 30 years, and ambulance fleet 5 to 20 years. Capital assets increased from the prior year primarily due to additions to land of approximately $1 million, construction in progress of approximately $2.5 million, additions to the ambulance fleet of approximately $1 million, and additions to data processing equipment and software of approximately $1.6 million. Several of the Authority's ambulance chassis were replaced during the current year, which resulted in disposals of approximately $330,000 that offset the ambulance purchases in 2019.

Current liabilities are comprised of current portion of long-term note payable, accounts payable and accrued liabilities, and unearned revenue. Current portion of accounts payable and accrued liabilities are the liabilities, at September 30, for goods and services received prior to the end of the fiscal year. Unearned revenue is composed of subscriptions and subsidies received but unearned prior to September 30. Subscriptions are being amortized over the period during which the subscriber is allowed to use the Authority's services. Subsidies are received on either a monthly, quarterly, or annual basis. Subsidies received in advance are recognized as income in the quarter in which they are due. Current liabilities increased from the prior year primarily due to the increase in accounts payable and accrued liabilities as a result of timing of payments as well as an increase in the incurred but not reported health insurance claims.

Non-current liabilities are the portions of the long-term note payable which are due in the future. The non-current liabilities increased due to proceeds from long term not payment to finance the new construction and the purchase of land to build the north deployment center.

Net position 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 for which a specific use has not been designated by the Authority.

	September 30, 2018	2017
Total current assets	$33,269,085	$33,773,455
Total capital assets, net, at cost	30,956,248	28,600,306
Total assets	64,225,333	62,373,761
Total current liabilities	3,507,315	3,379,154
Total noncurrent liabilities	3,617,948	4,413,894
Total liabilities	7,125,263	7,793,048
Net investment in capital assets	26,542,355	23,390,467
Restricted	608,620	608,620
Unrestricted	29,949,095	30,581,626
Total net position	$57,100,070	$54,580,713

During 2018, the financial position of the Authority saw an increase in net position of $2,519,357, primarily resulting of an increase in net investment in capital assets of $3,151,888. Current assets decreased by $504,370 primarily due to a decrease in cash and cash equivalents, which was partially offset by an increase in net patient and other accounts receivable. The current ratio changed from 10:1 in 2017 to 9:5 in 2018.

Current assets 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 EPAB, which was assumed by the Authority during 2017 as a result of the Interlocal Agreement. Receivables are from customer ambulance services provided and the state of Texas ASPP 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 due to the increase in patient receivable as the number of transport runs increased during 2018. Further, prepaid expenses increased as a result of increased IT support services. These increases were partially offset by a decrease in cash and cash equivalents.

Capital assets 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 the ambulance fleet of approximately $4.7 million. A number of the Authority's ambulance chassis had all been near fully depreciated and several were replaced during the current year, which resulted in disposals of approximately $2.1 million that offset the ambulance purchases in 2018.

Current liabilities are comprised of current portion of long-term note payable, accounts payable and accrued liabilities, and unearned revenue. Current portion of accounts payable and accrued liabilities are the liabilities, at September 30, for goods and services received prior to the end of the fiscal year. Unearned revenue is composed of subscriptions and subsidies received but unearned prior to September 30. Subscriptions are being amortized over the period during which the subscriber is allowed to use the Authority's services. Subsidies are received on either a monthly, quarterly, or annual basis. Subsidies received in advance are recognized as income in the quarter in which they are due. Current liabilities increased from the prior year primarily due to the increase in accounts payable and accrued liabilities as a result of timing of payments.

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 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 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 present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating.

	Year Ended September 30,	
	2019	**2018**
Operating revenues	$177,408,806	$169,332,674
Less estimated uncollectible fees	(128,723,366)	(120,473,154)
Net operating revenues	48,685,440	48,859,520
Operating expenses	50,654,546	46,591,644
Operating income (loss)	(1,969,106)	2,267,876
Total nonoperating revenues, net	168,504	251,481
Change in net position	(1,800,602)	2,519,357
Net position, beginning of year	57,100,070	54,580,713
Net position, end of year	$55,299,468	$57,100,070

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2019, budgeted net operating revenues were $52,455,677. An analysis of the actual results compared to the operating budget shows net operating revenues of $48,685,440, which is $3,770,237 or 7.2% under budgeted net operating revenues. The majority of this variance is due to an increase in the estimated uncollectible fees and due to a decrease in the reimbursement from the State of Texas.

Operating expenses, excluding depreciation, for the year ended September 30, 2019, of $46,272,652 were $1,948,470, or 4.0%, under budgeted expenses of $48,221,122.

Operating revenues consist mainly of patient services fees and other, which includes ASPP 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 revenues also includes other program income, which consists primarily of fees from hospital patients for service. These revenue sources, less estimated uncollectible fees, which are calculated based on the estimated collection percentage for the fiscal year, results in net operating revenue of $48,685,440 and $48,859,520 for 2019 and 2018, respectively. The decrease in net operating revenues is primarily related to an increase in the estimated uncollectible fees as management began to calculate the estimated uncollectible fees based on historical trends by payor instead of overall average historical trends.

Operating expenses of $50,654,546 and $46,591,644 for 2019 and 2018, 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 primarily related to an increase in service provided.

General and administrative expenses are the expenses incurred to manage the general operational functions of the Authority, 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 and continued depreciation on prior year assets. Increases in general and administrative expense are primarily due to an increase in insurance expense.

Total nonoperating revenues consist primarily of interest expense, other income, subsidy income, and gain on disposition of assets. The decrease in nonoperating revenues primarily relates to less net proceeds received from the disposition of assets resulting in a lower gain recognized in 2019.

	Year Ended September 30,	
	2018	2017
Operating revenues	$169,332,674	$164,621,499
Less estimated uncollectible fees	(120,473,154)	(117,457,380)
Net operating revenues	48,859,520	47,164,119
Operating expenses	46,591,644	43,374,733
Operating income	2,267,876	3,789,386
Total non-operating revenues, net	251,481	43,408
Change in net position before special item	2,519,357	3,832,794
Special item	-	608,620
Change in net position	2,519,357	4,441,414
Net position, beginning of year	54,580,713	50,139,299
Net position, end of year	$57,100,070	$54,580,713

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2018, budgeted net operating revenues were $49,804,313. An analysis of the actual results compared to the operating budget shows net operating revenues of $48,859,520, which is $944,793 or 1.9% under budgeted net 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, which was offset by an increase in the allowance for doubtful accounts.

Operating expenses, excluding depreciation, for the year ended September 30, 2018, of $43,433,457 were $824,014, or 1.86%, under budgeted expenses of $44,257,471.

Operating revenues consist mainly of patient services fees and other, which includes ASPP 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 revenues also includes other program income, which consists of fees from hospital patients for service. These revenue sources, less estimated uncollectible fees, which are calculated based on the estimated collection percentage for the fiscal year, results in net operating revenue of $48,859,520 and $47,164,119 for 2018 and 2017, respectively. Increase in net operating revenues is primarily related to increase in service provided.

Operating expenses of $46,591,644 and $43,374,733 for 2018 and 2017, 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 not only related to an increase in service provided, but also an increase in personnel as salaries increased by approximately $1,000,000. The Authority hired more personnel to combat the overtime expenses paid during the prior year.

General and administrative expenses are the expenses incurred to manage the nonoperational functions of the Authority, 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 an increase in repairs and maintenance expenses relating to the Logis CAD system as well as due to the aforementioned increase in new personnel.

Total nonoperating revenues consist primarily of interest expense, other income, subsidy income, and gain on disposition of assets. The increase in nonoperating revenues primarily relates to net proceeds received from the sale of assets. There were no similar proceeds received in 2017.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2019, capital assets before depreciation, which includes both depreciable and nondepreciable assets, totaled $54,066,155. This is an increase of $6,171,329 over 2018. Accumulated depreciation increased by $4,116,480 to $21,055,058 at September 30, 2019.

During 2019, data processing equipment and software increased approximately $1.6 million due to new hardware and licenses that were purchased. Ambulance fleet increased by approximately $746,000 related to fleet acquisitions and upgrades made throughout the year. Due to these additions, depreciation expense also increased. The Authority also purchased land for approximately $1 million during 2019 for the north Fort Worth deployment center. Construction in progress increased by approximately $2.5 million due to new construction on this north deployment center. The land and construction in progress are capital assets that are not being depreciated.

At September 30, 2018, capital assets before depreciation, which includes both depreciable and nondepreciable assets, totaled $47,894,826. This is an increase of $1,156,262 over 2017. Accumulated depreciation decreased by $1,199,680 to $16,938,578 at September 30, 2018.

During 2018, data processing equipment and software decreased approximately $1.7 million due to the disposal of software. Building and improvements increased approximately $488,000. Ambulance fleet increased by approximately $4.7 million related to fleet acquisitions and upgrades made throughout the year, offset by disposals of approximately $2.1 million. Due to these additions to the Authority's fleet, depreciation expense also increased.

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

Long-Term Debt

At September 30, 2019, the Authority had approximately $6.9 million outstanding on its notes payable, which is an increase of approximately $2.4 million from the prior year. The increase in the balance resulted from new construction that began in the current year on a north deployment center. The notes payable consist of a term note and a construction line of credit.

At September 30, 2018, the Authority had approximately $4.4 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 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.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of this information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2900 Alta Mere Drive, Fort Worth, Texas 76116.

FINANCIAL STATEMENTS

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF NET POSITION

	September 30, 2019	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 14,741,382	$ 19,466,791
Cash and cash equivalents - restricted	503,013	608,620
Certificate of deposit	4,511,757	-
Patient and other accounts receivable, less allowance for uncollectible accounts of $64,661,708 in 2019; $37,707,234 in 2018	12,015,463	12,063,092
Supplies inventory	285,157	299,899
Prepaid expenses	767,796	830,683
Total current assets	32,824,568	33,269,085
Capital assets, at cost		
Land	1,603,440	559,380
Communication equipment	3,646,294	3,501,612
Data processing equipment and software	8,372,610	6,749,029
Office furniture and equipment	2,244,900	2,227,490
Buildings and improvements	18,857,924	18,782,433
Ambulance fleet	16,774,159	16,027,819
Construction in progress	2,566,828	47,063
	54,066,155	47,894,826
Less accumulated depreciation	21,055,058	16,938,578
Total capital assets, net, at cost	33,011,097	30,956,248
Total assets	$ 65,835,665	$ 64,225,333
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,439,951	$ 2,562,797
Current portion of long-term debt	249,474	795,945
Unearned revenue	209,742	148,573
Total current liabilities	3,899,167	3,507,315
Noncurrent liabilities		
Long-term debt	6,637,030	3,617,948
Total liabilities	10,536,197	7,125,263
Net position		
Net investment in capital assets	26,124,593	26,542,355
Restricted - Emergency Physicians Advisory Board	503,013	608,620
Unrestricted	28,671,862	29,949,095
Total net position	$ 55,299,468	$ 57,100,070

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended September 30,	
	2019	**2018**
Operating revenues		
Patient service fees and other	$ 176,329,036	$ 168,280,118
Subscription income	318,620	346,265
Program income	761,150	706,291
	177,408,806	169,332,674
Less estimated uncollectible fees	(128,723,366)	(120,473,154)
Net operating revenues	48,685,440	48,859,520
Operating expenses		
Field operations	27,636,306	26,118,998
Ambulance fleet operations	2,262,866	2,247,009
General and administrative	16,373,480	15,067,450
Depreciation	4,381,894	3,158,187
Total operating expenses	50,654,546	46,591,644
Operating income (loss)	(1,969,106)	2,267,876
Nonoperating revenues (expenses)		
Other income	198,978	81,170
Subsidy income	27,821	27,821
Interest expense	(120,611)	(103,659)
Gain on disposition of assets	62,316	246,149
Total nonoperating revenues, net	168,504	251,481
Change in net position	(1,800,602)	2,519,357
Net position, beginning of year	57,100,070	54,580,713
Net position, end of year	$ 55,299,468	$ 57,100,070

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2019	2018
Cash flows from operating activities		
Patient service fees received	$ 48,794,238	$ 46,825,151
Cash paid to suppliers	(17,433,394)	(16,795,213)
Cash paid to employees	(27,884,475)	(26,593,791)
Net cash provided by operating activities	3,476,369	3,436,147
Cash flows from noncapital financing activities		
Subsidy payments received	27,821	27,821
Income from community health programs	198,978	81,170
Restricted cash	105,607	-
Net cash provided by noncapital financing activities	332,406	108,991
Cash flows from capital and related financing activities		
Purchase of certificate of deposit	(4,511,757)	-
Proceeds from sale of capital assets	22,835	308,300
Proceeds from capital long-term debt	7,090,005	-
Proceeds from insurance recoveries	104,040	-
Principal paid on capital long-term debt	(4,617,394)	(795,946)
Interest paid on capital long-term debt	(150,526)	(107,580)
Capital expenditures	(6,471,387)	(5,576,280)
Net cash used in capital and related financing activities	(8,534,184)	(6,171,506)
Net decrease in cash and cash equivalents	(4,725,409)	(2,626,368)
Cash and cash equivalents at beginning of year	19,466,791	22,093,159
Cash and cash equivalents at end of year	$ 14,741,382	$ 19,466,791
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (1,969,106)	$ 2,267,876
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	4,381,894	3,158,187
Changes in assets and liabilities		
Accounts receivable	47,629	(2,007,097)
Supplies inventory	14,742	-
Prepaid expenses	62,887	(114,901)
Accounts payable and accrued liabilities	877,154	159,354
Unearned revenue	61,169	(27,272)
Net cash provided by operating activities	$ 3,476,369	$ 3,436,147
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 150,526	$ 107,580

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, Medicaid, 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 net realizable value.

A. Significant Accounting Policies – continued

Investments

Investments with readily determinable fair values are stated at fair value with realized and unrealized gains and losses included in the statement of revenues, expenses, and changes in net position.

The Authority measures its investments at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

A three-tier fair value hierarchy is established as a basis for considering such assumptions for inputs used in the valuation methodologies in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Other inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the markets or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.

Level 3 – inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs.

At September 30, 2019, the Authority's investments consisted of a certificate of deposit that matures in November 2019, and will be renewed for another twelve month period. The certificates of deposit is valued at the principal balance plus accrued interest, which approximates fair value, and is therefore considered Level 2 within the fair value hierarchy.

Investments measured at fair value on a recurring basis at September 30,:

	2019	**2018**
	Level 2	**Level 2**
Certificate of deposit	$ 4,511,757	$ -

A. Significant Accounting Policies – continued

Capital Assets

Capital assets having an original cost of $5,000 or more and over one year of useful life are capitalized. All purchased capital assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received. 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.

Depreciation is provided on the straight-line basis. Depreciation methods are designed to amortize the cost of assets over their estimated useful lives. Effective October 1, 2018, the Authority revised the estimated useful lives. The new lives will be applied on a prospective basis.

Estimated useful lives of major categories of capital assets as of September 30, 2019, are as follows:

Category	Estimated Life
Buildings and improvements	10 – 30 Years
Medical equipment	7 – 10 Years
Ambulance fleet	5 – 20 Years
Fleet equipment	5 – 10 Years
Communications equipment	5 – 10 Years
Data processing equipment and software	5 – 7 Years
Office Furniture and equipment	1 – 7 Years

Estimated useful lives of major categories of capital assets as of September 30, 2018, are as follows:

Category	Estimated Life
Buildings and improvements	7 – 31.5 Years
Communications equipment	10 Years
Office furniture and equipment	7 Years
Ambulance fleet	3 – 5 Years
Data processing equipment	3 – 5 Years

A. Significant Accounting Policies – continued

Long-Lived Assets

The Authority evaluates its long-lived assets including for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long-lived assets at September 30, 2019.

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 and employees are compensated for unused vacation leave if terminated. 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 and estimates of self-insurance claims incurred, but not paid, based on past history and other factors. It is reasonably possible that the actual uncollectible fees and self-insurance claims incurred, but not paid, 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 Ambulance Supplemental Payment Program ("ASPP"), 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.

Nonoperating Revenues

Nonoperating 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

A. Significant Accounting Policies – continued

Recently Issued Accounting Pronouncements

New accounting standards were effective for the fiscal year ended September 30, 2019. However, the Authority has determined these standards have no impact on the financial statements. The new accounting standards effective for the year ended September 30, 2019, are summarized below.

> GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.
>
> GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt.

In June 2017, GASB Statement No. 87, *Leases*, was issued to require reporting of certain lease liabilities that currently are not reported, and it will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement is effective for reporting periods beginning after December 15, 2019. The Authority is currently evaluating the impact of adoption of this standard on its financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for reporting periods beginning after December 15, 2018. The Authority is currently evaluating the impact of adoption of this standard, and it is not expected to have an impact on the financial statements.

B. Cash and Investments

Custodial Credit Risk

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

B. Cash and Investments – continued

Custodial Credit Risk – continued

As of September 30, 2019 and 2018, the carrying amount of the Authority's cash on hand was $14,741,382 and $19,466,791, respectively, and the bank balance was $15,807,684 and $20,779,705, respectively. Bank balances not covered by depository insurance under the FDIC were partially collateralized by pledged investments. As of September 30, 2019, approximately $4,434,000 of total cash on hand 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 contribution 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, 2019 and 2018, were approximately $992,000 and $903,000 (which includes approximately $60,000 and $39,000 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2019 and 2018, were approximately $876,000 and $809,000, respectively.

E. Capital Assets Activity

Capital asset activity for the Authority for the years ended September 30, 2019 and 2018, was as follows:

	Beginning Balance 10/1/2018	Additions	Retirements	Ending Balance 9/30/2019
Capital assets not being depreciated:				
Land	$ 559,380	$ 1,044,060	$ -	$ 1,603,440
Construction in progress	47,063	2,519,765	-	2,566,828
Total capital assets not being depreciated	606,443	3,563,825	-	4,170,268
Capital assets being depreciated:				
Communication equipment	3,501,612	144,682	-	3,646,294
Data processing equipment and software	6,749,029	1,623,581	-	8,372,610
Office furniture and equipment	2,227,490	17,410	-	2,244,900
Buildings and improvements	18,782,433	75,491	-	18,857,924
Ambulance fleet, medical and fleet equipment	16,027,819	1,076,313	329,973	16,774,159
Total capital assets being depreciated	47,288,383	2,937,477	329,973	49,895,887
Total at historical cost	47,894,826	6,501,302	329,973	54,066,155
Less accumulated depreciation:				
Communication equipment	2,334,498	160,829	-	2,495,327
Data processing equipment and software	4,469,242	504,646	-	4,973,888
Office furniture and equipment	1,323,720	275,951	-	1,599,671
Buildings and improvements	2,554,325	685,760	-	3,240,085
Ambulance fleet, medical and fleet equipment	6,256,793	2,754,708	265,414	8,746,087
Total accumulated depreciation	16,938,578	4,381,894	265,414	21,055,058
Capital assets, net, at cost	$30,956,248	$ 2,119,408	$ 64,559	$33,011,097

E. Capital Assets Activity – continued

	Beginning Balance 10/1/2017	Additions	Retirements	Ending Balance 9/30/2018
Capital assets not being depreciated:				
Land	$ 559,380	$ -	$ -	$ 559,380
Construction in progress	-	47,063	-	47,063
Total capital assets not being depreciated	559,380	47,063	-	606,443
Capital assets being depreciated:				
Communication equipment	3,662,592	81,545	242,525	3,501,612
Data processing equipment and software	8,501,628	184,139	1,936,738	6,749,029
Office furniture and equipment	2,259,440	-	31,950	2,227,490
Buildings and improvements	18,294,147	567,966	79,680	18,782,433
Ambulance fleet	13,461,377	4,695,567	2,129,125	16,027,819
Total capital assets being depreciated	46,179,184	5,529,217	4,420,018	47,288,383
Total at historical cost	46,738,564	5,576,280	4,420,018	47,894,826
Less accumulated depreciation:				
Communication equipment	2,309,769	267,254	242,525	2,334,498
Data processing equipment and software	5,836,980	526,000	1,893,738	4,469,242
Office furniture and equipment	1,067,258	288,412	31,950	1,323,720
Buildings and improvements	1,965,922	648,934	60,531	2,554,325
Ambulance fleet	6,958,329	1,427,587	2,129,123	6,256,793
Total accumulated depreciation	18,138,258	3,158,187	4,357,867	16,938,578
Capital assets, net, at cost	$28,600,306	$ 2,418,093	$ 62,151	$30,956,248

During 2019, approximately $30,000 of interest expense was capitalized as part of the construction in progress. There was no such interest expense capitalized in 2018.

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, 2019 or 2018.

G. Long-Term Debt

In June 2013, the Authority issued General Improvement Revenue Bonds. The issuance was for $8,000,000, which consisted 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 was paid in monthly installments of $38,095 plus accrued interest, with a balloon payment required at maturity. The construction loan bears interest at a rate of 2.27%, and was to be paid in monthly installments of $28,234 plus accrued interest with a balloon payment required at maturity. The loans were collateralized by patient accounts receivable, supplies inventory, and capital assets. Effective November 28, 2018, the Authority entered into a term note in the amount of $4,450,000 for the purpose of refinancing these notes with a new financial institution.

The new term note bears interest at a rate of 2.65% and is paid in monthly installments of $30,068 plus accrued interest, with a balloon payment required at maturity. The term note matures on November 28, 2020. The outstanding balance of the term note at September 30, 2019, is $4,246,498. The term note is collateralized by a certificate of deposit.

Effective November 28, 2018, the Authority entered into a line of credit agreement available for draws up to $20,000,000 through November 28, 2021, for the purchase of ambulances, land, and construction of future deployment centers. The construction line of credit bears interest at a rate of one month LIBOR plus 1.50% (3.54% at September 30, 2019) and is due monthly. The outstanding balance of the construction line of credit at September 30, 2019, is $2,640,005 and all outstanding principal is due March 15, 2021. The line of credit is collateralized by the deed of trust of the land purchased for the deployment center. The Authority is required to maintain certain debt covenants and financial ratios under the loans. At September 30, 2019, the Authority was in compliance with these covenants and financial ratios.

The annual requirements to amortize all long-term debt outstanding as of September 30, 2019, are as follows:

Year Ending September 30	Principal	Interest	Total
2020	$ 249,474	$ 111,341	$ 360,815
2021	6,637,030	17,901	6,654,931
Total	$ 6,886,504	$ 129,242	$ 7,015,746

G. Long-Term Debt – continued

The following is a summary of long-term debt transactions of the Authority for the years ended September 30, 2019 and 2018:

	Beginning Balance 10/1/2018	Increases	Decreases	Ending Balance 9/30/2019	Due Within One Year
Notes payable	$ 4,413,893	$ 7,090,005	$ (4,617,394)	$ 6,886,504	$ 249,474

	Beginning Balance 10/1/2017	Increases	Decreases	Ending Balance 9/30/2018	Due Within One Year
Notes payable	$ 5,209,839	$ -	$ (795,946)	$ 4,413,893	$ 795,945

H. Commitments and Contingencies

Ambulance Purchase Agreement

Effective February 28, 2018, the Authority entered into a five-year purchase agreement relating to the production and delivery of certain ambulance modules. The Authority has agreed to purchase three ambulance units per quarter during the period October 1, 2018 through February 28, 2023. Based on the agreement, the price per ambulance module is approximately $150,000, and the price will increase by 2% every 12 months after the first year. The first 12 month period will start on the effective date of the purchase agreement.

Legal Considerations

In the normal course of business, the Authority may be subject to allegations that may result in litigation. Some of these allegations may not be covered or are only partially covered by insurance policies. Based upon advice of counsel, management records an estimate of the ultimate expected loss, if any, for these matters.

I. Insurance Plan

The Authority became self-insured for health care benefits beginning January 1, 2014. The Authority contracts with Continental Benefits ("Continental") to facilitate all claims. The Authority is solely responsible for all claim costs, both reported and unreported. Continental 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 $175,000 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, 2019 and 2018, the IBNR liability of $350,000 and $260,232, respectively, is recorded within accounts payable and accrued liabilities on the accompanying 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
2019	$ 260,232	$ 4,299,522	$ (4,209,754)	$ 350,000
2018	$ 299,767	$ 2,758,510	$ (2,798,045)	$ 260,232

J. Subsequent Events

In preparing the financial statements, the Authority has evaluated all subsequent events and transactions for potential recognition or disclosure through January 15, 2020, the date the financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

METROPOLITAN AREA EMS AUTHORITY

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

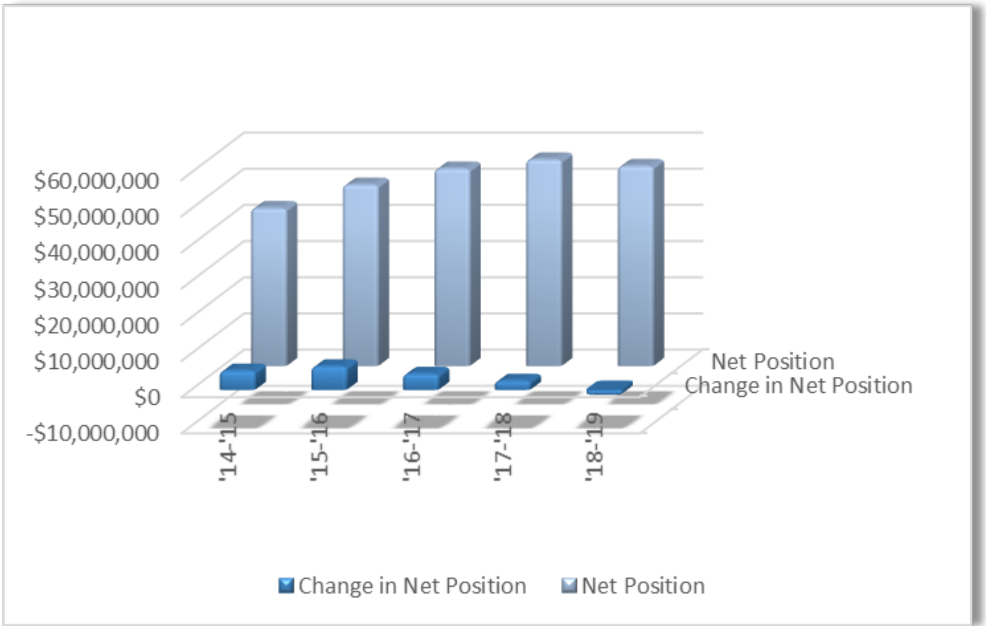
Years Ended September 30, 2019 and 2018

	2019	2018
Advertising	$ 16	$ 405
Banking and credit card fees	121,154	88,916
Collection fees	471,823	297,851
Dues and subscriptions	95,757	52,578
Equipment	295,234	155,846
Insurance	5,066,558	3,676,262
License - certification	-	20,962
Other	660,341	639,816
Payroll taxes	348,192	377,908
Postage	38,305	55,121
Professional fees	1,230,942	1,059,351
Public relations	24,139	39,373
Recruitment and training	4,204	69,209
Rent expense	60,805	43,180
Repairs and maintenance	2,002,313	1,914,634
Retirement plan contribution	97,656	212,484
Salaries	4,988,757	5,616,420
Supplies	198,590	124,926
Telephone and utilities	546,217	556,877
Travel	122,477	65,331
	$16,373,480	$15,067,450

OTHER FINANCIAL INFORMATION

METROPOLITAN AREA EMS AUTHORITY

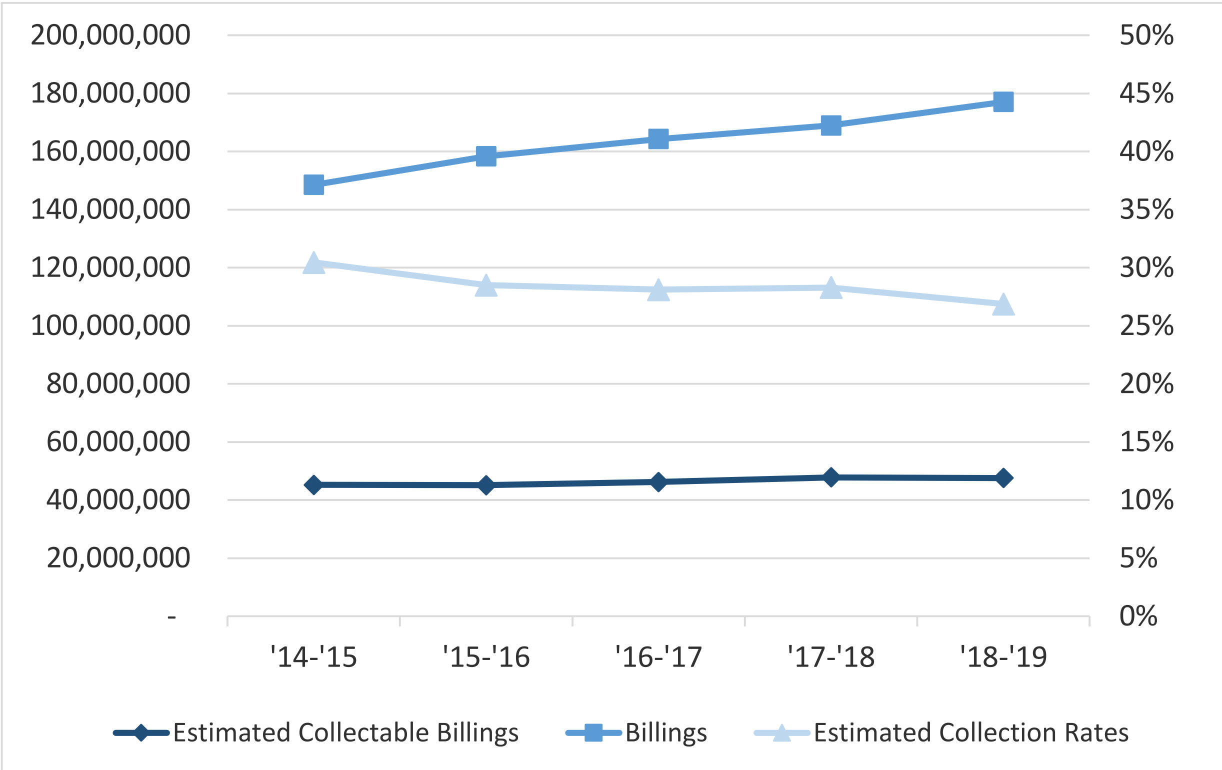
CHANGE IN NET POSITION VS. NET POSITION



	Change in Net Position	Net Position
2014-2015	$ 5,322,945	$43,669,494
2015-2016	6,496,805	50,139,299
2016-2017	4,441,414	54,580,713
2017-2018	2,519,357	57,100,070
2018-2019	(1,800,602)	55,299,468

METROPOLITAN AREA EMS AUTHORITY

BILLINGS VS. COLLECTION RATES



	Estimated Collectable Billings	Billings	Estimated Collection Rates
2014-2015	$ 45,246,148	$ 148,574,701	30.45%
2015-2016	45,129,477	158,375,972	28.50%
2016-2017	46,203,166	164,299,288	28.12%
2017-2018	47,806,964	168,986,409	28.29%
2018-2019	47,605,670	177,090,186	26.88%