

**METROPOLITAN AREA
EMS AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

**Years ended September 30, 2020 and 2019
with Report of Independent Auditors**

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EMS AUTHORITY**

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SUPPLEMENTAL INFORMATION**

Years ended September 30, 2020 and 2019

Table of Contents

Report of Independent Auditors	1
Management’s Discussion and Analysis	3
Financial Statements:	
Statements of Net Position.....	15
Statements of Revenues, Expenses, and Changes in Net Position.....	16
Statements of Cash Flows	17
Notes to Financial Statements	18
Supplemental Information:	
Schedules of General and Administrative Expenses.....	34
Other Financial Information:	
Change in Net Position vs. Net Position	36
Billings vs. Collection Rates	37

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, 2020 and 2019, 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, 2020 and 2019, 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 13 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 25, 2021

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 are 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 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 the 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 noncapital 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; purchase of a certificate of deposit required under a long-term debt agreement; and redemption of a certificate of deposit.
- 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,	
	2020	2019
	<u> </u>	<u> </u>
Total current assets	\$33,946,230	\$32,824,568
Total capital assets, net, at cost	<u>37,323,093</u>	<u>33,011,097</u>
Total assets	<u>71,269,323</u>	<u>65,835,665</u>
Total current liabilities	4,849,689	3,899,167
Total noncurrent liabilities	<u>11,217,963</u>	<u>6,637,030</u>
Total liabilities	<u>16,067,652</u>	<u>10,536,197</u>
Net investment in capital assets	24,959,913	26,124,593
Restricted	475,471	503,013
Unrestricted	<u>29,766,287</u>	<u>28,671,862</u>
Total net position	<u><u>\$55,201,671</u></u>	<u><u>\$55,299,468</u></u>

During 2020, the financial position of the Authority saw a decrease in net position of \$97,797, primarily resulting of an increase in total liabilities of \$5,531,455. The increase in total liabilities is due to the Authority completing the construction of the North Deployment Center and financing the 2020 purchase of ambulances through a capital lease obligation. Total assets increased by \$5,433,658 primarily due to investment in capital and increase in cash year over year. The current ratio changed from 8.4 in 2019 to 7.0 in 2020.

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 Frost Bank. Receivables are from 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.

Current liabilities are comprised of current portion of long-term debt, current portion of capital lease obligation, accounts payable and accrued liabilities, and unearned revenue. 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. Current liabilities increased from the prior year primarily due to the increase in accrued vacation and accrued liabilities as a result of timing of payments. Current liabilities also increased due to increases in the current portion of the long-term debt attributed to the completion of the North Deployment Center and the capital lease obligation for the 2020 ambulance purchases.

Noncurrent liabilities are the portions of the long-term debt and capital lease obligation which are due in the future. The noncurrent liabilities increased due to proceeds from long-term debt to finance the North Deployment Center construction and the capital lease obligation for ambulances in 2020.

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 and capital lease obligation. 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,	
	2019	2018
	<u> </u>	<u> </u>
Total current assets	\$32,824,568	\$33,269,085
Total capital assets, net, at cost	33,011,097	30,956,248
Total assets	<u>65,835,665</u>	<u>64,225,333</u>
Total current liabilities	3,899,167	3,507,315
Total noncurrent liabilities	6,637,030	3,617,948
Total liabilities	<u>10,536,197</u>	<u>7,125,263</u>
Net investment in capital assets	26,124,593	26,542,355
Restricted	503,013	608,620
Unrestricted	<u>28,671,862</u>	<u>29,949,095</u>
Total net position	<u>\$55,299,468</u>	<u>\$57,100,070</u>

During 2019, the financial position of the Authority saw a decrease in net position of \$1,800,602, primarily resulting of a 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 EPAB, which was assumed by the Authority during 2017 as a result of the 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 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 liabilities are comprised of current portion of long-term debt, accounts payable and accrued liabilities, and unearned revenue. 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.

Noncurrent liabilities are the portions of the long-term debt which are due in the future. The noncurrent liabilities increased due to proceeds from long-term debt 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.

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,	
	2020	2019
Operating revenues	\$172,035,590	\$177,408,806
Less estimated uncollectible fees	<u>(125,389,694)</u>	<u>(128,723,366)</u>
Net operating revenues	46,645,896	48,685,440
Operating expenses	<u>48,269,880</u>	<u>50,654,546</u>
Operating income (loss)	(1,623,984)	(1,969,106)
Total nonoperating revenues, net	<u>1,526,187</u>	<u>168,504</u>
Change in net position	(97,797)	(1,800,602)
Net position, beginning of year	<u>55,299,468</u>	<u>57,100,070</u>
Net position, end of year	<u>\$ 55,201,671</u>	<u>\$55,299,468</u>

COVID-19 Impact

The COVID-19 pandemic had a significant impact on the Authority in Fiscal Year 2020. As the pandemic has evolved, the Authority has not only continued to provide the outstanding service the Authority is known for, but has also stepped up to help the community, and our employees and their family members, in a variety of ways.

Community Driven

From a community perspective, the Authority provided these additional enhanced services to the community:

We initiated a patient navigation program for low-acuity 9-1-1 patients with possible COVID-19 related symptoms. This protocol referred patients to resources appropriate for their medical issues, to help preserve valuable hospital capacity.

In partnership with Tarrant County Public Health (“TCPH”), we provided on-site and in-home COVID-19 testing for first responders, front line healthcare workers, and others referred for testing by TCPH.

Our Mobile Integrated Healthcare Team distributed food for homebound members of the community experiencing food insecurities.

In partnership with the City of Fort Worth, our team provided transportation for suspected COVID-19 positive homeless patients from shelters to isolation sites.

We dedicated resources and personnel to support operations in the Fort Worth/Tarrant County Joint Emergency Operations Center.

We donated N95 masks to the Tarrant County Medical Society to help assure physician practices could safely administer care to their patients.

In partnership with TCPH, we provided education to area healthcare facilities and businesses on the proper use of personal protective equipment (“PPE”) as well as safe hygiene and disinfecting procedures.

In partnership with the Texas Health and Human Services Commission, we provided on-site testing of residents and staff of high-risk skilled nursing facilities.

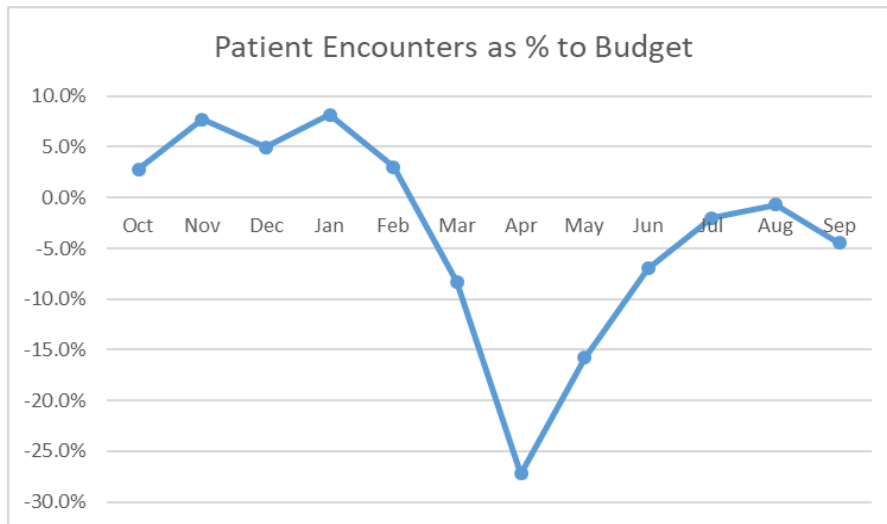
We played an active role in supporting COVID-19 testing and EMS relief efforts throughout Texas by dedicating personnel and resources to Texas Emergency Medical Task Force deployments.

Employee Focused

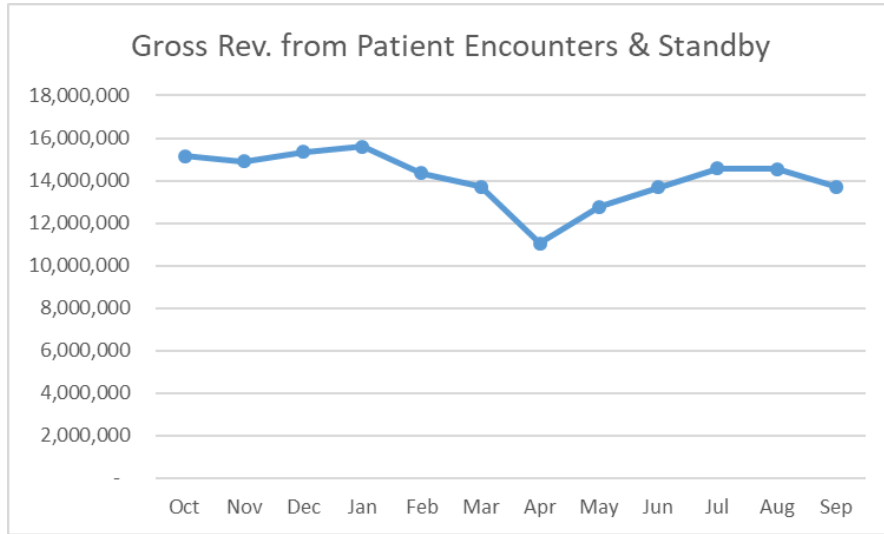
We focused on employee safety by providing all employees with the PPE needed to protect them while they got the job done on the ambulance and in our facilities. We closed the offices to the public for 30 days. We provided COVID-19 screening and surgical masks for both employees and vendors entering any Authority facility. Our IT department stepped up and led the challenge to provide the hardware and software necessary to allow some of our employees the ability to work from home. We also offered paid leave and quarantine lodging to employees exposed to or infected by the virus.

Fiscally Responsible

The Authority prepared for a surge of COVID-19 patient encounters like that seen in the NY area. Instead, patient encounters declined significantly starting in March 2020. As the state enacted a “Shelter in Place” order, the residents in our service area responded by staying home. Patient encounters fell well below budget starting in March and did not come back to budgeted levels until August 2020. This is depicted in the graph below, with April being the low point to budget of (27.2%).



Gross revenue followed our decline in patient encounters as depicted in the graph below.



Despite \$941,383 of federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) funding, the Authority’s year-end gross revenue was \$2.47 million below budget.

In addition to lost revenue, the Authority incurred unbudgeted direct expenses to combat the COVID-19 pandemic of approximately \$700,000 for things like PPE, office cleaning supplies, and software and hardware. Due to the unpredictable fluctuations and ever-present risk of a surge in patient volume, we had to remain fully staffed in the field, despite the downward trend in patient encounters we were experiencing. From March – June, at the beginning of the pandemic, the Authority staffing costs were approximately \$292,000 above budget as we prepared for the change in patient encounters, while remaining ready to combat the surge that never came. However, we were able to put expense saving measures into place from the beginning. Those cost saving measures included suspending all travel, implementing a hiring freeze until the end of the fiscal year, and delaying all non-essential purchases that also included capital purchases not already ordered. With the decrease of responses, the Authority also benefited from lower fuel expense of approximately \$195,000, along with a decrease in insurance claims paid of approximately \$2.2 million as our employees went to the doctor less than expected.

An analysis of the accrual basis operating budget revenues and expenditures shows that for fiscal 2020, budgeted net operating revenues were \$50,970,201. An analysis of the actual results compared to the operating budget shows net operating revenues of \$46,645,896, which is \$4,324,305, or 8.4%, under budgeted net operating revenues. The majority of this variance is due to a negative to budget variance for transports of 3.5% due to the coronavirus pandemic and an increase in the estimated uncollectible fees.

Operating expenses, excluding depreciation, for the year ended September 30, 2020, of \$44,193,632 were \$1,718,228, or 3.7%, under budgeted expenses of \$45,911,860, excluding depreciation.

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 \$46,645,896 and \$48,685,440 for 2020 and 2019, respectively. The decrease in net operating revenues is primarily related to a decrease in transports year over year of 3.0%.

Operating expenses of \$48,269,880 and \$50,654,546 for 2020 and 2019, 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, Logistics, and Deployment. Ambulance fleet operations expenses are expenses incurred to maintain the ambulances. The increase in field operating expenses is directly related to the increase in cost to deliver services during the COVID-19 pandemic.

General and administrative expenses are the expenses incurred to manage the general operational functions of the Authority, including billing, collections, HR, SIO, IT 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. Decreases in general and administrative expense are primarily due to a decrease in health insurance claims and patient insurance verification expense in the billing department.

Total nonoperating revenues consist primarily of interest expense, other income, subsidy income, and loss on disposition of assets. The increase in nonoperating revenues primarily relates to a new rebate program for RX Benefits and CARES Act Provider Relief Funds.

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

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.

Capital Assets and Debt Administration

Capital Assets

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 2020 are as follows: communication equipment 3 to 10 years, data processing equipment and software 3 to 7 years, office furniture, and equipment 7 years, building and improvements 10 to 30 years, and medical equipment, ambulance fleet and fleet equipment 3 to 20 years. 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 medical equipment, ambulance fleet, and fleet equipment 5 to 20 years.

Capital assets increased from 2019 to 2020 primarily due to additions to the North Deployment Center (approximately \$2.9 million), additions to the ambulance fleet (approximately \$5 million), and additions to data processing equipment, medical equipment, and office equipment (approximately \$626,000). Several of the Authority's ambulance chassis were replaced during the current year, which resulted in disposals of approximately \$2.86 million that offset the ambulance purchases in 2020.

Capital assets increased from the 2018 to 2019 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 2019, which resulted in disposals of approximately \$330,000 that offset the ambulance purchases in 2019.

At September 30, 2020, capital assets before depreciation, which includes both depreciable and nondepreciable assets, totaled \$59,704,449. This is an increase of \$5,638,294 over 2019. Accumulated depreciation increased by \$1,326,298 to \$22,381,356 at September 30, 2020.

During 2020, buildings and improvements increased \$5,339,215 due to the completion of the North Deployment Center. Ambulance fleet increased by approximately \$2,198,439 related to fleet acquisitions and upgrades made throughout the year. Due to these additions, depreciation expense also increased.

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.

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

Long-Term Debt and Capital Lease Obligation

At September 30, 2020, the Authority had approximately \$10.2 million outstanding on its notes payable, which is an increase of approximately \$3.3 million from the prior year. At September 30, 2020, the Authority had approximately \$2.1 million outstanding on its capital lease obligation. The increase in the balance resulted from the completion of the North Deployment Center and the new capital lease obligation for the ambulance purchases in 2020. The notes payable consist of a two term notes.

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.

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 establish 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 has not increased fees in over ten years, and an analysis of the Fair Health Consumer Database ("Fair Database") shows the Authority to be below the market average for rates charged in the region. Therefore, in FY2021 the Authority will request from the Board of Directors an initial rate increase of \$100 to the base rate for emergency calls and a \$2.00/mile rate increase, as well as the opportunity to charge for disposable medical supplies and oxygen, which several insurers will pay if billed. Thereafter, the Authority will continue to adjust rates until we are at the average rates set forth for the applicable year in the Fair Database for the region.

Moving forward, to assure fiscal responsibility, the Authority will increase rates in much smaller increments, as increases will be tied to the consumer price index for healthcare and transportation and to the average rates in the region as found in the Fair Database.

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,	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 18,162,943	\$ 14,741,382
Cash and cash equivalents - restricted	475,471	503,013
Certificate of deposit	4,245,738	4,511,757
Patient and other accounts receivable, less allowance for uncollectible accounts of \$99,819,815 in 2020; \$64,661,708 in 2019	10,243,190	12,015,463
Supplies inventory	358,990	285,157
Prepaid expenses	459,898	767,796
Total current assets	33,946,230	32,824,568
Capital assets, at cost		
Land	1,644,946	1,603,440
Communication equipment	3,731,088	3,646,294
Data processing equipment and software	8,587,113	8,372,610
Office furniture and equipment	2,571,565	2,244,900
Buildings and improvements	24,197,139	18,857,924
Ambulance fleet	18,972,598	16,774,159
Construction in progress	-	2,566,828
	59,704,449	54,066,155
Less accumulated depreciation	22,381,356	21,055,058
Total capital assets, net, at cost	37,323,093	33,011,097
Total assets	\$ 71,269,323	\$ 65,835,665
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,573,990	\$ 3,439,951
Current portion of long-term debt	734,195	249,474
Current portion of capital lease obligation	411,022	-
Unearned revenue	130,482	209,742
Total current liabilities	4,849,689	3,899,167
Noncurrent liabilities		
Long-term debt, net of current portion	9,462,801	6,637,030
Capital lease obligation, net of current portion	1,755,162	-
Total liabilities	16,067,652	10,536,197
Net position		
Net investment in capital assets	24,959,913	26,124,593
Restricted - Emergency Physicians Advisory Board	475,471	503,013
Unrestricted	29,766,287	28,671,862
Total net position	\$ 55,201,671	\$ 55,299,468

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended September 30,	
	2020	2019
	<u> </u>	<u> </u>
Operating revenues		
Patient service fees and other	\$ 171,318,292	\$ 176,329,036
Subscription income	359,167	318,620
Program income	358,131	761,150
	<u>172,035,590</u>	<u>177,408,806</u>
Less estimated uncollectible fees	(125,389,694)	(128,723,366)
Net operating revenues	<u>46,645,896</u>	<u>48,685,440</u>
 Operating expenses		
Field operations	28,056,709	27,636,306
Ambulance fleet operations	2,121,188	2,262,866
General and administrative	14,015,735	16,373,480
Depreciation	4,076,248	4,381,894
Total operating expenses	<u>48,269,880</u>	<u>50,654,546</u>
 Operating loss	(1,623,984)	(1,969,106)
 Nonoperating revenues (expenses)		
Other income	1,849,848	198,978
Subsidy income	-	27,821
Interest expense	(233,180)	(120,611)
Gain (loss) on disposition of assets	(90,481)	62,316
Total nonoperating revenues, net	<u>1,526,187</u>	<u>168,504</u>
 Change in net position	(97,797)	(1,800,602)
 Net position, beginning of year	<u>55,299,468</u>	<u>57,100,070</u>
Current portion of capital lease obligation		
Net position, end of year	<u><u>\$ 55,201,671</u></u>	<u><u>\$ 55,299,468</u></u>

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2020	2019
Cash flows from operating activities		
Patient service fees received	\$ 48,338,909	\$ 48,794,238
Cash paid to suppliers	(16,754,761)	(17,433,394)
Cash paid to employees	(27,359,506)	(27,884,475)
Net cash provided by operating activities	4,224,642	3,476,369
Cash flows from noncapital financing activities		
Subsidy payments received	-	27,821
Income from community health programs	1,849,848	198,978
Restricted cash	27,542	105,607
Net cash provided by noncapital financing activities	1,877,390	332,406
Cash flows from capital and related financing activities		
Proceeds from redemption of certificate of deposit	266,019	-
Purchase of certificate of deposit	-	(4,511,757)
Proceeds from sale of capital assets	22,483	22,835
Proceeds from capital long-term debt	3,559,995	7,090,005
Proceeds from insurance recoveries	-	104,040
Principal paid on capital long-term debt	(249,503)	(4,617,394)
Interest paid on capital long-term debt	(233,180)	(150,526)
Capital expenditures	(6,046,285)	(6,471,387)
Net cash used in capital and related financing activities	(2,680,471)	(8,534,184)
Net increase (decrease) in cash and cash equivalents	3,421,561	(4,725,409)
Cash and cash equivalents at beginning of year	14,741,382	19,466,791
Cash and cash equivalents at end of year	\$ 18,162,943	\$ 14,741,382
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (1,623,984)	\$ (1,969,106)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	4,076,248	4,381,894
Changes in assets and liabilities		
Accounts receivable	1,772,273	47,629
Supplies inventory	(73,833)	14,742
Prepaid expenses	307,898	62,887
Accounts payable and accrued liabilities	(154,700)	877,154
Unearned revenue	(79,260)	61,169
Net cash provided by operating activities	\$ 4,224,642	\$ 3,476,369

See accompanying notes to financial statements.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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 are 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.

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.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (*continued*)

A. Significant Accounting Policies – continued

Use of Estimates – continued

Included in the accompanying financial statements are estimates of uncollectible patient services 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 patient services fees and self-insurance claims incurred, but not paid, may differ and that the difference may be material to the financial statements.

The Authority's policy is to regularly review the allowance for uncollectible accounts. This review during 2020 indicated that the 2019 allowance for uncollectible accounts was understated based on actual cash collections, specifically cash collections on patient accounts receivable related to insurance providers. As a result, the Authority revised the allowance for uncollectible accounts as of September 30, 2020. The effect of this change in estimate was an increase to the 2020 provision for uncollectible fees of approximately \$960,000.

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.

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.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

A. Significant Accounting Policies – continued

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, 2020, the Authority’s investments consisted of a certificate of deposit that matures in November 2020, and will not be renewed for another twelve-month period. The certificate 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,:

	<u>2020</u>	<u>2019</u>
	Level 2	Level 2
Certificate of deposit	\$ 4,245,738	\$ 4,511,757

Allowance for Uncollectible Accounts

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

Supplies Inventory

Supplies inventory are stated at the lower of cost (first-in, first-out) or net realizable value.

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.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

A. Significant Accounting Policies – continued

Capital Assets – continued

Estimated useful lives of major categories of capital assets as of September 30, 2020, are as follows:

<u>Category</u>	<u>Estimated Life</u>
Buildings and improvements	10 – 30 Years
Medical equipment	7 – 10 Years
Ambulance fleet	3 – 5 Years
Fleet equipment	5 – 20 Years
Communications equipment	3 – 10 Years
Data processing equipment and software	3 – 7 Years
Office furniture and equipment	7 Years

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

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

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, 2020.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (*continued*)

A. Significant Accounting Policies – continued

Accumulated Vacation and Sick Leave

Employees of the Authority earn vacation and sick leave. Unused vacation leave up to 240 hours may be carried over to subsequent periods. Employees are compensated for unused vacation leave, if separating, if they have worked for the Authority for at least 90 consecutive days unless they have changed their status to part-time prior to separation. However, employees will not be compensated for their unused sick leave.

Capital Leases

At the inception of each lease, the Authority performs an evaluation to determine whether the lease should be classified as an operating or capital lease. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or fair value of the leased assets at the inception of the lease. Depreciation expense is computed using the straight-line method over the useful lives of the assets.

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 patients, and insurance providers, including Medicare, Medicaid, and third parties, 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.

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.

METROPOLITAN AREA EMS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

A. Significant Accounting Policies – continued

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 and / or capital lease obligation 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. Unrestricted net position represents the accumulated excess of revenue over expenses.

Recently Issued Accounting Pronouncements

New accounting standards were effective for the fiscal year ended September 30, 2020. 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, 2020, are summarized below.

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.

GASB Statement No. 87, *Leases*, establishes standards of accounting and financial reporting for lessees by lessees and lessors.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, provides improvement of the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements of this Statement are effective immediately.

METROPOLITAN AREA EMS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

A. Significant Accounting Policies – continued

Recently Issued Accounting Pronouncements – continued

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update – 2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months.

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (*continued*)

B. Cash and Investments

Custodial Credit Risk

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

As of September 30, 2020 and 2019, the carrying amount of the Authority's cash on hand was \$18,162,943 and \$14,741,382, respectively, and the bank balance was \$19,022,349 and \$15,807,684, respectively.

C. 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, 2020 and 2019, were approximately \$976,000 and \$992,000 (which includes approximately \$76,000 and \$60,000 of forfeitures allocated to participant accounts), respectively. Employee contributions for the years ended September 30, 2020 and 2019, were approximately \$914,000 and \$876,000, respectively.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

D. Capital Assets Activity

Capital asset activity for the Authority for the years ended September 30, 2020 and 2019, was as follows:

	Beginning Balance 10/1/2019	Additions	Retirements	Transfers	Ending Balance 9/30/2020
Capital assets not being depreciated:					
Land	\$ 1,603,440	\$ -	\$ -	\$ 41,506	\$ 1,644,946
Construction in progress	2,566,828	2,978,426	164,533	(5,380,721)	-
Total capital assets not being depreciated	4,170,268	2,978,426	164,533	(5,339,215)	1,644,946
Capital assets being depreciated:					
Communication equipment	3,646,294	84,794	-	-	3,731,088
Data processing equipment and software	8,372,610	214,503	-	-	8,587,113
Office furniture and equipment	2,244,900	326,665	-	-	2,571,565
Buildings and improvements	18,857,924	-	-	5,339,215	24,197,139
Ambulance fleet, medical, and fleet equipment	16,774,159	5,059,811	2,861,372	-	18,972,598
Total capital assets being depreciated	49,895,887	5,685,773	2,861,372	5,339,215	58,059,503
Total at historical cost	54,066,155	8,664,199	3,025,905	-	59,704,449
Less accumulated depreciation:					
Communication equipment	2,495,327	215,865	-	-	2,711,192
Data processing equipment and software	4,973,888	765,961	-	-	5,739,849
Office furniture and equipment	1,599,671	289,992	-	-	1,889,663
Buildings and improvements	3,240,085	734,751	-	-	3,974,836
Ambulance fleet, medical, and fleet equipment	8,746,087	2,069,679	2,749,950	-	8,065,816
Total accumulated depreciation	21,055,058	4,076,248	2,749,950	-	22,381,356
Capital assets, net, at cost	<u>\$33,011,097</u>	<u>\$ 4,587,951</u>	<u>\$ 275,955</u>	<u>\$ -</u>	<u>\$37,323,093</u>

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

D. Capital Assets Activity – continued

	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	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	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	<u>\$30,956,248</u>	<u>\$ 2,119,408</u>	<u>\$ 64,559</u>	<u>\$33,011,097</u>

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 2020.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

E. 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 during the years ended September 30, 2020 or 2019.

F. Obligations Under Capital Lease

During 2020, the Authority entered into agreements to lease vehicles under a capital lease arrangement which expires in 2025. Leased assets totaling approximately \$2,166,185 are included in capital assets, net, at cost in the accompanying statements of financial position at September 30, 2020. Depreciation expense for leased assets for the year ended September 30, 2020 was approximately \$19,000.

Future minimum annual payments under the capital lease obligations consisted of the following at September 30, 2020:

2021	\$ 462,487
2022	462,487
2023	462,487
2024	462,487
2025	462,487
Total minimum lease payments	<u>2,312,435</u>
Less amounts representing interest	<u>(146,250)</u>
Present value of net minimum lease payments	<u>\$ 2,166,185</u>

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 incurred interest at a rate of 2.27% and was to be paid in monthly installments of \$38,095 plus accrued interest, with a balloon payment required at maturity. The construction loan incurred 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 new term note in the amount of \$4,450,000 for the purpose of refinancing these notes with a new financial institution.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

G. Long-Term Debt – continued

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 maturity date was November 28, 2020. However, on October 29, 2020, the term note was amended and the new monthly installment is \$39,364 plus accrued interest at a rate of 3.214%, with a balloon payment required at maturity. The amended maturity date is October 1, 2030. The outstanding balance of the term note at September 30, 2020, is \$3,996,996. 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 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% (1.65% at September 30, 2020) and is due monthly. The outstanding balance of the construction line of credit at September 30, 2020, is \$6,200,000 and all outstanding principal was originally due March 15, 2021. On October 29, 2020, the line of credit agreement was amended and converted to a term note to be paid in monthly installments of \$61,054 plus accrued interest at a rate of 3.214%, with a balloon payment required at maturity. The amended maturity date is October 1, 2030. 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, 2020, 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, 2020, are as follows:

Year Ending September 30	Principal	Interest	Total
2021	\$ 734,195	\$ 269,976	\$ 1,004,171
2022	910,215	294,795	1,205,010
2023	940,322	264,687	1,205,009
2024	970,771	234,238	1,205,009
2025	1,035,963	201,473	1,237,436
Thereafter	<u>5,605,530</u>	<u>487,505</u>	<u>6,093,035</u>
Total	<u>\$10,196,996</u>	<u>\$ 1,752,674</u>	<u>\$11,949,670</u>

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

G. Long-Term Debt – continued

The following is a summary of long-term debt transactions of the Authority for the years ended September 30, 2020 and 2019:

Beginning Balance 10/1/2019	Increases	Decreases	Ending Balance 9/30/2020	Due Within One Year
\$ 6,886,504	\$ 3,559,995	\$ (249,503)	\$ 10,196,996	\$ 734,195
Beginning Balance 10/1/2018	Increases	Decreases	Ending Balance 9/30/2019	Due Within One Year
\$ 4,413,893	\$ 7,090,005	\$ (4,617,394)	\$ 6,886,504	\$ 249,474

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.

Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Authority's activities, the continuing impact to the results of operations and financial position cannot be reasonably estimated at this time.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

I. Insurance Plan

The Authority became self-insured for health care benefits beginning January 1, 2014. The Authority contracted with Continental Benefits to facilitate all claims prior to September 30, 2019. Effective October 1, 2019, the Authority contracts with UMR, Inc. (“UMR”). The Authority is solely responsible for all claim costs, both reported and unreported. UMR 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 (“IBNR”). The resulting 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, 2020 and 2019, the IBNR liability of approximately \$279,000 and \$350,000, respectively, is recorded within accounts payable and accrued liabilities in the accompanying statements of net position. The following summarizes the self-insured plan claims and liabilities for health care benefits.

<u>Year Ended September 30,</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claim Payments</u>	<u>End of Year Accrual</u>
2020	\$ 350,000	\$ 2,732,981	\$ (2,804,414)	\$ 278,567
2019	\$ 260,232	\$ 4,299,522	\$ (4,209,754)	\$ 350,000

J. Provider Relief Funds

During April 2020, as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the U.S. Health and Human Services (“HHS”) distributed \$50 billion to providers who bill Medicare fee-for-service in order to provide financial relief during the coronavirus (COVID-19) pandemic. These provider relief funds (“PRFs”) were allocated proportional to providers' share of 2018 patient revenue. On April 10, 2020, HHS immediately distributed \$30 billion to eligible providers throughout the American healthcare system. The Authority received approximately \$673,000 of general distributions on April 10, 2020.

HHS allocated targeted distribution funding to providers in areas particularly impacted by the COVID-19 outbreak, rural providers, and providers requesting reimbursement for the treatment of uninsured Americans. The Authority received approximately \$268,500 of targeted distributions on May 15, 2020.

The PRFs are included in other income in the accompanying statements of revenues, expenses, and changes in net position.

METROPOLITAN AREA EMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS *(continued)*

K. Concentrations of Credit Risk

Patient service fees from Medicare, Medicaid, and insurance providers accounted for approximately 40%, 16%, and 16%, respectively, of the Authority's patient service fees for the year ended September 30, 2020. Patient service fees from Medicare, Medicaid, and insurance providers accounted for approximately 43%, 17%, and 16%, respectively, of the Authority's patient service fees for the year ended September 30, 2019. Patient accounts receivable, net from Medicare and insurance providers comprised approximately 23% and 46%, respectively, at September 30, 2020. Patient accounts receivable, net from Medicare and insurance providers comprised approximately 21% and 57%, respectively, at September 30, 2019.

L. Subsequent Events

In preparing the financial statements, the Authority has evaluated all subsequent events and transactions for potential recognition or disclosure through January 25, 2021, the date the financial statements were available for issuance.

As discussed in Note H, the Authority's long-term debt was amended in October 2020 with new terms.

On December 22, 2020, the Authority received approximately \$606,000 from the City of Fort Worth (the "City") to reimburse the Authority for personal protective equipment expenses. These funds were allocated to the Authority from the City's CARES Act funds.

SUPPLEMENTAL INFORMATION

METROPOLITAN AREA EMS AUTHORITY

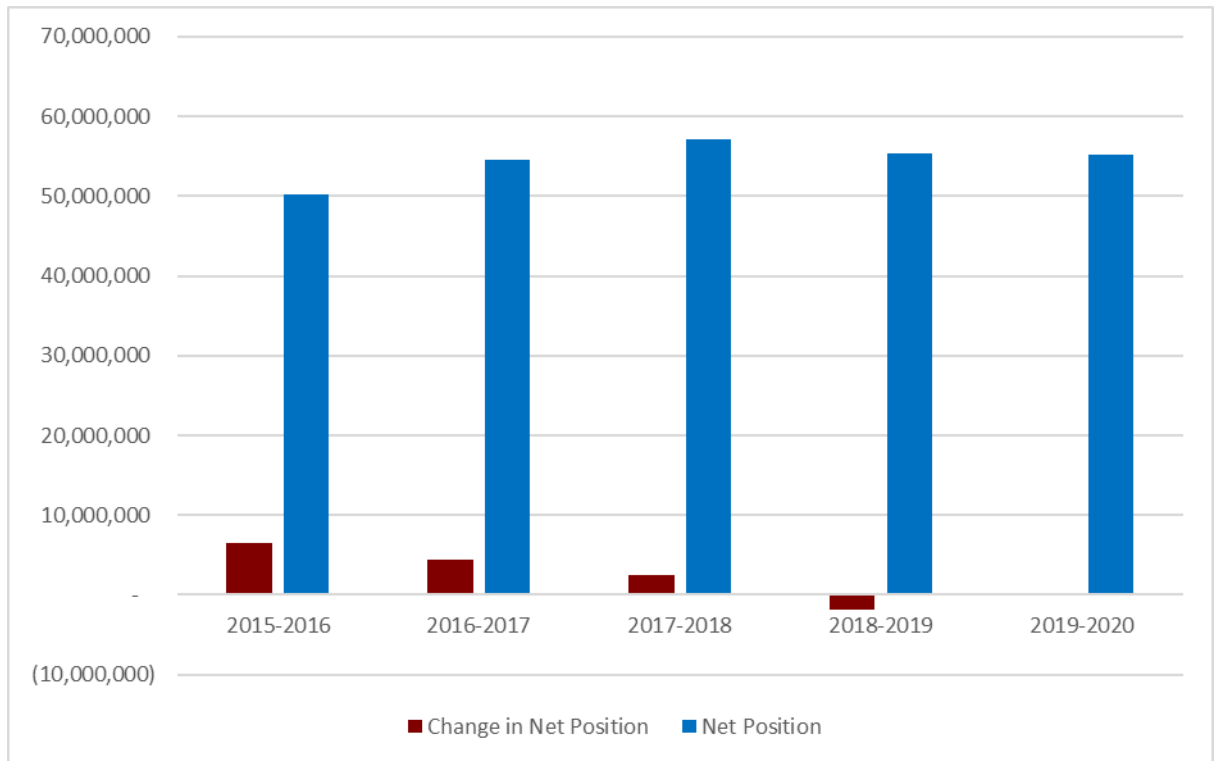
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Advertising	\$ -	\$ 16
Banking and credit card fees	104,475	121,154
Collection fees	345,782	471,823
Dues and subscriptions	85,828	95,757
Equipment	200,955	295,234
Insurance	2,887,455	5,066,558
License - certification	-	-
Other	834,731	660,341
Payroll taxes	328,904	348,192
Postage	41,741	38,305
Professional fees	1,172,718	1,230,942
Public relations	55,894	24,139
Recruitment and training	800	4,204
Rent expense	133,195	60,805
Repairs and maintenance	2,134,893	2,002,313
Retirement plan contribution	147,617	97,656
Salaries	4,565,656	4,988,757
Supplies	197,021	198,590
Telephone and utilities	723,608	546,217
Travel	54,462	122,477
	<u>\$14,015,735</u>	<u>\$16,373,480</u>

OTHER FINANCIAL INFORMATION

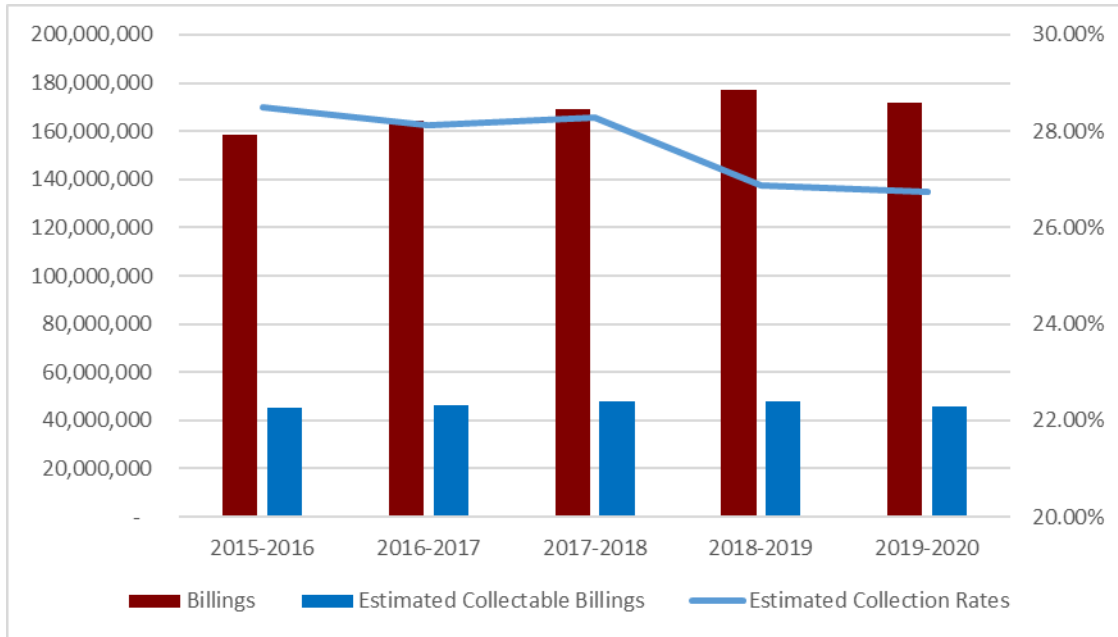
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CHANGE IN NET POSITION VS. NET POSITION



	<u>Change in Net Position</u>	<u>Net Position</u>
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
2019-2020	(97,797)	55,201,671

METROPOLITAN AREA EMS AUTHORITY

BILLINGS VS. COLLECTION RATES



	Estimated Collectable Billings	Billings	Estimated Collection Rates
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%
2019-2020	45,928,598	171,676,423	26.75%