

**AUDIT REPORT
ATOKA COUNTY
EMERGENCY MEDICAL SERVICE
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 30, 2003

TO THE BOARD OF DIRECTORS OF THE
ATOKA COUNTY EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of the Atoka County Emergency Medical Service for the fiscal year ended June 30, 2002. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Atoka County Emergency Medical Service.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahhan".

JEFF A. McMAHAN
State Auditor and Inspector

**ATOKA COUNTY
EMERGENCY MEDICAL SERVICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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**ATOKA COUNTY
EMERGENCY MEDICAL SERVICE
BOARD MEMBERS
JUNE 30, 2002**

CHAIRMAN

Ron Tisdale

VICE-CHAIRMAN

Don Barnard

SECRETARY/TREASURER

Kathleen Barton

MEMBERS

Jerry Lewis

James Briggs

ADMINISTRATOR

Ruth Ann Daniel



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF THE
ATOKA COUNTY EMERGENCY MEDICAL SERVICE

We have audited the accompanying financial statements of the Atoka County Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atoka County Emergency Medical Service, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2003, on our consideration of the Atoka County Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

May 7, 2003

Financial Statements

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
COMBINED BALANCE SHEET
JUNE 30, 2002**

| | Governmental Fund Type General Fund | Account Group General Fixed Assets | Total (Memorandum Only) |
|---------------------------------------|--|---|-------------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 98,085 | \$ | \$ 98,085 |
| Service runs receivable | 77,576 | | 77,576 |
| Ad valorem taxes receivable | 1,403 | | 1,403 |
| Ambulances | | 131,221 | 131,221 |
| Emergency equipment | | 34,060 | 34,060 |
| Total assets | <u>\$ 177,064</u> | <u>\$ 165,281</u> | <u>\$ 342,345</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 26,576 | \$ | \$ 26,576 |
| Total liabilities | <u>26,576</u> | <u>-</u> | <u>26,576</u> |
| Fund equity: | | | |
| Investments in general fixed assets | | 165,281 | 165,281 |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | 150,488 | | 150,488 |
| Total fund equity | <u>150,488</u> | <u>165,281</u> | <u>315,769</u> |
| Total liabilities and fund equity | <u>\$ 177,064</u> | <u>\$ 165,281</u> | <u>\$ 342,345</u> |

The notes to the financial statements are an integral part of this statement.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

| | Governmental Fund Type |
|---|------------------------|
| | General Fund |
| Revenues: | |
| Ad valorem taxes | \$ 79,997 |
| Charges for services | 297,174 |
| Miscellaneous revenues | 4,758 |
| Total revenues | 381,929 |
| Expenditures: | |
| Current operating: | |
| Maintenance and operations | 326,909 |
| Capital outlay | 79,271 |
| Total expenditures | 406,180 |
| Excess of revenues over (under) expenditures | (24,251) |
| Beginning fund balance | 174,739 |
| Ending fund balance | \$ 150,488 |

The notes to the financial statements are an integral part of this statement.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------|-------------------|------------------|
| Beginning fund balances, budgetary basis | \$ 151,839 | \$ 121,771 | \$ (30,068) |
| Revenues: | | | |
| Ad valorem taxes | 72,403 | 80,552 | 8,149 |
| Charges for services | 227,614 | 270,608 | 42,994 |
| Miscellaneous revenues | 2,490 | 4,758 | 2,268 |
| Total revenues, budgetary basis | <u>302,507</u> | <u>355,918</u> | <u>53,411</u> |
| Expenditures: | | | |
| Current operating: | | | |
| Maintenance and operations | 454,346 | 326,909 | 127,437 |
| Capital outlay | <u> </u> | <u>79,271</u> | <u>(79,271)</u> |
| Total expenditures, budgetary basis | <u>454,346</u> | <u>406,180</u> | <u>48,166</u> |
| Excess of revenues and beginning fund balances over (under) expenditures | <u>\$ -</u> | 71,509 | <u>\$ 71,509</u> |
| Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance | | | |
| Add: Ad valorem tax receivable | | 1,403 | |
| Accounts receivable (net of allowance for doubtful accounts) | | <u>77,576</u> | |
| Ending fund balance | | <u>\$ 150,488</u> | |

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. Summary of Significant Accounting Policies

The financial statements of the Atoka County Emergency Medical Service (EMS) are presented in conformity with accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The EMS is a governmental entity organized under the laws of the State of Oklahoma, and is not subject to federal or state income taxes. The EMS was created to provide ambulance service to all of the citizens.

The accompanying financial statements include all EMS funds, functions, and activities over which the EMS Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the EMS Board. The EMS does not have any component units.

B. Basis of Presentation - Fund Accounting

A governmental entity uses a fund and an account group to report financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Funds

Governmental funds are used to account for all of the EMS's general activities.

General Fund - The general fund accounts for all revenues and expenditures applicable to the general operations of the EMS.

Account Group

An account group is not a fund. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

Accounting principles generally accepted in the United States of America require that the fixed assets of a governmental entity be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the EMS's fixed assets and is designed to ensure accountability.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The general fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The EMS considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred, and the related fund liability is expected to be paid from available spendable resources. Those revenues susceptible to accrual are property taxes and charges for services.

D. Budgetary Policies and Procedures

The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget to actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

ATOKA COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

E. Cash

Cash includes amounts in demand deposits.

State statutes authorize the governmental entity to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements which add to the value or materially extend the useful life of the asset are capitalized.

Assets in the general fixed assets account group are not depreciated.

G. Risk Management

The EMS is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The EMS continues to carry commercial insurance for these types of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

H. Compensated Absences

The EMS has no employees. All employees are employees of the hospital.

I. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before June 1 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is approved by fund and object. The EMS Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Excise Board.

3. Detailed Notes on Account Balances

A. Cash

At year-end, the carrying amount of the EMS's deposits was \$98,085 and the bank balance was \$98,085. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS's agent in the EMS's name.

B. Receivables

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the District, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the EMS.

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. County voters approved a two mill levy to support the operations of the EMS. Property taxes are considered currently receivable if collected within 60 days.

The assessed property value as of January 1, 2001, was approximately \$39,821,379 after deducting homestead exemptions of approximately \$3,414,841.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 96.68 percent of the tax levy.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

The EMS accrues accounts receivable based on ambulance charges incurred and billed prior to the end of the fiscal year. The allowance for doubtful accounts are those charges considered uncollectible by the Board. Any charges that are in excess of one year old are written off for financial statement purposes.

C. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year.

| | Balance July 1, 2001 | Additions | Reductions | Balance June 30, 2002 |
|---------------------|-------------------------|-----------------|-------------|--------------------------|
| Emergency vehicles | \$62,171 | \$69,050 | \$ | \$131,221 |
| Emergency equipment | 23,839 | 10,221 | | 34,060 |
| Total | \$86,010 | \$79,271 | \$ - | \$165,281 |

4. Provider Contract

The EMS Board has contracted with the Atoka Memorial Hospital to provide emergency medical service in Atoka County.

5. Excess of Expenditures Over Appropriations

Expenditures during the fiscal year ending June 30, 2002, exceeded appropriations by \$79,271 in the Capital Outlay Category.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE BOARD OF DIRECTORS OF THE
ATOKA COUNTY EMERGENCY MEDICAL SERVICE

We have audited the financial statements of the Atoka County Emergency Medical Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated May 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Atoka County Emergency Medical Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding 01-1 - Estimate of Needs

Criteria: According to Title 19 O.S. 2001, § 1706.1 the EMS must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the emergency medical service district for audit expenses.

Condition: Atoka EMS did not appropriate the mandatory one-tenth mill to the audit budget account.

Recommendation: We recommend that the EMS properly complete the Estimate of Needs and include the mandatory audit budget account as required by Title 19 O.S. 2001, § 1706.1.

Finding 02-1 - Appropriations

Criteria: According to Title 19 O.S. 2001, § 1717 no expenditures may be authorized or made by any employee or member of the board which exceeds any fund balance for any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended.

Condition: The Atoka County EMS exceeded their approved appropriations for Capital Outlay by \$79,271.

Recommend: We recommend that the EMS adhere to their adopted budget and that no expenditures be approved by the EMS Board in excess of the approved appropriations.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atoka County Emergency Medical Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Atoka County Emergency Medical Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Finding 01-2 - Provider Contract

Criteria: All contracts and agreements between the EMS and other parties must be approved by the EMS Board and shall be retained by the EMS.

Condition: Atoka County EMS did not have an approved and signed contract with Atoka Memorial Hospital to provide service for the District.

Recommendation: We recommend that the EMS Board approve and obtain a signed contract with all parties they have contracted their service to for each fiscal year.

Finding 01-3 - Segregation of Duties

Criteria: Good internal controls dictate that employees who process cash transactions be segregated from the duties of depositing funds, posting bookkeeping records, and reconciling reports of collection activity.

Condition: Based on inquires of EMS personnel, it was noted that the duties of receiving, receipting, and depositing collections were not adequately segregated.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of EMS operations and a periodic review of the operations.

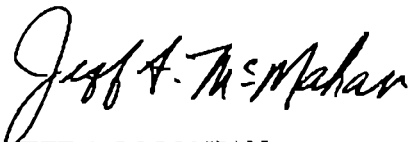
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 7, 2003