

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$39.25. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 3, 2004

TO THE BOARD OF TRUSTEES OF THE
BUTLER EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the audit of the Butler Emergency Medical Service District, for the fiscal year ended June 30, 2003. 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 Butler Emergency Medical Service District.

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. McMAHAN". The signature is written in a cursive style with a large, prominent "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2003

TABLE OF CONTENTS

Board of Trustees	ii
<u>INTRODUCTION</u>	iii
 <u>FINANCIAL SECTION</u>	
Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Notes to the Financial Statements.....	5
 <u>COMPLIANCE/INTERNAL CONTROL SECTION</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Management Response	13

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2003**

CHAIRMAN
Lonnie Haggard

TREASURER
Paul Campbell

MEMBERS
Judy Walker
Karen Ramsey
Christie Reeves

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service (EMS) districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. District voters approved the formation of the district and 3 mill levy to support the operation of the EMS.

EMS districts are governed by a board of trustees. The board of trustees (the board) has the power to hire a manager and other personnel, contract, organize, maintain or otherwise operate the emergency medical service district. The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board of trustees' business meetings are open to the public. The board shall have the capacity to sue and be sued but shall enjoy immunity from civil suits for actions or omissions arising from the operation of the district. Such districts have the authority to charge fees for services, accept gifts, funds, or grants.

The Oklahoma Constitution also provides that the district shall be audited by the State Auditor and Inspector.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF TRUSTEES OF THE
BUTLER EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Butler Emergency Medical Service District, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of the District. 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash balances of Butler Emergency Medical Service District, and comparisons of such information with the corresponding budgeted information for the general fund, and are not intended to be a complete presentation of the financial position and results of operations of Butler Emergency Medical Service District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Butler Emergency Medical Service District, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

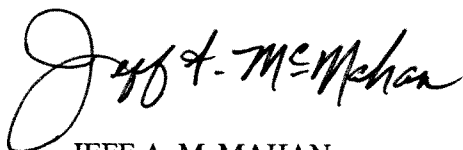
In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2003, on our consideration of Butler Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

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 Trustees 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 the 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,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

December 9, 2003

Special-Purpose Financial Statements

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2003**

	General Fund
Beginning Cash Balance	<u>\$ 16,433</u>
Receipts:	
Ad Valorem Taxes	31,495
Miscellaneous	<u>1,666</u>
Total Receipts	<u>33,161</u>
Disbursements:	
Warrants Paid	<u>33,605</u>
Total Disbursements	<u>33,605</u>
Ending Cash Balance	<u>\$ 15,989</u>

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

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 16,426	\$ 16,426	\$ 16,433	\$ 7
Less: Beginning Outstanding Warrants	235	235	242	(7)
Beginning Cash Balances, Budgetary Basis	<u>16,191</u>	<u>16,191</u>	<u>16,191</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	26,964	26,964	31,495	4,531
Miscellaneous Revenues	1,000	1,000	1,666	666
Total Receipts, Budgetary Basis	<u>27,964</u>	<u>27,964</u>	<u>33,161</u>	<u>5,197</u>
Expenditures:				
Personal Services	1,000	1,000		1,000
Maintenance and Operations	20,000	20,000	18,034	1,966
Capital Outlay	20,363	20,363	16,010	4,353
Audit Budget Account	2,792	2,792		2,792
Total Expenditures, Budgetary Basis	<u>44,155</u>	<u>44,155</u>	<u>34,044</u>	<u>10,111</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	15,308	<u>\$ 15,308</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			681	
Ending Cash Balance			<u>\$ 15,989</u>	

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

Notes to the Financial Statements

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. Summary of Significant Accounting Policies

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of Butler Emergency Medical Service District (District), and comparisons of such information with the corresponding budgeted information for the District. The more significant accounting policies and practices are described below.

A. Reporting Entity

The District is a special unit of government and does not possess political or governmental powers other than those necessary to carry out the specific purposes for which it was created. The District was created to provide ambulance service to all of the citizens. The District is not subject to federal or state income taxes.

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

The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the District's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. Any other funds presented would account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

A governmental entity uses funds to report receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund - The general fund is used to account for all activities of the District not accounted for in some other fund.

C. Basis of Accounting

The special-purpose financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the District to prepare a formal budget for the general fund and other funds as the Board of Trustees may require. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

The Statement of Receipts, Expenditures, and Changes in Cash 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 and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

E. Cash and Investments

State statutes authorize the District 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.

No funds were invested. All funds were deposited in a non interest-bearing demand account at June 30, 2003.

F. Risk Management

The District 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. The District continues to carry commercial insurance for these types of risk. The District carries workers compensation, health, and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. 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 2003 fiscal year.

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 District 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.

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the District's deposits was \$15,989 and the bank balance was \$15,989. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the District's agent in the District's name.

B. Ad Valorem Tax

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 District.

The County levied 3 mills for District general fund operations. The net assessed property value as of January 1, 2002, was approximately \$9,886,703.

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, 2003, were approximately 97 percent of the tax levy.

4. Notes Payable

On April 6, 2001, the Butler Emergency Medical Service District executed a promissory note in the amount of \$16,500, bearing an interest at seven percent. The note was issued to provide funds to purchase an ambulance. The note is held by the Southwest National Bank of Custer City, Oklahoma. At June 30, 2003, the principal balance was \$10,335.

On September 27, 2001, the Butler Emergency Medical Service District executed a promissory note in the amount of \$7,661, bearing an interest at six percent. The note was issued to provide funds to purchase medical equipment. The note is held by the Southwest National Bank of Custer City, Oklahoma. At June 30, 2003, the principal balance was \$222.

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

5. Subsequent Event

In November 2003, the District Board approved a retirement plan for persons providing service to the District as volunteer emergency medical technicians. The plan became effective December 1, 2003. For participating volunteer emergency medical technicians, the District pays \$40 per month into a separate, individual Roth IRA account administered by Edward Jones & Co.

Two District Board members, who are active, volunteer emergency medical technicians, are participating in the plan. The two Board members abstained from voting on the plan to avoid the actual and/or the appearance of a conflict of interest.

**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 TRUSTEES OF THE
BUTLER EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Butler Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 Butler Emergency Medical Service District's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Butler Emergency Medical Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose 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 a reportable condition. 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 the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The following findings, 2001-2 and 2001-3, are included in the schedule of findings, contained within this report.

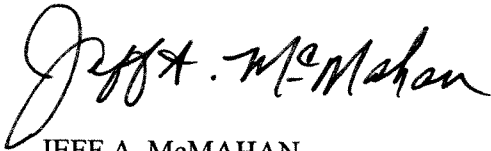
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we consider items 2001-2 and 2001-3 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 Trustees 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 the 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

December 9, 2003

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

Finding 2001-2 – Segregation of Duties – Processing Accounts Receivable (Repeat Finding)

Criteria: Effective internal controls include an appropriate segregation or separation of duties for a financial transaction.

Condition: The District has only one person, a board member/treasurer, tasked with keeping the books for the District. The District contracts for accounts receivable and billing services. However, the treasurer does all the opening of the mail, processing of payments, preparing and taking bank deposits to the bank, receiving the bank statements, and performing the bank reconciliations.

Recommendation: Appropriate segregation of duties is difficult for a small office to achieve. However, the Board may consider the following recommendations:

1. Since the District's collections come through the mail, consider having both the treasurer and a second volunteer obtain and process the mail together. One person would log all the checks/payments, while the other fills out the bank deposit. If possible, find someone other than the treasurer to deliver the bank deposit on a regular basis.
2. As an additional step, photocopies of the checks/payments received could be made and filed for record keeping and internal control purposes.
3. Consider having the bank statements delivered to the chairman or another designated board member for review, prior to delivering the bank statements to the treasurer. It would be preferable to have the chairman or another designated board member perform the bank reconciliations; however, a simple review of the bank statements would be a helpful addition to the segregation of duties.

Finding 2001-3 – Segregation of Duties – Processing Accounts Payable (Repeat Finding)

Criteria: Effective internal controls include an appropriate segregation or separation of duties for a financial transaction.

Condition: The District has only one person, a board member/treasurer, tasked with keeping the books for the District. The treasurer does all the processing of bills and checks, is a signatory on the bank account, provides a verbal financial report at board meetings, receives the bank statements and performs the bank reconciliations. The chairman provides a second signature on the checks.

Recommendation: Appropriate segregation of duties is difficult for a small office to achieve. However, the Board may consider the following recommendations:

BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2003

1. Have the treasurer provide a written report to the board monthly. The report could be a summary report showing the beginning cash balance, a summary of revenues (taxes, donations, reimbursements, etc.), a summary of expenditures (personal service, maintenance and operation, and capital outlay, etc.) and the ending cash balance. The monthly report should be compiled for the prior month's business and submitted for approval by motion of the board at the next board meeting. The report could be filed as an attachment to the minutes.

2. Consider having the bank statements delivered to the chairman or another designated board member for review, prior to delivering the bank statements to the treasurer. It would be preferable to have the chairman or another designated board member perform the bank reconciliations; however, a simple review of the bank statements would be a helpful addition to the segregation of duties.

Management Response

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
P.O. BOX 145
BUTLER, OKLAHOMA 73625**

January 19, 2004

Jeff A. McMahan, State Auditor and Inspector
2300 N. Lincoln Blvd.
100 State Capitol
Oklahoma City, Oklahoma 73105-4896

Dear Mr. McMahan:

In response to the comments and recommendations that were made following our audit, the Board responds as follows:

Finding 2001-1 - Bid Procedure

We concur with the audit finding, and will comply with Oklahoma Statutes in the future.

Finding 2001-2 - Segregation of Duties

We have reviewed the recommendations made, and will strive to implement the suggested changes to our procedures of keeping the books.

Finding 2001-3 - Expenditures

The District will make every effort to apply the recommended changes to our expenditure process.

Sincerely, 

Chairman