

**CHOCTAW COUNTY
AMBULANCE AUTHORITY
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 26, 2004

TO THE BOARD OF TRUSTEES OF THE
CHOCTAW COUNTY AMBULANCE AUTHORITY

Transmitted herewith is the audit of the Choctaw County Ambulance Authority 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 Choctaw County Ambulance Authority.

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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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**CHOCTAW COUNTY
AMBULANCE AUTHORITY
BOARD OF TRUSTEES
JUNE 30, 2003**

CHAIRMAN
Lloyd Parsons

VICE-CHAIRMAN
Mary Loar

SECRETARY/TREASURER
Ruth Jones

MEMBERS
Jim Clark
Bob Edge

DIRECTOR
Joyce Armes

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. Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 3.06 mills.

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
CHOCTAW COUNTY AMBULANCE AUTHORITY

We have audited the special-purpose financial statements of Choctaw County Ambulance Authority, 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 Ambulance Authority. 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 Choctaw County Ambulance Authority, 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 Choctaw County Ambulance Authority 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 Choctaw County Ambulance Authority, 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.

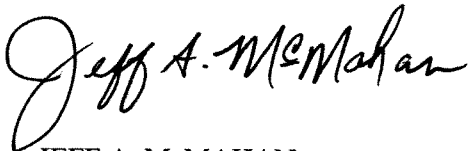
In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2003, on our consideration of Choctaw County Ambulance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 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,

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 30, 2003

Special-Purpose Financial Statements

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2003**

	<u>General Fund</u>
Beginning Cash Balance	<u>\$ 695,280</u>
Receipts:	
Ad Valorem Taxes	114,864
Charges for Services	384,037
Sales Tax	165,452
Miscellaneous	10,351
Total Receipts	<u>674,704</u>
Disbursements:	
Warrants Paid	<u>643,280</u>
Total Disbursements	<u>643,280</u>
Ending Cash Balance	<u><u>\$ 726,704</u></u>

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

CHOCTAW COUNTY AMBULANCE AUTHORITY
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2003

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 694,930	\$ 694,930	\$ 695,280	\$ 350
Less: Beginning Outstanding Warrants	(1,938)	(1,938)	(1,938)	
Less: Beginning Encumbrances			(8,096)	(8,096)
Beginning Cash Balances, Budgetary Basis	<u>692,992</u>	<u>692,992</u>	<u>685,246</u>	<u>(7,746)</u>
Receipts:				
Ad Valorem Taxes	111,964	111,964	114,864	2,900
Sales Tax			165,452	165,452
Charges for Services			384,037	384,037
Miscellaneous Revenues			10,351	10,351
Total Receipts, Budgetary Basis	<u>111,964</u>	<u>111,964</u>	<u>674,704</u>	<u>562,740</u>
Expenditures:				
Personal Services	72,000	72,000	71,954	46
Travel	3,800	3,800		3,800
Maintenance and Operations	188,810	188,810	119,020	69,790
Provider Contract	480,346	480,346	398,401	81,945
Capital Outlay	60,000	60,000	49,120	10,880
Total Expenditures, Budgetary Basis	<u>804,956</u>	<u>804,956</u>	<u>638,495</u>	<u>166,461</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	721,455	<u>\$ 721,455</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Ending Encumbrances			4,997	
Add: Ending Outstanding Warrants			252	
Ending Cash Balance			<u>\$ 726,704</u>	

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

Notes to the Financial Statements

CHOCTAW COUNTY AMBULANCE AUTHORITY
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 Choctaw County Ambulance Authority (Authority), and comparisons of such information with the corresponding budgeted information for the Authority. The more significant accounting policies and practices are described below.

A. Reporting Entity

The Authority 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 Authority was created to provide ambulance service to all of the citizens. The Authority is not subject to federal or state income taxes.

The accompanying special-purpose financial statements include all Authority funds, functions, and activities over which the Authority Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Authority Board. The Authority 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 Authority'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 government 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 Authority 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.

CHOCTAW COUNTY AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the Authority 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.

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 or outstanding obligations at year-end are included as reservations of cash balances, budgetary basis since they do not constitute paid or outstanding warrants. At the end of the year, unencumbered appropriations are lapsed.

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 Authority 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.

Investments are carried at cost. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

CHOCTAW COUNTY AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Each full-time employee shall accrue one day of sick leave each month. Unused sick leave may be carried over to the next year. The accumulated carry over may not exceed 12 days. There is no liability for unused sick leave when an employee quits or is terminated.

Each full-time employee shall receive two weeks paid vacation time after one year of employment. Each part-time employee shall receive one week paid vacation time after one year of employment. If vacation time is not used, it may be carried over to the next year; however, if it is not used the next year, it is lost.

The Authority does not accrue any liability for future vacation or sick leave benefits. Such amounts are considered immaterial to the financial statements.

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 Authority 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. Deposits

At year-end, the cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the Authority's deposits was \$726,704 and the bank balance was \$726,956. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Authority's agent in the Authority's name.

B. Description of Funds

During the year ended June 30, 2003, the Authority used the general fund to account for all activity of the operation of the Authority.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Account Balances (continued)

C. 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 assessed property value as of January 1, 2002, was approximately \$40,887,204 after deducting homestead exemptions of approximately \$4,110,874.

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 90.95 percent of the tax levy.

D. Sales Tax

The voters of Choctaw County approved a one percent sales tax effective June 1, 2000. This sales tax will expire June 1, 2005. Eighteen percent of the sales tax was established to provide revenue for the County Ambulance.

4. Pension Plan

Plan Description. The Authority contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**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
CHOCTAW COUNTY AMBULANCE AUTHORITY

We have audited the special-purpose financial statements of Choctaw County Ambulance Authority, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 30, 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 Choctaw County Ambulance Authority'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The following finding, 2002-4, is included in Section 1 of the Schedule of Findings, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Choctaw County Ambulance Authority'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 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 the Authority'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, 2002-1, 2002-2, and 2002-3, are included in Section 1 of the Schedule of Findings, contained within this report.

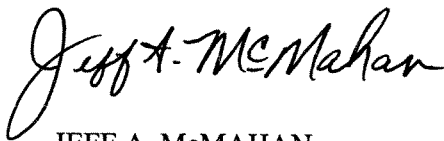
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, we consider items 2002-1, 2002-2, and 2002-3 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 30, 2003

SECTION 1 - 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 2002-1 - Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation are important elements of effective internal control over government assets and resources. The most effective controls lie in management's knowledge of the Authority operations and a periodic review of operations.

Condition: The limited number of office personnel within the Authority office prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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 desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of the Authority operations and the periodic review of operations.

Finding 2002-2 – Timesheets and Compensatory Time Off (Repeat Finding)

Criteria: Effective accounting procedures and the Fair Labor Standards Act require that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken, and paid.

Condition: The Authority does not prepare timesheets and/or records, which reflect accumulated leave balances, and are signed and approved by the Administrator.

Recommendation: We recommend that all employees prepare timesheets which reflect hours worked, any leave taken during the month, overtime worked, and accumulated leave balances. We further recommend that timesheets be approved and signed by the Administrator.

Finding 2002-3 – Personnel Policy Handbook (Repeat Finding)

Criteria: Effective accounting procedures include that a uniform set of policies and procedures be developed and a copy of these policies distributed to each employee.

Condition: The Authority does not have a written policy regarding comp time and/or overtime.

Recommendation: We recommend that the Authority develop a written policy which addresses overtime and/or comp time. The policy should clearly state all leave stipulations, such as amounts that can be accumulated, and how leave is handled when employment from the Authority has terminated.

CHOCTAW COUNTY AMBULANCE AUTHORITY
SCHEDULE OF FINDINGS
JUNE 30, 2003

Finding 2002-4 – Financial Statements (Repeat Finding)

Criteria: Title 19 O.S. 2001, § 1709 requires the Authority Board to provide a completed budget. Each budget shall provide a complete financial plan for the budgeted year. The budget format shall contain at least; the actual revenues for the immediate prior fiscal year; estimated actual revenues and expenditures for the current fiscal year; and estimated revenues and expenditures for the budget year.

Condition: The Authority's adopted budget did not accurately reflect prior year reserves, prior year warrants issued, current year warrants issued, and current year reserves.

Recommendation: We recommend that the Authority properly complete all relevant sections of the Authority's estimate of needs and financial statement.