

**ELLIS COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
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

September 7, 2004

TO THE BOARD OF TRUSTEES OF THE
ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the audit of the Ellis County 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 Ellis County 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".

JEFF A. McMAHAN
State Auditor and Inspector

ELLIS COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2003

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ELLIS COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2003

CHAIRMAN

Larry Ashpaugh

VICE-CHAIRMAN

Robert Frances

MEMBERS

Terry Mulbery
Jarrell Pittman
Jerry Don Knowles
Doug Schoenhals
Betty Holt
Kay Brewer

SECRETARY

Ted Thimling

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service 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 district. The Ellis County Emergency Medical Service District is comprised of Ellis County and was created to provide ambulance service to all citizens.

Emergency medical service 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
ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Ellis County 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 Ellis County Emergency Medical Service 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 Ellis County 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 Ellis County 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 Ellis County 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.

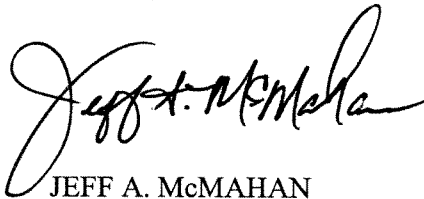
In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004, on our consideration of Ellis County Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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, appearing to read "Jeff A. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

June 28, 2004

Special-Purpose Financial Statements

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - GENERAL FUND
JUNE 30, 2003**

	General Fund
Beginning Cash Balance	<u>\$ 156,092</u>
Receipts:	
Ad Valorem Taxes	111,888
Charges for Services	45,991
Miscellaneous	1,756
Total Receipts	<u>159,635</u>
Disbursements:	
Warrants Paid	<u>161,826</u>
Total Disbursements	<u>161,826</u>
Ending Cash Balance	<u><u>\$ 153,901</u></u>

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

**ELLIS COUNTY 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	\$ 156,205	\$ 156,205	\$ 156,092	\$ (113)
Less: Beginning Outstanding Warrants	(10,275)	(10,275)	(10,275)	
Beginning Cash Balances, Budgetary Basis	<u>145,930</u>	<u>145,930</u>	<u>145,817</u>	<u>(113)</u>
Receipts:				
Ad Valorem Taxes	101,363	101,363	111,888	10,525
Charges for Services			45,991	45,991
Miscellaneous Revenues			1,756	1,756
Total Receipts, Budgetary Basis	<u>101,363</u>	<u>101,363</u>	<u>159,635</u>	<u>58,272</u>
Expenditures:				
Personal Services	30,000	30,000	13,224	16,776
Part-Time Help	80,000	80,000	63,060	16,940
Maintenance and Operations	120,000	100,000	54,147	45,853
Capital Outlay	17,293	37,293	3,467	33,826
Lease Purchase Payment				
Principal			25,333	(25,333)
Interest			1,107	(1,107)
Total Expenditures, Budgetary Basis	<u>247,293</u>	<u>247,293</u>	<u>160,338</u>	<u>86,955</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	145,114	<u>\$ 145,114</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Ending Outstanding Warrants			8,787	
Ending Cash Balance			<u>\$ 153,901</u>	

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

Notes to the Financial Statements

**ELLIS COUNTY
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 Ellis County Emergency Medical Service District (the District), and comparisons of such information with the corresponding budgeted information for the District. The fund presented is established under statutory authority, and its operation is under the control of the District Board of Trustees. 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 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 is not a component unit of another government and does not have any component units.

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 government 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.

**ELLIS COUNTY
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.

All funds were fully invested or deposited in interest-bearing demand accounts 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.

G. Compensated Absences

The District is a volunteer service; therefore, there are no compensated absences.

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.

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 \$153,901 and the bank balance was \$153,901. 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. Description of Funds

During the year ended June 30, 2003, the District had a general fund used for the general operation of the District.

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 tax is collected by the County Treasurer and remitted to the District.

The assessed property value as of January 1, 2002, was approximately \$37,166,515 after deducting homestead exemptions.

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 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 98.64 percent of the tax levy.

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

5. Notes Payable

On December 9, 1999, the District executed a promissory note in the amount of \$71,076, bearing interest at 5.95 percent. The note was issued to provide funds to purchase an ambulance. The note was held by the Shattuck National Bank of Shattuck Oklahoma. At June 30, 2003, the note has been paid off.

**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
ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Ellis County Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 28, 2004. 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 Ellis County 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*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management and is included in Section 2 of the schedule of findings, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ellis County 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 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 Ellis County Emergency Medical Service District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 1996-1 and 2003-1.

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. We also noted a certain matter involving the internal control over financial reporting, which we have reported to management and is included in Section 2 of the schedule of findings, contained within this report.

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

June 28, 2004

**ELLIS COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 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 1996-1 - 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.

Condition: The limited number of office personnel within the District 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 desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of District operations and a periodic review of operations.

Management Response: It was determined by the District Board members, that it is not economically feasible or necessary for the District to employ additional office personnel. The management and operations of the District are discussed at Board meetings held each month; therefore, the Board members feel that they receive the information necessary to review and have control of these operations.

Finding 2003-1 - Segregation of Duties - Cash Disbursements

Criteria: Effective internal controls include a review of expenditures for proper receipt of goods or services that is performed by someone independent of the purchasing process, prior to the Board approving payment for purchases.

Condition: There was no evidence that someone independent of the purchasing process reviewed quantities received or checked the mathematical accuracy of invoices on each purchase prior to the Board approving these purchases for payment.

Recommendation: We recommend the District establish policies and procedures to review the receipt of goods and for the review of invoices for mathematical accuracy. We recommend that this individual be independent of the purchasing process to provide proper segregation of duties over the expenditure of funds for the District.

Management Response: All expenditures of the District are made only once a month. All payroll maintenance and operations, and any capital outlay are prepared on the same date. The District has no expenditures on a day-to-day basis. All checks are prepared and approved at the Board meetings held each month (the first Monday of each month).

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

SECTION 2 - Other Audit Findings - This section contains audit findings not required to be reported in 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*, but which we believed were significant enough to bring to the District's attention. We recommend that the District consider these matters and take appropriate corrective action.

Finding 2002-1 - Bank Reconciliations (Repeat Finding)

Criteria: Evidence of failure to safeguard cash assets from misappropriation is an internal control deficiency.

Condition: The District does not prepare formal bank reconciliations. If there are outstanding checks they are listed on the back of the bank statements. A ledger check balance is not maintained.

Recommendation: We recommend that the District maintain a balance of cash on hand and that a monthly reconciliation be prepared and approved by someone other than the preparer.

Management Response: The bank statements for each month are reconciled and approved by the Board members at each monthly meeting. The Board members also receive copies of the financial statement, maintenance and operations, capital outlay, and payroll for each month. These records are approved by the District Board members.

Finding 2003-2 - Audit Account - Estimate of Needs

Criteria: Title 19 O.S. 2001, § 1706.1 states that the “net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for the audit survey and reporting receipt, disbursement, and management of emergency medical service district affairs ...”

Condition: The District did not provide for the mandatory one tenth of a mill for audit expenses in the yearly Estimate of Needs for 2003-2004.

Recommendation: We recommend the District establish the mandatory audit account based upon Title 19 O.S. 2001, § 1706.1. We further recommend that any unencumbered balances in the audit account be carried forward to the next fiscal year's appropriations, where not used in the budget year.

Management Response: Management chose not to respond.