

**AUDIT REPORT
ELLIS 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

April 16, 2003

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

Transmitted herewith is the audit of Ellis County Emergency Medical Service, for the fiscal year ended June 30, 2002. 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 Ellis 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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ELLIS COUNTY EMERGENCY MEDICAL SERVICE
BOARD MEMBERS
JUNE 30, 2002

CHAIRMAN

Doug Schoenhals

VICE-CHAIRMAN

Betty Holt

SECRETARY

Ted Thimling

MEMBERS

Larry Ashpaugh
Kay Brewer
Jerry Don Knowles
Terry Mulberry
Jarrell Pitman

ADMINISTRATOR

Naleeta Gosner



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
ELLIS COUNTY EMERGENCY MEDICAL SERVICE

We have audited the accompanying financial statements of the Ellis County Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the accompanying 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.

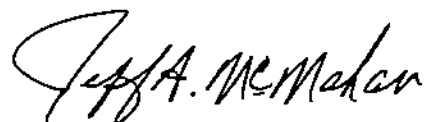
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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.

As discussed in Note 1F, the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Ellis 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 February 10, 2003, on our consideration of Ellis 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". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

February 10, 2003

Financial Statements

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL</u>
	<u>GENERAL</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>(MEMORANDUM ONLY)</u>
ASSETS			
Cash	\$ 156,092	\$	\$ 156,092
Ad valorem taxes receivable	1,081		1,081
Accounts receivable (net of allowance for doubtful accounts)	3,107		3,107
Amount to be provided for loan repayment		25,333	25,333
Total assets	<u>\$ 160,280</u>	<u>\$ 25,333</u>	<u>\$ 185,613</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 10,275	\$	\$ 10,275
Notes payable		25,333	25,333
Total liabilities	<u>10,275</u>	<u>25,333</u>	<u>35,608</u>
Fund balances:			
Unreserved:			
Undesignated	150,005		150,005
Total liabilities and fund balances	<u>\$ 160,280</u>	<u>\$ 25,333</u>	<u>\$ 185,613</u>

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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	GOVERNMENTAL FUND TYPE <u>GENERAL FUND</u>
Revenues:	
Ad valorem taxes	\$ 125,184
Charges for services	32,208
Miscellaneous revenues	<u>2,738</u>
Total revenues	<u>160,130</u>
Expenditures	
Current operating:	
Personal services	50,199
Maintenance and operations	65,136
Capital outlay	4,322
Debt service	
Principal	23,414
Interest	<u>1,507</u>
Total expenditures	<u>144,578</u>
Excess revenue over expenditures	15,552
Beginning fund balance	<u>134,453</u>
Ending fund balance	<u>\$ 150,005</u>

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

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

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 128,441	\$ 128,267	\$ (174)
Revenues:			
Ad valorem taxes	104,166	124,697	20,531
Charges for services		34,693	34,693
Miscellaneous revenues		2,738	2,738
Total revenue, budgetary basis	<u>104,166</u>	<u>162,128</u>	<u>57,962</u>
Expenditures:			
Personal services	110,000	50,199	59,801
Maintenance and operations	100,000	65,136	34,864
Capital outlay	22,607	4,322	18,285
Debt service			
Principal	-	23,414	(23,414)
Interest	-	1,507	(1,507)
Total expenditures, budgetary basis	<u>232,607</u>	<u>144,578</u>	<u>88,029</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	<u>145,817</u>	<u>\$ 145,817</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		1,081	
Accounts receivable (net of allowance for doubtful accounts)		3,107	
Ending fund balance		<u>\$ 150,005</u>	

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of the Ellis County Emergency Medical Service (EMS) are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board 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 has no component units.

B. Basis of Presentation - Fund Accounting

Governmental entities use funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions related to certain 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 or most of an EMS's general activities.

General Fund - The general fund is used to account for all activities of the EMS not accounted for in some other fund. The general fund accounts for all revenues and expenditures applicable to the general operations of the EMS.

Account Groups

Account groups are not funds. They do not reflect available financial sources. They are not involved with the measurement of results of operations.

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

Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

Generally accepted accounting principles (GAAP) require that those fixed assets of a government entity not reported in a proprietary fund or in a trust fund be reported in a general fixed assets account group (GFAAG). 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.

General Long-Term Debt Account Group

The general long-term debt account group is used to account for the outstanding principal balances of general long-term debt.

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. Governmental fund types are 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 for 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. The EMS accrues accounts receivable based on service charges incurred for ambulance service. The accrual is based on accounts that have been charged and are receivable at the end of the fiscal year.

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.

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

Summary of Significant Accounting Policies (continued)

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. 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 and actual, will differ from the data as presented in the 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.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with maturity date within three months of the date acquired by the EMS.

All funds were fully invested in an interest bearing account as of June 30, 2002. 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. General Fixed Assets

A general fixed assets account group, as required by generally accepted accounting principles, is not reported by the EMS because the governmental entity does not maintain complete fixed asset listings.

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; injuries to employees and natural disasters. The EMS continues to carry commercial insurance for these types of risk. Settled claims resulting from these risks are subject to commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the fiscal year 2002.

H. Memorandum Only - Total Columns

The total column on the Combined Balance Sheet is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated.

**ELLIS 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. Deposits

At year-end, the carrying amount of the EMS's deposits was \$156,092 and the bank balance was \$156,092. Of the bank balance, all funds were covered by federal depository insurance in various banks.

B. Receivables

The EMS receives ad valorem tax from the County's ad valorem tax collections.

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 County, 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.

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three (3) mills for the purpose of providing funds to support, organize, operate, and maintain district EMS. County voters approved a three (3) 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 \$38,194,288, net of 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 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.

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

Detailed Notes on Account Balances (continued)

Tax collections for the year ended June 30, 2002, were approximately 98 percent of the tax levy.

The EMS considers outstanding accounts receivable for ambulance charges to be charges incurred and charged prior to the end of the fiscal year. The allowance for doubtful accounts represents those charges considered uncollectible by the Board. Accounts receivable for the year ended June 30, 2002, were \$3,107, net of the allowance for doubtful accounts of \$25,347.36.

C. Long-Term Debt

On December 9, 1999, the EMS borrowed \$71,076 from Shattuck National Bank to purchase a new ambulance. The note is scheduled to be repaid in three equal installments at 5.95% interest. The payment schedule is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	<u>\$25,333</u>	<u>\$1,237</u>	<u>\$26,570</u>
Total	<u>\$25,333</u>	<u>\$1,237</u>	<u>\$26,570</u>

The following is a summary of changes in the long-term debt account group during the fiscal year.

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Notes outstanding	<u>\$48,747</u>	<u>\$ -</u>	<u>\$23,414</u>	<u>\$25,333</u>
Total	<u>\$48,747</u>	<u>\$ -</u>	<u>\$23,414</u>	<u>\$25,333</u>

**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 OFFICERS OF
ELLIS COUNTY EMERGENCY MEDICAL SERVICE

We have audited the financial statements of Ellis County Emergency Medical Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 10, 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. We qualified our opinion because the general fixed assets account group was not included in the financial statements.

Compliance

As part of obtaining reasonable assurance about whether Ellis 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The instance of noncompliance is described below.

Criteria: In accordance with Title 19 O.S. 2001, § 1719, the emergency medical service district shall budget expenditures by appropriate functions, including debt service. The estimate of needs for the emergency medical service, reported on SA&I form 268BR98, provides for the budgeted appropriation categories of personal service, part time help, travel, maintenance and operations, capital outlay, intergovernmental, and other.

Condition: The EMS borrowed \$71,076 on December 9, 1999, to purchase a new ambulance. As of June 30, 2002, the EMS has made two annual payments on this note. The interest and principal associated with the payment was budgeted and expended from the maintenance and operation category.

Recommendation: In accordance with Title 19 O.S. 2001, § 1719, the EMS should separately budget and pay annual principal and interest payments from a debt service category, rather than the maintenance and operation category.

Management Response: None available.

Auditor's Response: This finding was communicated to management after the exit conference.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ellis 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 the EMS's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 1996-1 – Segregation of Duties

Criteria: Good internal controls dictate that the most effective controls lie in management's knowledge of EMS operations and a periodic review of operations.

Condition: The limited number of office personnel within the EMS 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 EMS operations and a periodic review of operations.

Finding 2000-1 – Fixed Assets

Criteria: Accounting principles generally accepted in the United States of America require the presentation of a general fixed assets account group (GFAAG) in the financial statements.

Condition: The EMS has a fixed asset record, but it does not include all items on the ambulance. It also did not include the Motorola Radio mentioned as purchased in the December 9, 1999, Board minutes.

Recommendation: We recommend records include acquisition cost, a complete description and purchase date of all items purchased at a cost of \$250 or more.

Finding 2002-1 – Bank Reconciliations

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

Condition: The EMS does not prepare formal bank reconciliations. If there are outstanding checks, they are listed on the back of the bank statements. A day-to-day check balance is not maintained.

Recommendation: We recommend the EMS maintain a daily balance of the amount in the bank and that a monthly reconciliation be prepared and approved by someone other than the preparer.

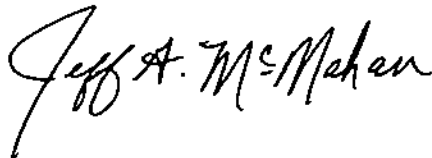
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 1996-1 and 2000-1 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

February 10, 2003

Management Response

Ellis County EMS
PO Box 591
Shattuck, Ok. 73858

04.07.03

Office of the State Auditor and Inspector
Weatherford District Office
1401 Lera, Suite G
Weatherford, Ok 73096

Ms. Sherri Merle:

RE: Response to Audit Comments

The auditor's findings were discussed with the board members of Ellis County EMS at the regular EMS Board Meeting held on April 7, 2003.


1996-1 It was determined at this meeting that it is not economically feasible or necessary for the Ellis County EMS to employ more than one office personnel. The management and operations of the EMS is discussed at the board meetings held each month, therefore the board members feel that they receive the information necessary to review and have control of these operations.

2000-1 Most items on the ambulances are disposable items. The nondisposable items that cost \$250 or more are listed on the office inventory records. These records include a description, purchase date and cost of item. The Motorola Radio purchased in Dec. of 1999 was inadvertently left off this inventory; this will be corrected by including this radio on the inventory list.

2002-1 All expenditures of Ellis County EMS are made only once a month. All payroll, maintenance and operations, and any capital outlay are prepared on the same date. Ellis County EMS 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). 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 are approved by the Ellis County EMS board Members.

Sincerely:


Douglas Schoenhals

Chairman, Ellis County EMS

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