

**AUDIT REPORT  
HUGHES COUNTY  
EMERGENCY MEDICAL SERVICE  
FOR THE YEAR ENDED JUNE 30, 2001**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.  
100 STATE CAPITOL  
OKLAHOMA CITY, OK 73105-4896  
405/521-3495

October 8, 2002

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

Transmitted herewith is the audit of the Hughes County Emergency Medical Service for the fiscal year ended June 30, 2001. 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 Hughes 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, reading "Clifton H. Scott".

CLIFTON H. SCOTT  
State Auditor and Inspector

**HUGHES COUNTY  
EMERGENCY MEDICAL SERVICE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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**HUGHES COUNTY  
EMERGENCY MEDICAL SERVICE  
BOARD MEMBERS  
JUNE 30, 2001**

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CHAIRMAN

Alton Goodwin

VICE-CHAIRMAN

O.B. Boyd

SECRETARY

Dawnyal Graham

MEMBERS

Dale Ramsey  
Sharon Lepp  
LaWayne Fredrick

ADMINISTRATOR

Johnny Mayfield



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.  
100 STATE CAPITOL  
OKLAHOMA CITY, OK 73105-4896  
405/521-3495

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Hughes County Emergency Medical Service as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

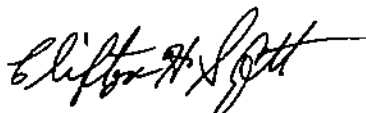
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

As explained in Note 1(F), 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 effect on the financial statements 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 Hughes County Emergency Medical Service, as of June 30, 2001, 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 April 23, 2002, on our consideration of the Hughes 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, appearing to read "Clifton H. Scott". The signature is written in a cursive style with a large, sweeping initial "C".

CLIFTON H. SCOTT  
State Auditor and Inspector

April 23, 2002

## **Financial Statements**

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
BALANCE SHEET  
JUNE 30, 2001**

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	<u>Governmental Fund Type General Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 398,455
Service runs receivable	85,603
Interest receivable	1,801
Ad valorem taxes receivable	<u>3,489</u>
 Total assets	 <u><u>\$ 489,348</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities:	
Accounts payable	<u>\$ 1,251</u>
 Total liabilities	 <u>1,251</u>
Fund balance:	
Unreserved:	
Undesignated	<u>488,097</u>
 Total fund balance	 <u>488,097</u>
 Total liabilities and fund balance	 <u><u>\$ 489,348</u></u>

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



**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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	Governmental Fund Type
	General Fund
Revenues:	
Ad valorem taxes	\$ 193,354
Charges for services	609,295
Miscellaneous revenues	35,338
Total revenues	837,987
Expenditures:	
Current operating:	
Personal services	455,288
Maintenance and operations	161,409
Travel	3,118
Capital outlay	152,488
Total expenditures	772,303
Excess of revenues over (under) expenditures	65,684
Beginning fund balance	422,413
Ending fund balance	\$ 488,097

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning fund balances, budgetary basis	<u>\$ 322,158</u>	<u>\$ 338,492</u>	<u>\$ 16,334</u>
Revenues:			
Ad valorem taxes	174,943	193,430	18,487
Charges for services		604,048	604,048
Miscellaneous revenues		<u>33,537</u>	<u>33,537</u>
Total revenues, budgetary basis	<u>174,943</u>	<u>831,015</u>	<u>656,072</u>
Expenditures:			
Current operating:			
Personal services		455,288	(455,288)
Maintenance and operations	497,101	161,409	335,692
Travel		3,118	(3,118)
Capital outlay		<u>152,488</u>	<u>(152,488)</u>
Total expenditures, budgetary basis	<u>497,101</u>	<u>772,303</u>	<u>(275,202)</u>
Excess of revenues and beginning fund balances over (under) expenditures	<u>\$ -</u>	397,204	<u>\$ 397,204</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance			
Add: Ad valorem tax receivable		3,489	
Interest receivable		1,801	
Service revenue receivable (net of allowance for doubtful accounts)		<u>85,603</u>	
Ending fund balance		<u>\$ 488,097</u>	

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

**Notes to the Financial Statements**

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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1. Summary of Significant Accounting Policies

The financial statements of the Hughes 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 (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

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

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

B. Basis of Presentation – Fund Accounting

A governmental entity uses funds and account groups to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions related to certain governmental functions or activities.

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

Governmental Funds

General 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 are concerned only with the measurement of financial position. They are not involved with measurement of results or operations.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

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

C. Measurement Focus and Basis of Accounting

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

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

Those revenues susceptible to accrual are property taxes, charges for services, and interest revenue. The EMS accrues accounts receivable based on charges for ambulance service. The accrual is based on accounts that have been charged and are receivable at the end of the fiscal year. An allowance for doubtful accounts is recognized based on ambulance charges that have been considered uncollectible by the Board and accounts that are more than one year old.

D. Budgetary Policies and Procedures

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

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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Summary of Significant Accounting Policies (continued)

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

E. Cash

Cash includes amounts in demand deposits.

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

F. Fixed Assets

The EMS does not maintain individual records of personal property nor does the EMS keep records for land, buildings, and improvements. Because the EMS does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on a Combined Balance Sheet.

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. The EMS carries health and accidental insurance on its employees. 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 2001 fiscal year.

H. Compensated Absences

The EMS does not accrue any liability for future vacation and sick leave benefits. Said benefits are earned by the employees during the year and are to be used during the same year or shortly thereafter. If a liability for said benefits had been recorded, it would not be material to the financial statements.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Cash

At year-end, the carrying amount of the EMS's deposits was \$398,455, and the bank balance was \$399,630. Of the bank balance, all funds were deposited in multiple institutions covered by federal depository insurance.

B. Receivables

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

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three (3) mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. 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.

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, 2001, were approximately 96.83 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 are those charges considered uncollectible by the Board. Any charges that are in excess of one year old are written off for financial statement purposes.

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

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

We have audited the financial statements of the Hughes County Emergency Medical Service as of and for the year ended June 30, 2001, and have issued our report thereon dated April 23, 2002. 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 Hughes County Emergency Medical Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Budgetary Control**

Finding 01-1

At June 30, 2000, the EMS did not set up appropriation accounts for Personal Services, Travel, or Capital Outlay. The EMS exceeded appropriations by \$455,288 in Personal Services, \$3,118 in Travel, and \$152,488 in Capital Outlay. Total expenditures exceeded budgeted expenditures by \$275,202. A supplemental budget was not prepared to authorize the additional expenditures.

Budgets are required by state statutes to provide taxpayers the opportunity to review proposed expenditures of the EMS before they are made. This is an important role which the EMS has chosen to ignore. The EMS should strive to accurately present the needs of the EMS in the original budget presented for the public review. Any additions to the budget should be made by properly published supplemental budgets.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hughes 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 Hughes County Emergency Medical Service'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.

### **Segregation of Duties**

#### **Finding 98-1**

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.

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

### **General Fixed Assets**

#### **Finding 98-2**

**Criteria:** Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

**Condition:** Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The general fixed assets control account is not accurate.

**Effect:** This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

**Recommendation:** We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually.

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

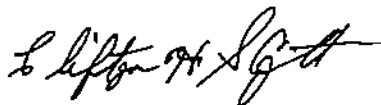
all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 98-1 and 98-2 to be material weaknesses.

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,



CLIFTON H. SCOTT  
State Auditor and Inspector

April 23, 2002