

**HUGHES COUNTY
EMERGENCY MEDICAL SERVICE
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$36.75. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 23, 2003

TO THE BOARD OF TRUSTEES 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, 2002. 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 black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

**HUGHES COUNTY
EMERGENCY MEDICAL SERVICE
FINANCIAL STATEMENTS
JUNE 30, 2002**

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**HUGHES COUNTY
EMERGENCY MEDICAL SERVICE
BOARD OF TRUSTEES
JUNE 30, 2002**

CHAIRMAN

Alton Goodwin

VICE-CHAIRMAN

O.B. Boyd

SECRETARY

Dawnyal Graham

MEMBERS

Wayne Frederick
Sharon Lepp
Dale Ramsey

DIRECTOR

Johnny Mayfield

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 3.11 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
HUGHES COUNTY EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Hughes County Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash balances of Hughes County Emergency Medical Service, 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 Hughes County Emergency Medical Service 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 Hughes County Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

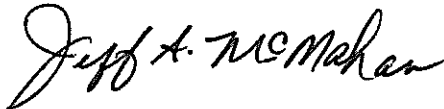
In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2003, on our consideration of Hughes County Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and 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 cursive script that reads "Jeff A. McMahen".

JEFF A. McMAHAN
State Auditor and Inspector

September 24, 2003

Special-Purpose Financial Statements

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2002**

	<u>General Fund</u>
Beginning Cash Balance	\$ 398,455
Receipts Apportioned:	
Ad Valorem Taxes	200,490
Charges for Services	579,090
Miscellaneous	<u>60,324</u>
Total Receipts	<u>839,904</u>
Disbursements:	
Checks Issued	<u>991,839</u>
Total Disbursements	<u>991,839</u>
Ending Cash Balance	<u>\$ 246,520</u>

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2002**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 398,425	\$ 398,425	\$ 398,455	\$ 30
Less: Beginning Encumbrances			(1,251)	(1,251)
Beginning Cash Balances, Budgetary Basis	<u>398,425</u>	<u>398,425</u>	<u>397,204</u>	<u>(1,221)</u>
Receipts:				
Ad Valorem Taxes	268,841	268,841	200,490	(68,351)
Charges for Services			579,090	579,090
Miscellaneous Revenues			60,324	60,324
Total Receipts, Budgetary Basis	<u>268,841</u>	<u>268,841</u>	<u>839,904</u>	<u>571,063</u>
Disbursements:				
Personal Services			616,101	(616,101)
Travel			3,145	(3,145)
Maintenance and Operation	667,266	667,266	404,863	262,403
Total Disbursements, Budgetary Basis	<u>667,266</u>	<u>667,266</u>	<u>1,024,109</u>	<u>(356,843)</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	212,999	<u>\$ 212,999</u>
Reconciliation to Statements of Receipts, Disbursements, and Changes in Cash Balance				
Add: Ending Encumbrances			<u>33,521</u>	
Ending Cash Balance			<u>\$ 246,520</u>	

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The accompanying special-purpose 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.

The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the EMS'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 EMS 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.

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

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the EMS 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.

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 EMS 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, 2002.

F. 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 workers compensation, health, and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the EMS. 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 2002 fiscal year.

G. Compensated Absences

Vacation Leave – Each full-time employee shall accrue 3 weeks vacation leave after 1 year of employment. Generally vacation leave must be used by the employee's next employment anniversary date or it is lost. An exception may be allowed or the employee may be paid for such leave if approved by the Director.

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

Summary of Significant Accounting Policies (continued)

Sick Leave – After 3 months of employment a full-time employee shall receive 4.62 hours of sick leave per month. The employee must have worked at least 6 months before he/she can use sick leave. An employee may accumulate up to 120 hours of sick leave.

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 cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the EMS's deposits was \$246,520 and the bank balance was \$253,080. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS's agent in the EMS's name.

B. Description of Funds

During the year ended June 30, 2002, the EMS used the general fund to account for all activity of the operation of the EMS.

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 EMS.

The assessed property value as of January 1, 2001, was approximately \$65,269,364 after deducting homestead exemptions of approximately \$3,538,675.

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.

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

Detailed Notes on Account Balances (continued)

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 97 percent of the tax levy.

D. Subscriptions

The EMS sells subscriptions for future ambulance services. For the year ended June 30, 2002, the EMS raised \$1,525 by selling subscriptions, which entitled the subscription holder and their immediate family free ambulance service for a period of one year. The subscription holder would not be charged for services; however, the EMS will bill any applicable insurance. The subscription holder would have had to use the EMS for some emergency to benefit from the subscription. When that happens, the EMS simply forgives payment for whatever the subscription holder's insurance does not pay.

4. Simple Individual Retirement Accounts

The EMS has elected to provide a retirement benefit to full-time employees who wish to participate. The EMS/employer's contributions are financed on a pay-as-you-go basis. The simple IRA plan is subject to the following limitations:

- 1). To participate an employee must have been employed full time for at least 6 months or have made over \$5,000.
- 2). Employee must contribute at least 6% of their pre-tax base salary. The EMS will contribute 3% of the employee's salary.
- 3). The employee may put up to \$6,000 of his/her annual salary into the plan plus percentage that EMS matches. All amounts are withheld from salary.
- 4). There is a \$30 annual fee to participate. The EMS will pay 50% and the employee will pay 50%.
- 5). The employee may make an out of pocket contribution, but contributions from the employee may not exceed \$6,000 in a year.
- 6). If an employee quits he must wait 2.5 years before he may roll the money to another IRA. He will be entitled to all the money.
- 7). Edward D. Jones will provide certain investment options and maintain accounts for participating employees of Hughes County Emergency Medical Service.

5. Construction and Other Significant Commitments

As of June 30, 2002, the EMS was in the middle of remodeling their newly acquired building at 114 N. Oak. The EMS is contracting directly with the subcontractors on a pay as you go basis.

**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
HUGHES COUNTY EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Hughes County Emergency Medical Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 24, 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 Hughes 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding 2002-1 – Estimate of Needs

Criteria: According to Title 19 O.S. 2001, § 1706.1, the EMS must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the EMS district for audit expenses.

Condition: The EMS did not appropriate the mandatory one-tenth mill to the audit budget account.

Recommendation: We recommend that the EMS properly complete the Estimate of Needs and include the mandatory audit budget account as required by Title 19 O.S. 2001, § 1706.1.

Finding 2002-2 – Encumbrances in Excess of Appropriations

Criteria: Title 19 O.S. 2001, § 1719 provides that expenditures shall be departmentalized by appropriate functions and activities within each fund and shall be classified within the following categories: salaries and wages, employee benefits, operating expenses, capital outlay and debt service. Title 19 O.S. 2001, § 1717.A. provides, “no expenditure may be authorized or made ...which exceeds any fund balance for any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended.”

Condition: The EMS has not set up the appropriated accounts as required. Budgeted appropriations have been lumped into one category titled “Maintenance and Operation”. It was noted that the EMS expended more than the total amount of appropriations in the approved budget. The EMS overspent appropriations by \$356,843.

Recommendation: We recommend the EMS allocate its financial resources among the categories provided by state statutes. We further recommend that the EMS not exceed their approved appropriations. If additional appropriations are necessary and the funds are available, a supplemental budget appropriation may be requested.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hughes 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 the EMS'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 below.

Finding 2002-3 - Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over public assets and resources. 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 prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control.

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 EMS operations and the periodic review of operations

Finding 2002-4 - Fixed Assets Inventory

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, effected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

Condition: The EMS does not maintain a complete inventory listing of all fixed assets.

Recommendation: We recommend that a complete inventory listing be maintained and that the EMS Board cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the EMS.

Finding 2002-5 - Purchasing

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Effective internal control over expenditure of funds requires supporting documentation such as purchase orders, invoices, evidence of review, authorization, and approval.

Condition: We tested 29 purchase orders issued during the fiscal year ended June 30, 2002 and noted the following:

- Twenty-five purchase orders did not have an approving signature.
- Three purchase orders did not have any supporting documentation attached.
- There were no initials and dates on most invoices to document that the goods or services had been received or that the invoice had been checked for accuracy.

Recommendation: We recommend that supporting documentation be attached to each purchase order. We further recommend that each purchase order have proper documentation or evidence that the goods or services were received and the invoice was reviewed for accuracy, and that purchase orders are properly completed and approved.

Finding 2002-6 - Bookkeeping

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as maintaining and reconciling ledgers on a timely basis, are deficiencies in internal control

Condition: During our audit of the accounting records, the following items were noted.

- The EMS does not reconcile their monthly financial reports to their check register.
- The EMS does not put grand totals on the monthly listing of checks issued.
- All checks were not listed on the check register.
- Some checks were carried as outstanding in error and then later dropped from the list of outstanding checks without any explanation.

- Two checks were carried as outstanding, then dropped from the list of outstanding checks without any explanation.

Recommendation: We recommend that the EMS implement additional accounting procedures to insure that monthly financial reports are reconciled to their check register, the check register provides a monthly total for all checks issued each month, reconciliation's are performed, printed, and filed each month, and there is adequate documentation that should be retained regarding any reconciliation item.

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. We consider items 2002-3, 2002-4, 2002-5, and 2002-6 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

September 24, 2003