

**JOHNSTON 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

June 23, 2004

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

Transmitted herewith is the audit of the Johnston 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 Johnston 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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2003**

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

CHAIRMAN

Joe Jefferson

VICE-CHAIRMAN

Jerold Phillips

SECRETARY/TREASURER

Daniel Parker

MEMBERS

Tracey Campbell

Sharon Bevill

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. The District is comprised of Johnston County.

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
JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Johnston 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 Johnston 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 Johnston 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 Johnston 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 Johnston 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.

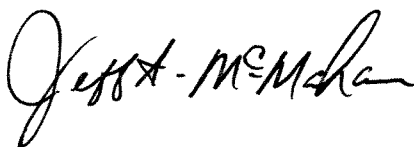
In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2004, on our consideration of Johnston County Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

May 25, 2004

Special-Purpose Financial Statements

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2003**

| | <u>General Fund</u> |
|------------------------|--------------------------|
| Beginning Cash Balance | <u>\$ 188,898</u> |
| Receipts: | |
| Ad Valorem Taxes | 121,477 |
| Sales Tax | 49,831 |
| Charges for Services | 219,051 |
| Miscellaneous Revenues | <u>9,210</u> |
| Total Receipts | <u>399,569</u> |
| Disbursements: | |
| Checks Issued | <u>289,865</u> |
| Total Disbursements | <u>289,865</u> |
| Ending Cash Balance | <u><u>\$ 298,602</u></u> |

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

**JOHNSTON 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 | Final | Actual | Variance |
| | Budget | Budget | | |
| Beginning Cash Balances | \$ 188,987 | \$ 188,987 | \$ 188,898 | \$ (89) |
| Less: Beginning Outstanding Warrants | | | (5,568) | (5,568) |
| Less: Beginning Encumbrances | | | (7,243) | (7,243) |
| Beginning Cash Balances, Budgetary Basis | <u>188,987</u> | <u>188,987</u> | <u>176,087</u> | <u>(12,900)</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 113,709 | 113,709 | 121,477 | 7,768 |
| Sales Tax | | | 49,831 | 49,831 |
| Charges for Services | | | 219,051 | 219,051 |
| Miscellaneous Revenues | | | 9,210 | 9,210 |
| Total Receipts, Budgetary Basis | <u>113,709</u> | <u>113,709</u> | <u>399,569</u> | <u>285,860</u> |
| Expenditures: | | | | |
| Personal Services | 200,000 | 200,000 | 191,033 | 8,967 |
| Maintenance and Operations | 102,696 | 137,686 | 97,356 | 40,330 |
| Total Expenditures, Budgetary Basis | <u>302,696</u> | <u>337,686</u> | <u>288,389</u> | <u>49,297</u> |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | <u>\$ (34,990)</u> | 287,267 | <u>\$ 322,257</u> |
| Reconciliation to Statements of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 7,997 | |
| Add: Current Year Outstanding Warrants | | | <u>3,338</u> | |
| Ending Cash Balance | | | <u>\$ 298,602</u> | |

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

Notes to the Financial Statements

**JOHNSTON 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 Johnston County Emergency Medical Service District (District). 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 was created to provide ambulance service to all of the citizens. 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 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 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 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.

**JOHNSTON 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 that include originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Cash

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.

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 personnel 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 personnel. 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

Employees are allowed to accumulate the following amounts of paid time off depending on their length of employment:

0 to 5 years – 10 days or 80 hours
6 to 10 years – 15 days or 120 hours
11 years plus – 20 days or 160 hours

Employees are required to take time off or they will lose it. Accumulated leave can be used for daily absences, sick days, vacation, etc. Accumulated leave is paid upon termination of employment.

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.

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

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 \$298,602 and the bank balance was \$298,602. 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 used the general fund to account for all activity of the 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 \$41,745,954 after deducting homestead exemptions of approximately \$2,755,846.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2003, were approximately 96.54 percent of the tax levy.

D. Sales Tax

The voters of Johnston County approved a one percent sales tax on August 23, 1994. This sales tax will expire August 23, 2004. Fourteen percent of the sales tax was established to provide revenue for the county ambulance.

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

4. Pension Plan

The District retirement plan is a defined contribution pension plan established by the EMSD District Board to provide benefits at retirement to the District employees. At June 30, 2003, there were nine plan members. Plan members may elect to contribute any amount. The District will contribute up to 3% of the employee salary. Plan provisions and contribution requirements are established by the District Board. The plan is a simple IRA retirement plan with the INVESCO Trust Company. All contributions are fully vested at the time of contribution. During the fiscal year ending June 30, 2003, the contributions made to the plan by the employer and employees were \$1,689 and \$3,805, respectfully.

**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
JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Johnston County Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 25, 2004. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation in accordance with accounting principles generally accepted in the United States of America. 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 Johnston 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2003-1 and 2003-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnston 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 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 condition is described in the accompanying schedule of findings as item 2003-2.

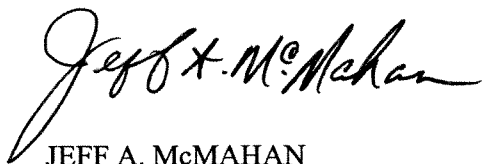
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

May 25, 2004

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

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 2003-1 – Estimate of Needs

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

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

Recommendation: We recommend that the District properly complete the Estimate of Needs and include the mandatory audit budget account.

Finding 2003-2 - Segregation of Duties

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

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

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view.

Finding 2003-3 – Estimate of Needs

Criteria: Title 19 O.S. 2001, § 1709(A) states, "At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the current fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year."

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

Further, 19 O.S. 2001, § 1715 states, "... the board may add or increase items or delete or decrease items in the budget. In all cases the proposed expenditures shall not exceed the estimated revenues for any fund."

Condition: Upon review of the District's Estimate of Needs, we determined the following:

- The reserves and outstanding checks as reflected on the District's Estimate of Needs does not agree to the District's ledger for the General Fund.
- The General Fund's beginning cash balance does not agree to the prior year's ending cash balance on the estimate of needs.
- The District did not budget all revenues for the General Fund resulting in a negative ending budgeted fund balance.

Recommendation: We recommend the District Board review the budget prior to approval to ensure completeness and accuracy.