

**JOHNSTON COUNTY  
EMERGENCY  
MEDICAL  
SERVICE DISTRICT**

JULY 1, 2005 THROUGH JUNE 30, 2006

**FINANCIAL STATEMENT AUDIT**



Jeff A. McMahan

Oklahoma State Auditor  
& Inspector



**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2006**

---

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C (i) of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105.B, twenty-five (25) copies have been prepared and distributed at a cost of \$48.67. 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

February 11, 2008

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's financial statement for the fiscal year ended June 30, 2006. 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 serving the public interest by providing independent oversight and by issuing 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 "Michelle R. Day".

MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
JUNE 30, 2006**

---

**TABLE OF CONTENTS**

<u>BOARD OF TRUSTEES</u> .....	ii
<u>INTRODUCTION</u> .....	iii
 <u>FINANCIAL SECTION</u>	
Report of State Auditor and Inspector .....	1
Basic Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund .....	3
Notes to the Financial Statement .....	4
 <u>SUPPLEMENTARY INFORMATION</u>	
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund .....	7
Notes to Supplementary Information .....	8
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	9
Schedule of Findings and Responses .....	11

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
BOARD OF TRUSTEES  
JUNE 30, 2006**

---

CHAIRMAN  
Joe Jefferson

VICE-CHAIRMAN  
Jerold Phillips

SECRETARY/TREASURER  
Sharon Bevill

MEMBERS  
John Germany  
Guyla Hart

ADMINISTRATOR  
Kenneth Power

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**  
**JUNE 30, 2006**

---

**INTRODUCTION**

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. District voters approved the formation of the district and 3 mills levy to support the operation of the district. The Johnston County Emergency Medical Service District is comprised of Johnston County and was created to provide ambulance service to all citizens.

Emergency medical service districts are governed by a board of trustees. The board of trustees (the board) has the power to hire a manager and other personnel, contract, organize, maintain, or otherwise operate the emergency medical service district. The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board of trustees' business meetings are open to the public. The board shall have the capacity to sue and be sued but shall enjoy immunity from civil suits for actions or omissions arising from the operation of the district. Such districts have the authority to charge fees for services, and accept gifts, funds, or grants.

The Oklahoma Constitution also provides that the district shall be audited by the State Auditor and Inspector.

**FINANCIAL SECTION**



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 accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Johnston County Emergency Medical Service District, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of the Johnston County Emergency Medical Service District. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 described in Note 1, the accompanying basic financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Johnston County Emergency Medical Service District as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in cash balances of the Johnston County Emergency Medical Service District, for the year ended June 30, 2006, on the basis of accounting described in Note. 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008, 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 and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Johnston County Emergency Medical Service District, taken as a whole. The accompanying Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statement. The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

January 9, 2008

## **Basic Financial Statement**

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

	General Fund
Beginning Cash Balance	\$ 441,249
Receipts:	
Ad Valorem Taxes	143,707
Charges for Services	296,250
Sales Tax Revenue	37,315
Miscellaneous	95,257
Total Receipts	572,529
Disbursements:	
Personal Services	237,826
Maintenance and Operations	160,115
Capital Outlay	61,360
Total Disbursements	459,301
Ending Cash Balance	\$ 554,477

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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**1. Summary of Significant Accounting Policies**

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of Johnston County Emergency Medical Service District (the District). The financial activity presented is established under statutory authority, and its operation is under the control of the District Board of Trustees. The more significant accounting policies and practices are described below.

**A. Reporting Entity**

The District is a special unit of government and does not possess political or governmental powers other than those necessary to carry out the specific purposes for which it was created. The District is not subject to federal or state income taxes.

The accompanying basic financial statement includes all District functions and activities over which the District Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the District Board. The District is not a component unit of another government and does not have any component units.

**B. Fund Accounting**

The District uses only a general fund to account for its cash balances.

**C. Basis of Accounting**

The basic financial statement is 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. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Cash and Investments**

State statutes require financial institutions with which the District maintains funds to deposit collateral securities to secure the District's deposits. The amount of collateral securities to be pledged is established by the District Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC). The District was underpledged in the amount of \$156,707.69 as of June 30, 2006.

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.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**E. Risk Management**

The District is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District continues to carry commercial insurance for these types of risk. The District carries workers' compensation, health and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2006 fiscal year.

**F. Compensated Absences**

Employees earn between 80 to 160 hours of paid time off per year depending on their length of employment. Employees are allowed to accumulate between 200 and 280 hours of paid time off depending on their length of employment. Hours accumulated that exceed the allowed amount, after the anniversary date, that have not been used will be lost.

**2. Stewardship Policies**

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

**3. Detailed Notes on Fund Balances**

**A. 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 2005 was approximately \$48,152,557 after deducting homestead exemptions.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

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

Current year tax collections for the year ended June 30, 2006, were approximately 97.01 percent of the tax levy.

**B. Fixed Asset Ledger**

A ledger in which to record the details relating to the fixed assets of the District is maintained as required by 19 O.S. § 1718. The fixed assets of the District are not included in the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund because the statement presents only cash resources of the District. Capital acquisition and construction are reflected as capital outlay disbursements in the General Fund. Also, this cash basis presentation does not reflect any depreciation of assets.

The following is a summary of changes in the fixed assets ledger of the District during the fiscal year ended:

	<u>Balance</u> <u>07-01-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06-30-06</u>
Land, buildings, and office	\$250,000	\$ 2,762	\$	\$252,762
Equipment	8,283	525		8,808
Emergency vehicles	199,647			199,647
Emergency equipment	<u>76,059</u>	<u>24,562</u>		<u>100,621</u>
	<u>\$533,989</u>	<u>\$ 27,849</u>	<u>\$ -</u>	<u>\$561,838</u>

**4. Sales Tax**

The voters of Johnston County approved a one percent sales tax on July 27, 2004. This sales tax will expire December 31, 2009. Fourteen percent of the sales tax was established to provide revenue for the county ambulance.

**SUPPLEMENTARY INFORMATION**

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—  
BUDGET AND ACTUAL—BUDGETARY BASIS—GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 425,228	\$ 425,228	\$ 441,249	\$ 16,021
Less: Beginning Outstanding Warrants				
Beginning Cash Balances, Budgetary Basis	<u>425,228</u>	<u>425,228</u>	<u>441,249</u>	<u>16,021</u>
Receipts:				
Ad Valorem Taxes	131,325	131,325	143,707	12,382
Charges for Services	228,863	228,863	296,250	67,387
Sales Tax Revenue			37,315	37,315
Miscellaneous Revenues	<u>102,315</u>	<u>102,315</u>	<u>95,257</u>	<u>(7,058)</u>
Total Receipts, Budgetary Basis	<u>462,503</u>	<u>462,503</u>	<u>572,529</u>	<u>110,026</u>
Expenditures:				
Personal Services	290,000	290,000	237,826	52,174
Maintenance and Operations	200,000	200,000	152,034	47,966
Capital Outlay	80,000	80,000	61,360	18,640
Audit Budget Account	4,815	4,815	8,081	(3,266)
Other	<u>312,916</u>	<u>312,916</u>		<u>312,916</u>
Total Expenditures, Budgetary Basis	<u>887,731</u>	<u>887,731</u>	<u>459,301</u>	<u>428,430</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	554,477	<u>\$ 554,477</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Ending Outstanding Warrants				
Ending Cash Balance			<u>\$ 554,477</u>	

See independent auditor's report.

The accompanying notes to the supplementary information are an integral part of this schedule.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

Oklahoma Statutes require the District to prepare a formal budget for the general fund and other funds as the Board of Trustees may require. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—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.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters 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 Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Johnston County Emergency Medical Service District, as of and for the year ended June 30, 2006, which comprises the Johnston County Emergency Medical Service District's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 9, 2008. The report on the Statement of Receipts, Disbursements, and Changes in Cash Balances was adverse because the statement is not a presentation in conformity 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.

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 financial statement and not to provide an opinion 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 District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-1 and 2006-3.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statement 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 item 2006-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnston County Emergency Medical Service District's financial statement is 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 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 or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2006-2 and 2006-4.

This report is intended solely for the information and use of the Board of Trustees, Excise Board, and Legislative officials and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

January 9, 2008

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**Financial Statement Findings**

**Finding 2006-1—Segregation of Duties (Repeat Finding)**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over government assets and resources.

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.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

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. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**Finding 2006-2—Pledged Collateral**

Criteria: Title 62 O.S. § 517.4.A provides, the treasurer of a public entity shall require financial institutions to deposit collateral securities to secure public deposits in excess of deposit insurance.

Condition: The District's bank account balances and investments were underpledged in the amount of \$156,707.69 as of June 30, 2006.

Effect: This condition could result in the loss of District funds.

Recommendation: We recommend that the District require financial institutions to deposit collateral securities to secure public deposits in excess of deposit insurance.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the state statutes regarding pledged securities. In addition, the Administrator stated that he provided the auditors with information from the bank that documented that this was a bank error.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

SA&I response: We concur that the bank did not initially code the funds as public funds; however, it is the responsibility of the Administrator and the Board of Trustees to assure District funds are properly secured.

**Finding 2006-3—Payroll Disbursements/Leave Records Program – Timesheets (Repeat Finding)**

Criteria: Effective internal controls include timesheets prepared and reviewed for accuracy. The Fair Labor Standards Act requires that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken or paid.

Condition: The District employees do not prepare timesheets and/or records, which reflect accumulated leave balances that are approved by the Director. Also, the Director does not prepare a timesheet reflecting hours worked and the amount of leave taken.

Effect: This condition could result in the District having inaccurate records or incomplete information.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the time period, overtime worked, and accumulated leave balances, in order to comply with the Fair Labor Standards Act. Also, the Director and employee should approve and sign each timesheet.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We have started the process of implementing procedures for the accountability of employee time records.

**Finding 2006-4—Lapsed Audit Budget Account**

Criteria: Title 19 O.S. § 1706.1 states in part, "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector's own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes."

Condition: The District lapsed the balance of the audit budget account for the fiscal year ending June 30, 2005.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

Effect: This condition resulted in an unappropriated expenditure and overstatement of unrestricted fund surplus.

Recommendation: We recommend that the District implement procedures to ensure that budgeted audit accounts are restricted to audit purposes and that balances are not lapsed. The remaining balance at June 30 should be forwarded to the audit budget account for the next year.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will take measures to prevent findings of this nature in the future. In addition, the Administrator stated, "The budget maker failed to carry over the balance."

SA&I response: The Board of Trustees is responsible for assuring the Estimate of Needs is true and correct.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896**

**[WWW.SAI.STATE.OK.US](http://WWW.SAI.STATE.OK.US)**