

**AUDIT REPORT  
LAVERNE EMERGENCY MEDICAL SERVICE  
FOR THE YEAR ENDED  
JUNE 30, 2002**

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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

December 23, 2002

TO THE CITIZENS OF  
LAVERNE EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of Laverne Emergency Medical Service, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in cursive script that reads "Clifton H. Scott".

CLIFTON H. SCOTT  
State Auditor and Inspector

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

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LAVERNE EMERGENCY MEDICAL SERVICE  
BOARD MEMBERS  
JUNE 30, 2002

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CHAIRMAN

Roena Devore

SECRETARY

Joanna Crocker

TREASURER

David Terry

MEMBERS

J.C. Dunigan

Wes Peterman

COORDINATOR

Pauline Heinz



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 LAVERNE EMERGENCY MEDICAL SERVICE

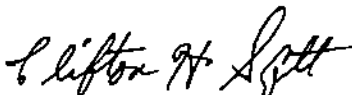
We have audited the accompanying financial statements of the Laverne Emergency Medical Service as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Laverne Emergency Medical Service, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002, on our consideration of Laverne 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,

  
CLIFTON H. SCOTT  
State Auditor and Inspector

November 15, 2002

## **Financial Statements**

**LAVERNE EMERGENCY MEDICAL SERVICE  
BALANCE SHEET  
JUNE 30, 2002**

	<u>GOVERNMENTAL</u> FUND TYPE <u>GENERAL</u>	<u>ACCOUNT</u> GROUP <u>GENERAL</u> FIXED <u>ASSETS</u>	<u>TOTAL</u>  (MEMORANDUM <u>ONLY</u> )
<b><u>ASSETS</u></b>			
Cash and investments	\$ 114,449	\$	\$ 114,449
Ad valorem taxes receivable	131		131
Accounts receivable (net of allowance for doubtful accounts)	8,464		8,464
Sales tax receivable	1,271		1,271
Interest receivable	72		72
Fixed assets		<u>136,847</u>	<u>136,847</u>
Total assets	<u>\$ 124,387</u>	<u>\$ 136,847</u>	<u>\$ 261,234</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities:			
Accounts payable	\$ 743	\$	\$ 743
Total liabilities	<u>743</u>	<u>-</u>	<u>743</u>
Fund equity:			
Investments in general fixed assets		136,847	136,847
Fund balances:			
Unreserved:			
Undesignated	<u>123,644</u>	<u>-</u>	<u>123,644</u>
Total fund equity	<u>123,644</u>	<u>136,847</u>	<u>260,491</u>
Total liabilities and fund equity	<u>\$ 124,387</u>	<u>\$ 136,847</u>	<u>\$ 261,234</u>

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

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

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		<u>GENERAL FUND</u>
Revenues:		
Ad valorem taxes	\$	46,676
Sales tax		15,728
Charges for services		23,306
Miscellaneous revenues		<u>8,646</u>
Total revenues		<u>94,356</u>
 Expenditures		
Current operating:		
Personal services		58,068
Travel		323
Maintenance and operations		29,423
Capital outlay		<u>3,972</u>
Total expenditures		<u>91,786</u>
Excess revenue over expenditures		2,570
Beginning fund balance		<u>121,074</u>
Ending fund balance	\$	<u><u>123,644</u></u>

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



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

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 113,024	\$ 112,824	\$ (200)
Revenues:			
Ad valorem taxes	42,363	46,935	4,572
Sales tax	18,313	17,477	(836)
Charges for services	10,038	19,584	9,546
Miscellaneous revenues	4,707	8,672	3,965
Total revenue, budgetary basis	<u>75,421</u>	<u>92,668</u>	<u>17,247</u>
Expenditures:			
Personal services	74,000	58,068	15,932
Travel	4,500	323	4,177
Maintenance and operations	53,945	29,423	24,522
Capital outlay	56,000	3,972	52,028
Total expenditures, budgetary basis	<u>188,445</u>	<u>91,786</u>	<u>96,659</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	113,706	<u>\$ 113,706</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		131	
Sales tax receivable		1,271	
Net accounts receivable		8,464	
Interest receivable		72	
Ending fund balance		<u>\$ 123,644</u>	

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

**Notes to the Financial Statements**

LAVERNE EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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1. Summary of Significant Accounting Policies

The financial statements of the Laverne Emergency Medical Service (EMS) are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

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

The accompanying financial statements include all EMS funds, functions, and activities over which the EMS Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the EMS Board. The EMS has no component units.

B. Basis of Presentation - Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds are used to account for all or most of an EMS's general activities. The general fund is used to account for all activities of the EMS not accounted for in some other fund.

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 do not reflect available financial sources. They are not involved with measurement of results of operations.

Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

Generally accepted accounting principles (GAAP) require that those fixed assets of a governmental entity not reported in a proprietary fund or in a trust fund 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 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. Governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

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

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services.

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. At the end of the year, unencumbered appropriations are lapsed. There were no encumbered appropriations at June 30, 2002.

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 and actual, will differ from the data as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

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

All funds were fully invested as of June 30, 2002. State statutes authorize the governmental entity to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

F. General Fixed Assets

General fixed assets are not reported for the EMS as required by generally accepted accounting principles for a governmental entity (GAAP), since the governmental entity does not own fixed assets.

G. Risk Management

The EMS is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The EMS continues to carry commercial insurance for these types of risk. Settled claims resulting from these risks are subject to commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the fiscal year 2002.

H. Compensated Absences

The EMS does not have a written personnel policy to enforce vacation leave for all employees. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Due to the limited number of full-time employees, any liability for accumulated vacation or sick leave would not be material to the financial statements.

LAVERNE EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Summary of Significant Accounting Policies (continued)

I. Memorandum Only - Total Columns

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

2. Stewardship, Compliance and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

At year-end the carrying amount of the EMS's deposits was \$114,449, and the bank balance was \$114,449. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the EMS's agent in the EMS's name.

B. Receivables

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

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

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three mills for the purpose of providing funds to support, organize, operate, and maintain district EMS. County voters approved a (3) mill levy to support the operations of the EMS. Property taxes are considered currently receivable if collected within 60 days.

The assessed property value as of January 1, 2001, was approximately \$9,000,748, net of homestead exemptions.

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

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Detailed Notes on Account Balances (continued)

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.

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

The EMS considers outstanding accounts receivable for ambulance charges to be charges incurred and charged prior to the end of the fiscal year. The allowance for doubtful accounts represents those charges considered uncollectible by the Board. Accounts receivable for the year ended June 30, 2002, were \$8,464, net of the allowance for doubtful accounts in the amount of \$4,795.

C. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Ambulances	\$ 85,555	\$ -	\$ -	\$ 85,555
Equipment	<u>47,320</u>	<u>3,972</u>	-	<u>51,292</u>
Totals	<u>\$132,875</u>	<u>\$3,972</u>	<u>\$ -</u>	<u>\$ 136,847</u>

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





STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

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

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

TO THE OFFICERS OF  
LAVERNE EMERGENCY MEDICAL SERVICE

We have audited the financial statements of Laverne Emergency Medical Service as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 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.

Compliance

As part of obtaining reasonable assurance about whether Laverne 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

**Finding 96-1 - Segregation of Duties**

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

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

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

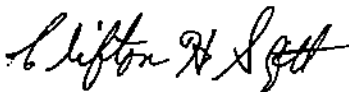
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 96-1 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 management of the County, 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

November 15, 2002

## **Management Response**

**LAVERNE EMERGENCY MEDICAL SERVICE**

P.O. Box 902  
LAVERNE, OKLAHOMA 73848  
580/921-3311

December 12, 2002

Clifton Scott  
State Auditor & Inspector  
2300 N Lincoln Blvd  
100 State Capitol  
Oklahoma City, OK 73105-4896

Dear Mr. Scott:

In response to the comments and recommendations that were made following our audit, the Board responds as follows:

**Finding 96-1 Segregation of duties**

We do not have any full time employees and financial constraints prevent us from having any in the future. The Board is aware of the implications of having financial duties performed by only a few persons. The responsibilities for:

- Opening the mail
- Making bank deposits
- Writing checks & reconciling bank accounts

are all performed by different persons. Our EMS coordinator is involved in and aware of the transactions as they occur.

Sincerely,

Wesley Peterman, Chairman  
Laverne EMS