

**AUDIT REPORT  
LEEDEY AMBULANCE SERVICE  
FOR THE YEAR ENDED  
JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

January 28, 2003

TO THE BOARD OF DIRECTORS OF THE  
LEEDEY AMBULANCE SERVICE

Transmitted herewith is the audit of Leedeey Ambulance 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 Ambulance Service.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**LEEDEY AMBULANCE SERVICE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**LEEDEY AMBULANCE SERVICE  
BOARD MEMBERS  
JUNE 30, 2002**

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CHAIRMAN

Kenneth Wohl

VICE CHAIRMAN

Bob Walker

SECRETARY

LaDena Kauk

TREASURER

Robetha Fariss

MEMBERS

Tim McGee

Mariane Leddy



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE BOARD OF DIRECTORS  
OF THE LEEDEY AMBULANCE SERVICE

We have audited the accompanying financial statements of the Leedey Ambulance 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 Ambulance Service. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1F, the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Leedey Ambulance 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 December 10, 2002, on our consideration of Leedey Ambulance Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

December 10, 2002

## **Financial Statements**

**LEEDEY AMBULANCE SERVICE  
BALANCE SHEET  
JUNE 30, 2002**

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		<u>Governmental</u> <u>Fund Type</u> <u>General</u>
<u>Assets</u>		
Cash and investments	\$	37,326
Ad valorem taxes receivable		2,595
Accounts receivable (net of allowance for doubtful accounts)		1,840
Interest receivable		103
Total assets	\$	<u>41,864</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$	1,045
Total liabilities		<u>1,045</u>
Fund balance:		
Unreserved:		
Undesignated		40,819
Total fund balance		<u>40,819</u>
Total liabilities and fund balance	\$	<u>41,864</u>

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

**LEEDEY AMBULANCE SERVICE  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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		<u>General Fund</u>
Revenues:		
Ad valorem taxes	\$	38,095
Charges for services		2,157
Miscellaneous revenues		2,458
Total revenues		<u>42,710</u>
Expenditures		
Current operating:		
Personal services		6,230
Maintenance and operations		16,324
Capital outlay		23,909
Total expenditures		<u>46,463</u>
Excess revenue over (under) expenditures		(3,753)
Beginning fund balance		<u>44,572</u>
Ending fund balance	\$	<u><u>40,819</u></u>

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

**LEEDEY AMBULANCE 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	\$ 39,066	\$ 38,457	\$ (609)
Revenues:			
Ad valorem taxes	33,417	35,616	2,199
Charges for services	10,000	6,234	(3,766)
Miscellaneous revenues	3,000	2,437	(563)
Total revenue, budgetary basis	<u>46,417</u>	<u>44,287</u>	<u>(2,130)</u>
Expenditures:			
Personal services	12,000	6,230	5,770
Maintenance and operations	27,384	16,324	11,060
Capital outlay	46,099	23,909	22,190
Total expenditures, budgetary basis	<u>85,483</u>	<u>46,463</u>	<u>39,020</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	36,281	<u>\$ 36,281</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		2,595	
Net accounts receivable		1,840	
Interest receivable		103	
Ending fund balance		<u>\$ 40,819</u>	

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

**Notes to the Financial Statements**

**LEEDEY AMBULANCE SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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1. Summary of Significant Accounting Policies

The financial statements of the Leedey Ambulance Service (Ambulance Service) 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 Ambulance Service is a governmental entity organized under the laws of the State of Oklahoma, and is not subject to federal or state income taxes. The Ambulance Service was created to provide Ambulance Service to all of the citizens.

The accompanying financial statements include all Ambulance Service funds, functions, and activities over which the Ambulance Service Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Ambulance Service Board. The Ambulance Service 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 Fund

Governmental funds are used to account for all or most of an Ambulance Service's general activities. The general fund is used to account for all activities of the Ambulance Service 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 Ambulance Service.

Account Groups

An account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results or operations.

Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. 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 Ambulance Service 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.

**LEEDEY AMBULANCE SERVICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget-and-Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget 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 Ambulance Service.

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 Ambulance Service as required by generally accepted accounting principles for a governmental entity (GAAP), because the governmental entity does not maintain complete fixed asset listings.

G. Risk Management

The Ambulance Service 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 Ambulance Service 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.

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 Ambulance Service 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.

**LEEDEY AMBULANCE SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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3. Detailed Notes on Account Balances

A. Deposits

At year-end the carrying amount of the Ambulance Service's deposits was \$37,326, and the bank balance was \$37,326. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the Ambulance Service's agent in the Ambulance Service's name.

B. Receivables

The Leedey Ambulance Service District is in Roger Mills County. Dewey County did not have a levy for Leedey, nor did Custer County.

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 ambulance service districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain Ambulance Service districts. County voters approved a 3.17 mill levy to support the operations of Leedey Ambulance Service. Property taxes are considered currently receivable if collected within sixty days.

The assessed property value as of January 1, 2001, for the Leedey Ambulance Service District of Roger Mills County was approximately \$12,252,759 net of 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. 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 99 percent of the tax levy.

The Ambulance Service considers outstanding accounts receivable for ambulance charges to be charges incurred and charged prior to the end of the fiscal year. Accounts receivable for the year ended June 30, 2002, were \$1,840, net of allowances for doubtful accounts of \$16,940.

**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 OFFICERS OF  
LEEDEY AMBULANCE SERVICE

We have audited the financial statements of Leedey Ambulance Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We qualified our opinion because the general fixed assets account group was not included in the financial statements.

Compliance

As part of obtaining reasonable assurance about whether Leedey Ambulance 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 Leedey Ambulance Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

#### Finding 96-1 - Fixed Assets Accounting

Criteria: Accounting principles generally accepted in the United States of America (NCGA Statement No. 1) require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Condition: The Ambulance Service's list of land, buildings, improvements, and equipment does not include all the necessary information to comply with 19 O.S. §178.1 and NCGA. While the Ambulance Service has made an effort to bring its fixed asset records up-to-date, the amounts recorded have been based on replacement cost and upon market value and not upon historical cost.

Recommendation: We recommend records include acquisition cost (not replacement cost), complete description, purchase date, and location of such assets, and that a control total of cost of these assets be maintained and reconciled annually in accordance with 19 O.S. §178.1 and NCGA Statement No.1.

#### Finding 97-1 - Segregation of Duties

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

Condition: The limited number of office personnel within the Ambulance Service 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 Ambulance Service operations and a periodic review of operations.

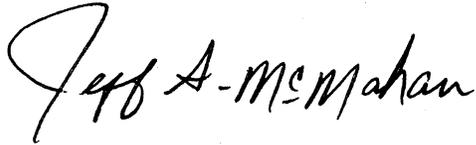
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 items 96-1 and 97-1 to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

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

December 10, 2002