

**LEEDEY AMBULANCE SERVICE
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$34.25. 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

January 19, 2005

TO THE BOARD OF TRUSTEES OF THE
LEEDEY AMBULANCE SERVICE

Transmitted herewith is the audit of the Leedey Ambulance Service for the fiscal year ended June 30, 2004. 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 Leedey 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

TABLE OF CONTENTS

Board of Trusteesii

INTRODUCTION..... iii

FINANCIAL SECTION

Report of State Auditor and Inspector 1

Special-Purpose Financial Statements:

 Statement of Receipts, Disbursements, and Changes in
 Cash Balances - General Fund 3

 Comparative Statement of Receipts, Expenditures, and Changes in
 Cash Balances - Budget and Actual - General Fund..... 4

 Notes to the Financial Statements.....5

INTERNAL CONTROL/COMPLIANCE SECTION

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 8

Schedule of Findings 10

CHAIRMAN

Kenneth Wohl

VICE CHAIRMAN

Tim McGee

SECRETARY

LaDena Kauk

TREASURER

Robetha Fariss

MEMBERS

Johnnie Ruth Welty

Jana Kauk

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 mill levy to support the operation of the district. The Leedey Ambulance Service district is comprised of Dewey County and was created to provide ambulance service to all citizens.

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 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
LEEDEY AMBULANCE SERVICE

We have audited the special-purpose financial statements of Leedey Ambulance Service, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Leedey 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash balances of Leedey Ambulance Service, and comparisons of such information with the corresponding budgeted information for the general fund, and are not intended to be a complete presentation of the financial position and results of operations of Leedey Ambulance Service in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Leedey Ambulance Service, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2004, 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, regulations, 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.

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,

A handwritten signature in black ink that reads "Jeff A. McMahhan". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

JEFF A. McMAHAN
State Auditor and Inspector

November 22, 2004

Special-Purpose Financial Statements

**LEEDEY AMBULANCE SERVICE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - GENERAL FUND
JUNE 30, 2004**

	General Fund
Beginning Cash Balance	<u>\$ 51,686</u>
Receipts:	
Ad Valorem Taxes	40,147
Charges for Services	23,745
Miscellaneous	<u>1,809</u>
Total Receipts	<u>65,701</u>
Disbursements:	
Personal Service	5,624
Maintenance and Operations	21,082
Capital Outlay	<u>6,425</u>
Total Disbursements	<u>33,131</u>
Ending Cash Balance	<u><u>\$ 84,256</u></u>

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

**LEEDEY AMBULANCE SERVICE
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 51,686	\$ 51,686	\$ 51,686	\$ -
Beginning Cash Balances, Budgetary Basis	51,686	51,686	51,686	-
Receipts:				
Ad Valorem Taxes	36,186	36,186	40,147	3,961
Charges for Services			23,745	23,745
Miscellaneous Revenues			1,809	1,809
Total Receipts, Budgetary Basis	<u>36,186</u>	<u>36,186</u>	<u>65,701</u>	<u>29,515</u>
Expenditures:				
Personal Services	12,000	12,000	5,624	6,376
Maintenance and Operations	30,000	30,000	21,082	8,918
Capital Outlay	44,545	44,545	6,425	38,120
Audit Budget Account	1,327	1,327		1,327
Total Expenditures, Budgetary Basis	<u>87,872</u>	<u>87,872</u>	<u>33,131</u>	<u>54,741</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	84,256	<u>\$ 84,256</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances Ending Cash Balance			<u>\$ 84,256</u>	

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

1. Summary of Significant Accounting Policies

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of Leedey Ambulance Service (the Service), and comparisons of such information with the corresponding budgeted information for the Service. The fund presented is established under statutory authority, and its operation is under the control of the Service Board of Trustees. The more significant accounting policies and practices are described below.

A. Reporting Entity

The Service 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 Service is not subject to federal or state income taxes.

The accompanying special-purpose financial statements include all funds, functions, and activities over which the Service Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Service Board. The Service is not a component unit of another government and does not have any component units.

The general fund is the Service'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 entity 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 Service 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.

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the Service 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 Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

E. Cash and Investments

State statutes authorize the Service to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

F. Risk Management

The 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 Service continues to carry commercial insurance for these types of risk. The Service carries workers compensation, health and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Service. 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 2004 fiscal year.

G. Compensated Absences

The Service is considered a volunteer service. There is no leave vacation or sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before June 1 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is approved by fund and object. The 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.

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 Service's deposits was \$84,256 and the bank balance was \$84,256. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Service's agent in the Service's name.

B. Description of Funds

During the year ended June 30, 2004, the Service had a general fund used for the general operation of the Service.

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 Service's area, 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 Service.

The assessed property value as of January 1, 2003, was approximately \$13,268,144 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

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, 2004, were approximately 99 percent of the tax levy.

Internal Control/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
LEEDEY AMBULANCE SERVICE

We have audited the special-purpose financial statements of Leedey Ambulance Service, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 22, 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.

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 special-purpose financial statements 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 Leedey Ambulance Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-1, 2003-1, and 2003-2

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 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, of the reportable conditions described above, we consider item 2002-1 to be a material weakness.

Compliance and Other Matters

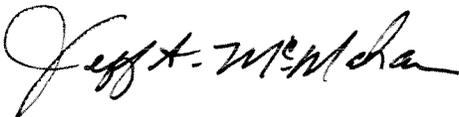
As part of obtaining reasonable assurance about whether Leedey Ambulance Service's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Leedey Ambulance Service and is included in Section 2 of the schedule of findings, contained within this report.

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

November 22, 2004

SECTION 1 - Findings related to the 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*

Finding 2002-1- Segregation of Duties (Repeat Finding)

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

Condition: The limited number of office personnel within the Service 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. Under these conditions, the most effective controls lie in management's knowledge of office operations and the periodic review of operations.

Management Response: The Ambulance Service is aware of the concentration of duties, due to the limited number of personnel in a volunteer service. We will strive to separate duties as much as possible at all times.

Finding 2003-1- Pre-numbered Duplicate Receipts (Repeat Finding)

Criteria: Effective internal controls include pre-numbered duplicate receipts be issued for all funds collected by the Service.

Condition: Receipts were not issued for collections received by the Service.

Recommendation: We recommend that pre-numbered duplicate receipts be issued for all funds collected by the Service, to provide effective internal controls over funds received.

Management Response: The Ambulance Service agrees with the recommendation, and will strive to implement procedures to ensure receipts are written for all funds collected.

Finding 2003-2- Expenditures (Repeat Finding)

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

**LEEDEY AMBULANCE SERVICE
SCHEDULE OF FINDINGS
JUNE 30, 2004**

Condition: Our test of purchases issued during the fiscal year ended June 30, 2004, noted that purchase orders were not in use by the Service, and not all of the purchases tested were approved by the Board.

Recommendation: We recommend that purchase orders be used for all purchases made and that the Board document approval for all purchases in open meetings to provide effective accounting controls over the disbursement of public funds.

Management Response: The Ambulance Service will implement procedures to ensure purchase orders are used for all purchases and approve those purchases in open meetings.

SECTION 2 - Other Findings - This section contains findings not required to be reported in the 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*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-3- Fixed Assets (Repeat Finding)

Criteria: In accordance with 19 O.S. 2001, § 1718, a ledger or group of accounts is to be maintained by the Service in which to record the details to the general fixed assets of the Service.

Condition:

1. The Service had an incomplete list of equipment items that only included such information as purchase date and price on some items, but was not up to date for other information such as serial or VIN numbers, location or assignment.
2. The Service had not established a formal policy which addressed the minimum value of fixed asset items to be included in inventory, the kinds of information and records to be maintained for the fixed asset items, or how often items are to be inventoried and reconciled to the records.

Recommendation: We recommend that the Board evaluate its policies and procedures for recording, reporting and inventorying its fixed assets and equipment and make the necessary changes to improve its controls over this area and its compliance with 19 O.S. 2001, § 1718.

Management Response: The Board plans to implement the suggested recommendations and comply with 19 O.S. 2001, § 1718.