

**MAJOR COUNTY
EMERGENCY MEDICAL SERVICE
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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 \$38.00. 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 5, 2004

TO THE BOARD OF TRUSTEES OF THE
MAJOR COUNTY EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of the Major County Emergency Medical Service for the fiscal year ended June 30, 2003. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Major County Emergency Medical 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". The signature is written in black ink and is positioned above the printed name and title of the signatory.

JEFF A. McMAHAN
State Auditor and Inspector

**MAJOR COUNTY
EMERGENCY MEDICAL SERVICE
FINANCIAL STATEMENTS
JUNE 30, 2003**

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

CHAIRMAN

Charles Burlison

MEMBERS

Mike Bales
Isaac Regier Jr.
James Edwards
David Martens

ADMINISTRATOR

Greg Icke

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service (EMS) districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. District voters approved the formation of the district and 3 mill levy to support the operation of the EMS.

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF TRUSTEES OF THE
MAJOR COUNTY EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Major County Emergency Medical Service, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of the 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash balances of Major County Emergency Medical 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 Major County Emergency Medical 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 Major County Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

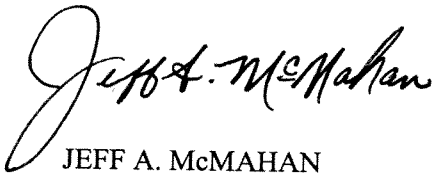
In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2003, on our consideration of Major County Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That 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.

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. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

November 5, 2003

Special-Purpose Financial Statements

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

	General Fund
Beginning Cash Balance	<u>\$ 193,090</u>
Receipts:	
Ad Valorem Taxes	179,037
Charges for Services	56,373
Miscellaneous	2,501
Total Receipts	<u>237,911</u>
Disbursements:	
Warrants Paid	<u>315,310</u>
Total Disbursements	<u>315,310</u>
Ending Cash Balance	<u>\$ 115,691</u>

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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 193,090	\$ 193,090	\$ 193,090	\$ -
Less: Beginning Outstanding Warrants	(30,709)	(30,709)	(30,337)	372
Less: Beginning Encumbrances	(1,916)	(1,916)	(1,916)	
Beginning Cash Balances, Budgetary Basis	<u>160,465</u>	<u>160,465</u>	<u>160,837</u>	<u>372</u>
Receipts:				
Ad Valorem Taxes	163,221	163,221	179,037	15,816
Charges for Services			56,373	56,373
Miscellaneous Revenues			2,501	2,501
Total Receipts, Budgetary Basis	<u>163,221</u>	<u>163,221</u>	<u>237,911</u>	<u>74,690</u>
Expenditures:				
Personal Services	145,000	150,000	148,085	1,915
Travel	2,000	2,000	1,814	186
Maintenance and Operations	90,500	90,500	66,485	24,015
Capital Outlay	86,186	81,186	77,234	3,952
Total Expenditures, Budgetary Basis	<u>323,686</u>	<u>323,686</u>	<u>293,618</u>	<u>30,068</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	105,130	<u>\$ 105,130</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Ending Encumbrances			5,146	
Add: Ending Outstanding Warrants			5,415	
Ending Cash Balance			<u>\$ 115,691</u>	

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The EMS 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 EMS was created to provide ambulance service to all of the citizens. The EMS is not subject to federal or state income taxes.

The accompanying special-purpose 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 does not have any component units.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of the EMS, and comparisons of such information with the corresponding budgeted information for the EMS. The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the EMS'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 EMS 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.

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

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the EMS 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.

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.

Any encumbrances outstanding or outstanding obligations at year-end are included as reservations of cash balances, budgetary basis since they do not constitute paid or outstanding warrants. At the end of the year, unencumbered appropriations are lapsed.

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 Balance 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 EMS 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, 2003.

F. 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. The EMS carries workers compensation, health, and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the EMS. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation Leave – Each full-time employee shall accrue 9 workdays (9 workdays are equal to 15 calendar days) vacation leave after one year of employment. If vacation leave is not used, it may be carried over to the next year with written approval of the EMS Board.

Sick Leave – An employee earns up to 10 workdays per year and may accumulate up to 20 days.

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 cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the EMS's deposits was \$115,691 and the bank balance was \$115,691. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS's agent in the EMS's name.

B. Description of Funds

During the year ended June 30, 2003, the EMS had only a general fund.

C. Ad Valorem Tax

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

The County levied 3 mills for EMS general fund operations. The net assessed property value as of January 1, 2002, was approximately \$59,847,478.

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.

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

Detailed Notes on Account Balances (continued)

Unpaid real property taxes become a lien upon said property on October 1 of each year.

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

Current year tax collections for the year ended June 30, 2003, were approximately 98 percent of the tax levy.

4. Pension Plan

Plan Description – The EMS contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, established the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE BOARD OF TRUSTEES OF THE
MAJOR COUNTY EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Major County Emergency Medical Service, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 5, 2003. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 Major County Emergency Medical 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Major County 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 special-purpose 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 EMS'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 below.

Finding 96-1 - 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. The most effective controls lie in management's knowledge of the EMS operations and a periodic review of operations.

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

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.

Finding 2002-1 - Equipment Inventory Records (Repeat Finding)

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, effected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

Condition: The EMS did not have formal, up to date records of fixed assets. The last updated inventory records were as of fiscal year 2000.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually to provide proper internal controls over capital assets.

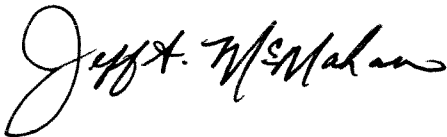
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, 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 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. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

November 5, 2003

Management Response

Major County Emergency Medical Service

P.O. Box 511 ~ 224 N. Main Fairview, OK 73737

Phone: 580-227-2322 ~ Fax: 580-227-3327

Email: mcems73737@yahoo.com

23 December 2003

Ms. Sherri Merle
Oklahoma State Auditor and Inspector
Weatherford District Office
1401 Lera, Ste. G
Weatherford, OK 73096

RE: 2002 Audit of Major County EMS

Dear Ms. Merle:

Per your November 18, 2003 letter accompanying the findings and recommendations of the state auditor, we respectfully respond to the following reportable conditions:

Finding 1996-1-Segregation of Duties

Management is aware of the condition and corrective action has been taken. Management has been conducting monthly reviews of the income and expense statements as well as general operations for several months and will continue to do so. We have also created an in-house position that provides connectivity between and support to the various service providers and management.

Finding 2002-1-Equipment Inventory Records

Records are current that include acquisition cost, a complete description, purchase date, location of such assets. We will endeavor to maintain and reconcile annually a control total of cost of these assets.

It is our hope that you will find the above responses satisfactory. We wish to thank the State Auditor's Office for their time and consideration. We look forward to hearing any additional comments or recommendations you might have.

With kind regards,



Greg Icke
EMT in Charge

AND



Charles Burlison
Chairman

GI/CB/llp