

**MARSHALL
COUNTY
EMERGENCY MEDICAL
SERVICE DISTRICT**

FOR THE YEAR ENDED JUNE 30, 2006

EMERGENCY MEDICAL SERVICE DISTRICT
AUDIT



Oklahoma State Auditor
& Inspector

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 13, 2008

**TO THE BOARD OF TRUSTEES OF THE
MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit of the Marshall County Emergency Medical Service District's financial statement for the fiscal year ended June 30, 2006. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Marshall County Emergency Medical Service District.

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

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

Sincerely,

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

MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2006

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

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Diane Bolen

MEMBERS

Patty Parrish
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Sharon Laird

DIRECTOR

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MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2006

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. District voters approved the formation of the district and an original 3 mills levy to support the operation of the district. Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is now 3.10 mills. The Marshall County Emergency Medical Service District is comprised of Marshall County and was created to provide ambulance service to all citizens.

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

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

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

**TO THE BOARD OF TRUSTEES OF THE
MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Marshall County Emergency Medical Service District, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of the Marshall County Emergency Medical Service District. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, the accompanying basic financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2008, on our consideration of Marshall County Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Marshall County Emergency Medical Service District, taken as a whole. The District has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for emergency medical service districts.



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

June 4, 2008

Basic Financial Statement

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

	General Fund
Beginning Cash Balance	\$ 214,808
Receipts:	
Ad Valorem Taxes	196,516
Charges for Services	383,272
Intergovernmental	65,550
Miscellaneous	1,890
Total Receipts	647,228
Disbursements:	
Personal Services	451,054
Maintenance and Operations	139,465
Capital Outlay	77,954
Total Disbursements	668,473
Ending Cash Balance	\$ 193,563

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

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Cash and Investments

State statutes require financial institutions with which the District maintains funds to deposit collateral securities to secure the District's deposits. The amount of collateral securities to be pledged is established by the District Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

E. Risk Management

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

F. Compensated Absences

Employees earn various amounts of annual leave based on their longevity with a maximum of 120 hours per year. Employees may carry over 40 hours of annual leave to the following calendar year.

Sick leave is accrued at a rate of 10 hours per month. Neither annual nor sick leave is paid upon termination of employment.

2. Stewardship Policies

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

3. Detailed Notes on Fund Balances

A. Ad Valorem Tax

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

The County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property; hence the levy is now 3.10 mills. The assessed property value as of January 2005 was approximately \$67,053,269 after deducting homestead exemptions.

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

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 are placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2006, were approximately 94.61 percent of the tax levy.

B. Fixed Asset Ledger

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

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

	<u>Balance</u> <u>07-01-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06-30-06</u>
Land, buildings, and office	\$ 45,989	\$ 2,355	\$	\$ 48,344
Equipment	38,885	2,739		41,624
Emergency vehicles	215,399			215,399
Emergency equipment	<u>47,068</u>	<u>72,860</u>		<u>119,928</u>
	<u>\$347,341</u>	<u>\$ 77,954</u>	<u>\$</u>	<u>\$425,295</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE BOARD OF TRUSTEES OF THE
MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Marshall County Emergency Medical Service District, as of and for the year ended June 30, 2006, which comprises the Marshall County Emergency Medical Service District's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 4, 2008. The report on the Statement of Receipts, Disbursements, and Changes in Cash Balances was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, the Marshall County Emergency Medical Service District has not presented budgetary comparison information for the general fund that should have been included as supplementary information. 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 Marshall County Emergency Medical Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County Emergency Medical Service District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and response as items 2006-2 and 2006-3.

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



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

June 4, 2008

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

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 2006-1- 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 District office prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Effect: This condition could result in the District having resources of assets used inappropriately, inefficiently or uneconomically.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

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

Finding 2006-2 – Estimate of Needs (Repeat Finding)

Criteria: Title 19 O.S. § 1709 states that at least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year.

Condition: The District's adopted budget did not provide adequate information (Exhibit F – Schedules 5 and 7) to prepare a Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund.

Effect: This condition could result in the District being unable to monitor its fiscal responsibilities for appropriations and expenditures within a legal level of control.

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

Recommendation: We recommend the Board of Trustees review the Estimate of Needs prior to approval to ensure that all exhibits are accurately presented.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Procedures will be implemented to correct this issue.

Finding 2006-3—Lapsed Audit Budget Account

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

Condition: The District lapsed the balance of the audit budget account for the fiscal year ending June 30, 2006.

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

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

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will take measures to prevent findings of this nature in the future.



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