

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

December 24, 2003

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

Transmitted herewith is the audit of the Murray County Emergency Medical Service District 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 Murray 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 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. McMahen".

JEFF A. McMAHAN  
State Auditor and Inspector

MURRAY COUNTY  
EMERGENCY MEDICAL SERVICE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2003

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

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CHAIRMAN  
Butch McCurdy

VICE-CHAIRMAN/SECRETARY  
Mike Lee

MEMBERS  
Tom Drake  
Jim Burk  
Clayton Lodes

DIRECTOR  
Brad Lancaster

**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 district. Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 3.11 mills.

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  
MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Murray County Emergency Medical Service District, 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 District. 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 Murray County Emergency Medical Service District, 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 Murray County Emergency Medical Service District 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 Murray County Emergency Medical Service District, 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.

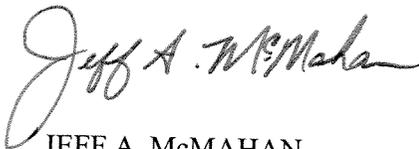
In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2003, on our consideration of Murray County Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

November 19, 2003

**Special-Purpose Financial Statements**

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

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	<u>General Fund</u>
Beginning Cash Balance	<u>\$ 887,868</u>
Receipts Apportioned:	
Ad Valorem Taxes	122,303
Charges for Services	451,426
Subscriptions	6,650
Sales Tax	15,986
Miscellaneous	<u>27,518</u>
Total Receipts	<u>623,883</u>
Disbursements:	
Warrants Paid	<u>699,719</u>
Total Disbursements	<u>699,719</u>
Ending Cash Balance	<u><u>\$ 812,032</u></u>

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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	\$ 874,104	\$ 874,104	\$ 887,868	\$ 13,764
Less: Beginning Outstanding Warrants	(6,364)	(6,364)	(4,517)	1,847
Less: Beginning Encumbrances			(18,075)	(18,075)
Beginning Cash Balances, Budgetary Basis	<u>867,740</u>	<u>867,740</u>	<u>865,276</u>	<u>(2,464)</u>
Receipts:				
Ad Valorem Taxes	111,969	111,969	122,303	10,334
Sales Tax	24,250	24,250	15,986	(8,264)
Charges for Services	421,551	421,551	451,426	29,875
Subscriptions			6,650	6,650
Miscellaneous Revenues	15,210	15,210	27,518	12,308
Total Receipts, Budgetary Basis	<u>572,980</u>	<u>572,980</u>	<u>623,883</u>	<u>50,903</u>
Expenditures:				
Personal Services	400,000	400,000	404,584	(4,584)
Travel	5,000	5,000	1,515	3,485
Maintenance and Operation	685,720	685,720	241,374	444,346
Capital Outlay	350,000	350,000	48,397	301,603
Total Expenditures, Budgetary Basis	<u>1,440,720</u>	<u>1,440,720</u>	<u>695,870</u>	<u>744,850</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	793,289	<u>\$ 793,289</u>
Reconciliation to Statements of Receipts, Disbursements, and Changes in Cash Balances				
Add: Ending Outstanding Warrants			58	
Add: Ending Encumbrances			18,685	
Ending Cash Balance			<u>\$ 812,032</u>	

## **Notes to the Financial Statements**

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

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1. Summary of Significant Accounting Policies

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of Murray County Emergency Medical Service District (EMS), and comparisons of such information with the corresponding budgeted information for the EMS District. The more significant accounting policies and practices are described below.

A. Reporting Entity

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

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

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 District'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 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 District 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.

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

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Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the EMS District 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.

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 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 EMS 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.

All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

The EMS 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 EMS District continues to carry commercial insurance for these types of risk. The EMS 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 EMS 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 2003 fiscal year.

G. Compensated Absences

Vacation Leave – The EMS District does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be used in the year earned.

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

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Compensated Absences (continued)

Vacation benefits may not be carried over from one year to the next. Employees with 1 to 6 years of service earn 80 hours per year and employees with 6 plus years earn 120 hours per year.

Sick Leave – The EMS District does accumulate sick leave. An employee earns up to 6 days per year and may accumulate up to 6 days. There is not history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, so recorded, would be material to the financial statements.

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 District 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 District's deposits was \$812,032 and the bank balance was \$812,032. Of the bank balance, \$784,827 was covered by federal depository insurance or collateral held by the EMS District's agent in the EMS District's name. The amount uncollateralized was \$27,205.

B. Description of Funds

During the year ended June 30, 2003, the EMS District used the general fund to account for all activity of the operation of the EMS District.

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 District.

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

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Detailed Notes on Account Balances (continued)

The assessed property value as of January 1, 2003, was approximately \$39,603,168 after deducting homestead exemptions of approximately \$3,678,760.

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.

Current year tax collections for the year ended June 30, 2003, were approximately 96.76 percent of the tax levy.

D. Subscriptions

The EMS District sells subscriptions for future ambulance services. For the year ended June 30, 2003, the EMS District raised \$6,650 by selling subscriptions, which entitled the subscription holder and their immediate family free ambulance service for a period of one year. The subscription holder would not be charged for services; however, the EMS District will bill any applicable insurance. The subscription holder would have had to use the EMS District for some emergency to benefit from the subscription. When that happens, the EMS District simply forgives payment for whatever the subscription holder's insurance does not pay.

4. Pension Plan

The EMS District retirement plan is a defined contribution pension plan established by the EMS District Board to provide benefits at retirement to the EMS District employees. At June 30, 2003, there were eight plan members. Plan members may elect to contribute any amount above \$25.00 per month. The EMS District is required to contribute 2% of employee salary. Plan provisions and contribution requirements are established by the EMS District Board. The plan is a simple IRA retirement plan with the American Funds Group. All contributions are fully vested at the time of contribution. During the fiscal year ending June 30, 2003, the contributions made to the plan by the employer and employees were \$4,831 and \$7,540, respectfully.

5. Contingent Liabilities

The EMS District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the EMS District.

**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  
MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Murray County Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 19, 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 Murray County Emergency Medical Service District'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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Finding 2003-1 – Estimate of Needs**

**Criteria:** According to Title 19 O.S. 2001, § 1706.1, the EMS District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the EMS District for audit expenses.

**Condition:** The EMS District did not appropriate the mandatory one-tenth mill to the audit budget account.

**Recommendation:** We recommend that the EMS District properly complete the Estimate of Needs and include the mandatory audit budget account as required by Title 19 O.S. 2001, § 1706.1.

### **Finding 2003-2 – Encumbrances in Excess of Appropriations**

**Criteria:** Title 19 O.S. 2001, § 1719 provides, expenditures shall be departmentalized by appropriate functions and activities within each fund and shall be classified within the following categories: salaries and wages, employee benefits, operating expenses, capital outlay and debt service. Title 19 O.S. 2001, § 1717.A. provides, "no expenditure may be authorized or made ...which exceeds any fund balance for any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended."

**Condition:** The EMS District exceeded their approved appropriations for personal services by \$4,584.

**Recommendation:** We recommend the EMS District adhere to their approved budget and that no expenditure be approved by the EMS District Board in excess of the approved budgeted appropriations. If additional appropriations are necessary and the funds are available, a supplemental budget appropriation may be requested.

### **Finding 2003-3 – Pledged Collateral**

**Criteria:** Title 62 O.S. 2001, § 517.4.A. provides, the Treasurer of public entity shall require financial institutions to deposit collateral securities to secure public deposits in excess of deposit insurance.

**Condition:** The EMS District had deposits with Sulphur Community Bank in excess of deposit insurance on June 30, 2003, of \$27,205. The amounts in excess of deposit insurance were not secured by collateral securities.

**Recommendation:** We recommend the EMS District require the financial institution to deposit collateral securities to secure public deposits in excess of deposit insurance.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the EMS District'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 District'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 1997-1 - Segregation of Duties (Repeat Finding)**

**Criteria:** Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over public assets and resources. The most effective controls lie in management's knowledge of EMS District 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.

**Effect:** The concentration of accounting functions in one position increases the risk that errors and irregularities may occur and not be detected in a timely manner.

**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 EMS District operations and the periodic review of operations.

#### **Finding 2003-4 – Reconciliations**

**Criteria:** Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform task that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be prepared on a monthly basis.

**Condition:** The EMS District check register does not agree or reconcile to the account register or the general ledger. It was noted that the general ledger does not agree or reconcile to the bank balance at June 30, 2003.

**Recommendation:** We recommend that the EMS District implement additional accounting procedures to ensure that monthly financial reported are reconciled to their check register, the check register provides a monthly total for all checks issued each month, reconciliations are performed printed and filed each month, and there is adequate documentation regarding any items dropped from the bank reconciliation that is not reflected on the bank statement.

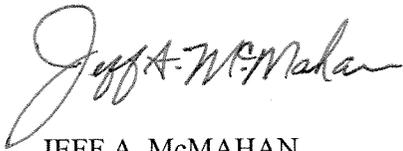
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 1997-1 and 2003-4 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 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 cursive script that reads "Jeff A. McMahon". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

November 19, 2003