

**MUSKOGEE COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
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 \$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 12, 2004

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

Transmitted herewith is the audit of the Muskogee 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 Muskogee 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**MUSKOGEE COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2003**

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**MUSKOGEE COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
BOARD MEMBERS
JUNE 30, 2003**

CHAIRMAN
Jack Rhodes

VICE-CHAIRMAN
J.B. Rainey

SECRETARY/TREASURER
Jerry Millsap

MEMBERS
Marcia Robinson
Ronald Cox

ADMINISTRATOR
Terri Mortensen

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 a 3 mill levy to support the operation of the EMS district.

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 Trustee's 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
MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Muskogee 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 Muskogee 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 Muskogee 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 all funds of Muskogee 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 25, 2003, on our consideration of Muskogee County Emergency Medical Service District'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 25, 2003

Special-Purpose Financial Statements

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

	General Fund	Group Benefits Fund	Total
Beginning Cash Balances	<u>\$3,258,867</u>	<u>\$ 366,327</u>	<u>\$ 3,625,194</u>
Receipts Apportioned:			
Ad Valorem Taxes	1,040,934		1,040,934
Charges for Services	6,125,550		6,125,550
Miscellaneous	102,561		102,561
Refunds		47,461	47,461
Interest		6,844	6,844
Total Receipts	<u>7,269,045</u>	<u>54,305</u>	<u>7,323,350</u>
Disbursements:			
Personal Services	3,303,517		3,303,517
Travel	20,036		20,036
Maintenance and Operation	1,950,320		1,950,320
Capital Outlay	310,293		310,293
Benefit Payments		259,251	259,251
Administrative Costs		155,712	155,712
Total Disbursements	<u>5,584,166</u>	<u>414,963</u>	<u>5,999,129</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements	4,943,746	5,669	4,949,415
Other Financing Sources (Uses)			
Transfer In (Out)	<u>(275,000)</u>	<u>275,000</u>	<u>-</u>
Ending Cash Balances	<u>\$4,668,746</u>	<u>\$ 280,669</u>	<u>\$ 4,949,415</u>

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

**MUSKOGEE 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances, Budgetary Basis	\$ 2,766,194	\$ 2,766,194	\$ 3,258,867	\$ 492,673
Receipts:				
Ad Valorem Taxes	955,523	955,523	1,040,934	85,411
Charges for Services	1,624,656	2,223,783	6,125,550	3,901,767
Miscellaneous Revenues	61,500	61,500	102,561	41,061
Total Receipts, Budgetary Basis	<u>2,641,679</u>	<u>3,240,806</u>	<u>7,269,045</u>	<u>4,028,239</u>
Expenditures:				
Personal Services	3,425,048	3,400,000	3,303,517	96,483
Travel	25,000	21,000	20,036	964
Maintenance and Operation	1,008,003	2,000,000	1,950,320	49,680
Capital Outlay	949,822	311,000	310,293	707
Total Expenditures, Budgetary Basis	<u>5,407,873</u>	<u>5,732,000</u>	<u>5,584,166</u>	<u>147,834</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	-	275,000	4,943,746	\$ 4,668,746
Other Financing Sources (Uses)				
Transfer Out		(275,000)	(275,000)	-
Excess of Receipts and Beginning Cash Balances Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,668,746</u>	<u>\$ 4,668,746</u>

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

Notes to the Financial Statements

**MUSKOGEE COUNTY
EMERGENCY MEDICAL SERVICE DISTRICT
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 Muskogee County Emergency Medical Service (EMS) District, and comparisons of such information with the corresponding budgeted information for the general fund. The funds presented are established under statutory authority, and their operation is under the control of the EMS District Board of Trustees. 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 the citizens of Muskogee County. 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.

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 District not accounted for in some other fund.

Group Benefits Fund - The EMS District employee's group insurance plan (the plan) provides medical, dental, vision, disability, and prescription card benefits to employees and covered dependents. Employees are responsible for withholdings elected for the coverages they selected as well as any deductibles.

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.

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

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.

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.

E. Cash

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. 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. The EMS District has workers compensation insurance with ACCO.

The EMS District established a limited risk management program for health, disability, dental, and vision insurance in 1990. Premiums are paid into the internal service fund from the general fund and are available to pay claims, claim reserves, and administrative costs of the program.

The plan has purchased medical and disability reinsurance which will cover aggregate per person claims in excess of the deductibles and in excess of the plan payments when applicable. Disability benefits are sixty percent of the employee's monthly salary up to \$2,000 for a maximum of two years. The reinsurance will pay aggregate per person claims up to \$15,000 less the deductibles. The plan is required to pay the next \$10,000 in aggregate claims filed for any such employee. In the event that aggregate claims for any covered person exceed \$25,000, then the excess amounts thereof are eligible for reimbursement from the reinsurance up to the lifetime limits per person, which is \$985,000. There are lesser lifetime limits for specific types of treatments or services. For instance, the lifetime limit per person for organ transplants is \$150,000.

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

Summary of Significant Accounting Policies (continued)

The fund also has a stop-loss reinsurance policy that will reimburse the fund if the aggregate amount of claims paid during the year exceed a certain amount that is calculated at the end of the year based upon the number of participants each month. This aggregate deductible amount is the risk retained by the fund.

The fund has a contract with Consolidated Benefits Group to process the claims and file for reimbursements with the reinsurance carrier.

There were no significant reductions in any of the insured categories covered.

The lifetime maximum coverage per person of one million dollars (\$1,000,000) has never been exceeded and neither have the claims paid in any given plan year exceeded the risk retention amount set out in the contract with the reinsurance carrier.

An inter-fund operating transfer of \$275,000 was made from the general fund to the group benefits fund for future liability.

G. Compensated Absences

Paid time off (vacation leave) days are earned by all full time employees up to 3 weeks a year and they can accumulate up to 336 hours. An average of 8 hours of sick time will be accumulated per 1 month of full time hours worked. A full time employee may accumulate up to a maximum of 1,456 hours of sick leave; however, upon termination of employment the employee may not collect pay for accrued 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 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 County Excise Board.

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

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 \$4,949,415 and the bank balance was \$4,696,849. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS District's agent in the EMS District's name.

B. 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.

The assessed property value as of January 1, 2002, was approximately \$350,358,579 after deducting homestead exemptions of approximately \$14,793,701.

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 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, establishes 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
MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Muskogee County Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 25, 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 Muskogee 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 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 Muskogee 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 special-purpose financial statements and not to provide assurance 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 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 condition is described below.

Finding 99-1 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 District's 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.

Recommendations: 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.

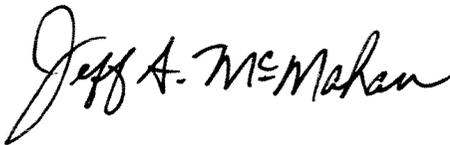
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 item 99-1 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,



JEFF A. McMAHAN
State Auditor and Inspector

November 25, 2003