

MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

FOR THE YEAR ENDED JUNE 30, 2004

EMS
AUDIT



Oklahoma State Auditor
& Inspector

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C (i) of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105.B, ten copies have been prepared and distributed at a cost of \$27.35. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

October 31, 2008

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's financial statement for the fiscal year ended June 30, 2004. The audit was conducted in accordance with *Government Auditing Standards*.

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

A blue ink signature of Steve Burrage, written in a cursive style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A blue ink signature of Michelle R. Day, written in a cursive style.

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2004

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MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2004

BOARD OF TRUSTEES

CHAIRMAN

Jack Rhodes

VICE-CHAIRMAN

J.B Rainey

TREASURER

Jerry Millsap

MEMBERS

Marcia Robinson

Ronald Cox

ADMINISTRATOR

Terri Mortensen

MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2004

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. District voters approved the formation of the district and 3 mills levy to support the operation of the district. The Muskogee County Emergency Medical Service District is comprised of Muskogee County School District of Muskogee 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 AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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Independent Auditor's Report

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

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County Emergency Medical Service District, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of the Muskogee 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 Muskogee County Emergency Medical Service District as of June 30, 2004, 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 Muskogee County Emergency Medical Service District, for the year ended June 30, 2004, on the basis of accounting described in Note. 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, 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, 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 of Muskogee County Emergency Medical Service District, taken as a whole. Muskogee County Emergency Medical Service 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ
DEPUTY STATE AUDITOR & INSPECTOR

October 9, 2008

Basic Financial Statement

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—GENERAL FUND AND INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund	Group Benefits Fund	Total
Beginning Cash Balances	<u>\$ 4,668,746</u>	<u>\$ 280,669</u>	<u>\$ 4,949,415</u>
Receipts:			
Ad Valorem	1,047,971		1,047,971
Charges for Services	4,964,132		4,964,132
Miscellaneous	95,254		95,254
Refunds		206,169	206,169
Interest		13,665	13,665
Total Receipts	<u>6,107,357</u>	<u>219,834</u>	<u>6,327,191</u>
Disbursements:			
Personal Services	3,532,836		3,532,836
Travel	23,195		23,195
Maintenance & Operations	1,423,671		1,423,671
Capital Outlay	392,514		392,514
Benefit Payments		488,146	488,146
Administrative		167,929	167,929
Total Disbursements	<u>5,372,216</u>	<u>656,075</u>	<u>6,028,291</u>
Other Financing Sources (Uses)			
Transfer In (Out)	<u>(330,000)</u>	<u>330,000</u>	<u>-</u>
Ending Cash Balance	<u>\$ 5,073,887</u>	<u>\$ 174,428</u>	<u>\$ 5,248,315</u>

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

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. Summary of Significant Accounting Policies

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of Muskogee 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 a general fund and an internal service fund to account for its cash balances.

General Fund – The general fund is used to account for all activities of the District not accounted for in some other fund.

Group Benefits Fund (Internal Service Fund) – The 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. Employees are responsible for withholdings elected for the coverage they selected as well as any deductibles.

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.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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). At year-end, all funds were covered by federal depository insurance or collateral held by the District's agent in the District's name.

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.

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2004 fiscal year. The District has workers' compensation insurance with ACCO.

The District's limited risk management program 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 plan is required to pay the first \$30,000 in aggregate claims filed for any such employee. In the event that aggregate claims for any covered person exceed \$30,000, then the excess amounts thereof are eligible for reimbursement from the reinsurance up to the lifetime limits per person, which is \$970,000. 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.

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.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 \$330,000 was made from the general fund to the group benefits fund for future liability.

F. 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 leave 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 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

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 assessed property value as of January 2003 was approximately \$361,591,245 after deducting homestead exemptions.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004, were approximately 98 percent of the tax levy.

SUPPLEMENTARY INFORMATION

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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
MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County Emergency Medical Service District, as of and for the year ended June 30, 2004, which comprises the Muskogee 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 October 9, 2008. Our report on the basic financial statements was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, the Muskogee 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 Muskogee County Emergency Medical Service District's internal control over financial reporting as a basis for designing 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 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 District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2002-1 and 2004-1.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee 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, contracts, and grant agreements, 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*, which are described in the accompanying schedule of findings and responses as items 2004-2 and 2004-3.

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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

October 9, 2008

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

Condition: It was noted that asset custody, transaction authorization, bookkeeping, and reconciliations were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends management be aware of this condition and realize that 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: Each board member receives a monthly financial statement for the District. The board members are supposed to review those financial statements and question items reported in the financial statements as needed.

Finding 2004-1—Reconciliation

Criteria: The overall goal of internal controls as they relate to governmental entities is to demonstrate accountability and stewardship. The District's cash activity presented to the Board should reconcile to the bank activity as well as to the amount reported on the budget.

Condition: The District does reconcile the bank balance to the District's balance; however, the District's report of cash inflow (collections) and outflow (disbursements) as presented to the Board, and the cash activity reflected in the budget, did not reconcile to deposits and disbursements per the bank for the year.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of cash.

Recommendation: OSAI recommends the cash activity presented to the Board and the amounts reported in the budget agree to one another and reconcile to the bank activity.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Views of responsible officials and planned corrective actions: This item has been brought to the attention of the consultant firm that prepares the Muskogee County EMS budget in order to make the necessary changes in the future.

This item has also been discussed with the Muskogee County EMS accountant. At the current time, revenues are recorded when received (deposited). Expenses are recorded when the purchase order is received. Due to this, there may be a small lag time between the date the purchase order item is received and the actual payment made for the item due to the time required to process checks.

In addition, in the future, refund checks disbursed will be recorded as an expense item instead of a contra account to a revenue account.

Finding 2004-2—Budget

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 be as prescribed by the State Auditor and Inspector. The 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.

In addition, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Condition: The District's adopted budget did not include all of the District's financial information. Additionally, the financial information presented in the budget for June 30, 2004, does not agree to the District's records. Further, the District did not appropriate the mandatory one-tenth mill to the audit budget account.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the District Board and results in the District being unable to present a Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.

Recommendation: OSAI recommends the District budget be properly prepared. This information should properly reflect the actual activity of the District including the cash balance, as well as cash receipts and cash disbursements of the District's funds as recorded on the Districts financial records and the reports submitted to the District's Board. We further recommend that the District include the mandatory audit budget account.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Views of responsible officials and planned corrective actions: This item has been brought to the attention of the consultant firm that prepares the Muskogee County EMS budget in order to make the necessary changes in the future.

Finding 2004-3—Fixed Assets

Criteria: Title 19 O.S. § 1718.A states, “A district shall maintain, according to its own accounting needs some or all of funds and account groups in its system of accounts that are consistent with legal and operating requirements and as prescribed by the State Auditor and Inspector. The required funds may include, but not be limited to:

5. A ledger or group of accounts in which to record the details relating to the general fixed assets of the county.”

Condition: The District does maintain a listing of fixed assets; however, we noted the additions to the listing did not agree to the capital outlay expenditures on the District’s accounting records.

Effect: This condition could result in misappropriation of assets and loss of the District’s equipment.

Recommendation: OSAI recommends each year the District reconcile capital outlay purchases to additions on the fixed assets listing. We further recommend the District compile and maintain records that include totals by date purchased and control totals for all District owned assets (such as equipment, land, buildings, and improvements).

Views of responsible officials and planned corrective actions: On August 21, 2008, we together reviewed the Muskogee County EMS computerized inventory (asset) log. This log does include dates of purchase and disposition as recommended by your office.

OSAI response: Additions and deletions on the fixed assets inventory log should agree and reconcile to the District’s accounting records for capital outlay expenditures. Further, acquisitions and dispositions are required to be disclosed in the footnotes of this financial presentation.



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