

**OKEENE EMERGENCY MEDICAL SERVICE  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10 § 9C of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$38.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

September 26, 2003

TO THE BOARD OF DIRECTORS OF THE  
OKEENE EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of the Okeene Emergency Medical Service for the fiscal year ended June 30, 2002. 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 Okeene Emergency Medical Service.

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**OKEENE EMERGENCY MEDICAL SERVICE  
FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**OKEENE EMERGENCY MEDICAL SERVICE  
BOARD MEMBERS  
JUNE 30, 2002**

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CHAIRMAN  
Michael Sheik

MEMBERS  
George Bisel  
Sandra Lamle  
Perry Scheffler  
Verla White

ADMINISTRATOR  
Lorena Ellington

INTRODUCTION

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

EMS districts are governed by a board of trustees. The board of trustees (the board) has the power to hire a manager and other personnel, contract, organize, maintain, or otherwise operate the emergency medical service district. The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Trustees. The board of 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 DIRECTORS OF THE  
OKEENE EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Okeene Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of Okeene Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, and are not intended to be a complete presentation of the financial position and results of operations of Okeene Emergency Medical Service, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of Okeene Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2002, in conformity with a basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2003, on our consideration of Okeene Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report.

This report is intended solely for the information and use of the Board of Directors 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. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

July 25, 2003

**Special-Purpose Financial Statements**

**OKEENE EMERGENCY MEDICAL SERVICE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
JUNE 30, 2002**

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	Governmental Fund Type
	General Fund
Beginning Cash Balances	\$ 37,579
Receipts:	
Ad Valorem Taxes	43,154
Charges for Services	27,300
Miscellaneous	1,483
Total Receipts	71,937
Disbursements:	
Personal Services	18,964
Capital Outlay	5,267
Maintenance and Operations	30,080
Audit Budget Account	1,140
Total Disbursements	55,451
Ending Cash Balance	\$ 54,065

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

**OKEENE EMERGENCY MEDICAL SERVICE  
STATEMENT OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
JUNE 30, 2002**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 37,579	\$ 37,579	\$ 37,579	\$ -
Less Beginning Outstanding Warrants	(126)	(126)	(126)	
Less Beginning Encumbrances	(2,432)	(2,432)	(1,140)	1,292
Beginning Cash Balances, Budgetary Basis	<u>35,021</u>	<u>35,021</u>	<u>36,313</u>	<u>1,292</u>
Receipts:				
Ad Valorem Taxes	36,886	36,886	43,154	6,268
Charges for Services	10,352	10,352	27,300	16,948
Miscellaneous Revenues			1,483	1,483
Total Receipts, Budgetary Basis	<u>47,238</u>	<u>47,238</u>	<u>71,937</u>	<u>24,699</u>
Expenditures:				
Personal Services	25,001	25,001	18,964	6,037
Travel	1	1		1
Maintenance and Operations	30,973	30,973	29,954	1,019
Capital Outlay	25,000	23,708	5,267	18,441
Audit Budget Account	1,284	2,576	2,576	
Total Expenditures, Budgetary Basis	<u>82,259</u>	<u>82,259</u>	<u>56,761</u>	<u>25,498</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	51,489	<u>\$ 51,489</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			2,576	
Ending Cash Balance			<u>\$ 54,065</u>	

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

**Notes to the Financial Statements**

**OKEENE EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the EMS's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. Any other funds presented would account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

A government 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 - is used to account for all activities of the EMS not accounted for in some other fund.

C. Basis of Accounting

The special-purpose financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from generally accepted accounting principles, 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.

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies

Oklahoma Statutes require the EMS to prepare a formal budget for the general fund and other funds as the Board of Trustees may require. This budget presented for the general fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

E. Cash and Investments

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

Investments are carried at cost. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Risk Management

The EMS is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The EMS continues to carry commercial insurance for these types of risk. The EMS carries workers compensation, health and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the EMS. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The EMS is considered a volunteer service. There is no leave vacation or 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 Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the EMS's deposits was \$54,065 and the bank balance was \$54,499. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS's agent in the EMS's name.

B. Description of Funds

During the year ended June 30, 2002, the EMS had only a general fund.

C. Ad Valorem Tax

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

With the repeal of personal property tax, the millage is 3.16 with the adjustment factor. The net assessed property value as of January 1, 2001, was approximately \$64,128,421.

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.

**OKEENE EMERGENCY MEDICAL SERVICE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

Current year tax collections for the year ended June 30, 2002, were approximately 98.6 percent of the tax levy.

**D. Notes Payable**

The EMS entered into an agreement with the City of Okeene to assume the note payable due to the Myron Andrews Trust. The debt was to partially fund the lease-purchase of an ambulance. The EMS has agreed to reimburse the City of Okeene \$37,000 as follows:

May 15, 2003	\$ 6,000
May 15, 2004	12,000
May 15, 2005	<u>19,000</u>
<b>TOTAL</b>	<b><u>\$37,000</u></b>

**E. Capital Leases**

The EMS acquires equipment through lease-purchase agreements. Interest on these lease-purchases cannot exceed 10%. Oklahoma Statutes prohibit the EMS from entering into contracts of this nature longer than one year.

The EMS agreed to assume the payments of the lease-purchase agreement that the City of Okeene entered into on the purchase of an ambulance. The EMS assumed the payments as of February 1, 2000, and paid the City of Okeene \$10 in return for sole ownership of the ambulance.

<u>For the Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2003	\$ 5,094	\$ 173	\$ 5,267
June 30, 2004	300	2	302
Total	<u>\$ 5,394</u>	<u>\$ 175</u>	<u>\$ 5,569</u>

**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 DIRECTORS OF THE  
OKEENE EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Okeene Emergency Medical District, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 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 Okeene Emergency Medical 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 Okeene Emergency Medical 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'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 1999-1 - Segregation of Duties

**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 operations and a periodic review of operations.

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

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

#### Finding 2002-1 - Run Log Book

**Criteria:** Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

**Condition:** The EMS does not maintain a run log book.

**Recommendation:** We recommend that a run log book be maintained and that payments and write-offs be posted to the run log book. Dates and receipt numbers should also be noted on the run log book.

#### Finding 2002-2 - Prenumbered Duplicate Receipts

**Criteria:** Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

**Condition:** Prenumbered receipts are not used and receipts are not issued for all funds collected. Receipts were only issued for payments made by individuals.

**Recommendation:** We recommend that all collections be receipted with prenumbered receipts and that the receipts reconcile to the deposits.

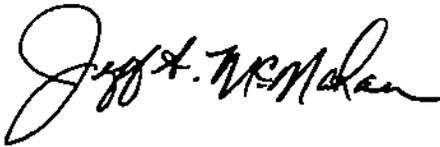
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-1 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 Directors and is not intended to be and should not be used by anyone other than these specified parties.

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Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

July 25, 2003

**Management Response**

**OKEENE EMS**  
**P.O. BOX 508**  
**Okeene, Oklahoma 73763**

**AUDIT 2003**  
**ANSWERS TO REPORTABLE CONDITIONS FOUND**

**#1 SEGREGATION OF DUTIES**

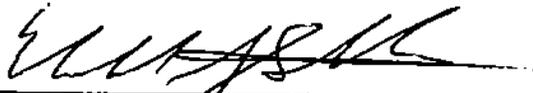
**DUE TO THE SMALL SIZE OF OUR BUSINESS AND THE LACK OF FUNDS, HIRING EXTRA OFFICE PERSONNEL WOULD BE COST PROHIBITIVE AT THIS TIME. THE INCOME HAS BEEN DEPOSITED IN THE BANK BY ANOTHER EMS EMPLOYEE SINCE THE LAST AUDIT.**

**#2 RUN LOG BOOK**

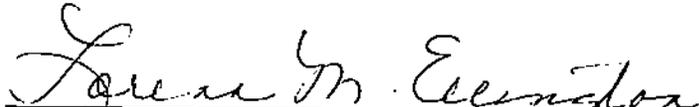
**THE LOG BOOK WILL BE CHANGED AND EXTENDED TO INCORPORATE CHARGES AND ACCOUNTS RECEIVABLE AS WELL AS ALL OTHER DISPERSAL OF ACCOUNTS. EX. WRITE OFF ACCOUNTS AND THOSE TRANSFERRED TO COLLECTION AGENCIES. EACH PATIENT FOLDER ALSO HAS A DUPLICATE OF ALL TRANSACTIONS PERTAINING TO THAT PATIENT WITH A DIFFERENT FOLDER FOR EACH IF MULTIPLE RUNS OCCUR.**

**#3 PRENUMBERED DUPLICATE RECEIPTS**

**RECEIPTS WILL BE MAINTAINED FOR ALL COLLECTIONS.**



**MICHAEL SHEIK, CHAIRMAN 522 BOARD OF DIRECTORS**



**LORENA M. ELLINGTON, SECRETARY**

**8/18/03**

**DATE**