

**TILLMAN 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

March 23, 2004

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

Transmitted herewith is the audit of the Tillman 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 Tillman 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. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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CHAIRMAN

Frank Jensen

MEMBERS

Dwight Parker  
Lynn Hayes  
Craig Peters  
Lowell Hazel

ADMINISTRATOR

Max Brown

**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 2 mill levy to support the operation of the EMS. Per Article 10, §8A, with the repeal of personal property tax, the millage with the adjustment factor is 2.09 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  
TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Tillman 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 Tillman County 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 Tillman 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 Tillman 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 Tillman 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.

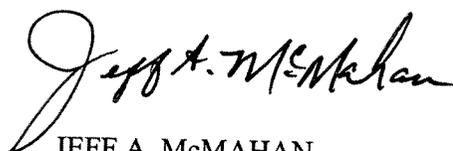
In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2004, on our consideration of Tillman County Emergency Medical Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. 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. McMahon". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

JEFF A. McMAHAN  
State Auditor and Inspector

February 17, 2004

**Special-Purpose Financial Statements**

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

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	General Fund
Beginning Cash Balance	\$ 138,636
Receipts:	
Ad Valorem Taxes	73,869
Charges for Services	177,864
Miscellaneous	3,186
Total Receipts	254,919
Disbursements:	
Warrants Paid	195,003
Total Disbursements	195,003
Ending Cash Balance	\$ 198,552

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

**TILLMAN 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	\$ 122,984	\$ 122,184	\$ 138,636	\$ 16,452
Less: Beginning Outstanding Warrants	(2,077)	(2,077)	(17,221)	(15,144)
Beginning Cash Balances, Budgetary Basis	<u>120,907</u>	<u>120,107</u>	<u>121,415</u>	<u>1,308</u>
Receipts:				
Ad Valorem Taxes	70,931	70,104	73,869	3,765
Charges for Services	124,560	23,032	177,864	154,832
Miscellaneous Revenues		3,250	3,186	(64)
Total Receipts, Budgetary Basis	<u>195,491</u>	<u>96,386</u>	<u>254,919</u>	<u>158,533</u>
Expenditures:				
Personal Services	180,000	155,392	153,544	1,848
Travel	3,000	1,000	229	771
Maintenance and Operations	45,000	41,351	40,255	1,096
Contract	11,000	11,000	10,665	335
Capital Outlay	77,398	7,750	4,568	3,182
Total Expenditures, Budgetary Basis	<u>316,398</u>	<u>216,493</u>	<u>209,261</u>	<u>7,232</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	\$ 167,073	<u>\$ 167,073</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Outstanding Warrants			11,557	
Add: Encumbrances			19,922	
Ending Cash Balance			<u>\$ 198,552</u>	

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

**Notes to the Financial Statements**

**TILLMAN 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 Tillman County Emergency Medical Service District (District), and comparisons of such information with the corresponding budgeted information for the District. The fund 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 was created to provide ambulance service to all citizens. The District is not subject to federal or state income taxes.

The accompanying special-purpose financial statements include all District funds, 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 does not have any component units.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of the District, and comparisons of such information with the corresponding budgeted information for the District. The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the 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 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 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.

**TILLMAN 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 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. 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 Balance 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 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 District is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District continues to carry commercial insurance for these types of risk. The District carries workers compensation, health and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

G. Compensated Absences

The District's full-time employees shall accrue annual leave according to years of service up to 20 days after 15 years of service. Full time employees shall accrue one half day of sick leave for every calendar month.

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

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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 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 District's deposits was \$198,552 and the bank balance was \$196,170. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the District's agent in the 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 District.

The assessed property value as of January 1, 2002, was approximately \$38,853,457, net of homestead exceptions.

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 95 percent of the tax levy.

**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  
TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the special-purpose financial statements of Tillman County Emergency Medical Service District, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 17, 2004. 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 Tillman 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*. However, we noted a certain immaterial instance of noncompliance which we believe is significant enough to bring to the District's attention. We recommend that the District consider this matter and take appropriate corrective action. The following finding, 2003-2, is included in Section 2 of the schedule of findings, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tillman 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 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 record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 1996-1, 2003-1 and 2003-3.

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 1996-1 to be a 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,



JEFF A. McMAHAN  
State Auditor and Inspector

February 17, 2004

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS  
JUNE 30, 2003**

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**SECTION 1 – Findings related to the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

**Finding 1996-1-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 District operations and a periodic review of operations.

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

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 desirable from a control point of view.

**Finding 2003-1 – Payroll**

Criteria: Effective accounting procedures include that payroll claims are properly authorized and that adequate supporting documentation is filed for each claim.

Condition: While testing payroll for the month of June 2003, it was noted that:

28 of the 28 (100%) payroll claims tested had no indication of authorization.

28 of the 28 (100%) payroll claims tested had no support documentation.

Recommendation: We recommend the District implement policies and procedures to establish timesheets as follows: (1) Timesheet(s) should list in detail all hours worked by each employee and should be maintained by the individual employee. (2) Timesheet(s) should be signed and dated by the individual employee. (3) Timesheet(s) should be reviewed by the director and authorized for payment. To indicate authorization, the director should sign and date each individual timesheet. (4) Timesheet(s) should be attached to the claim for approval by the Board with the Board verifying accuracy of the purchase order/claim.

**Finding 2003-3 – Inadequate Pledged Securities**

Criteria: Effective controls include management's stewardship of entity funds.

Condition: While testing cash/revenue it was noted that there were three months during the fiscal year that cash deposits exceeded the FDIC coverage of \$100,000.00:

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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The February 2003 ending balance was \$120,149.95.

The May 2003 ending balance was \$111,996.21.

The June 2003 ending balance was \$116,724.94.

Recommendation: We recommend the District management take responsibility to ensure monthly balances do not exceed the FDIC coverage and/or acquire pledge collateral for the month(s) that do exceed the FDIC coverage.

**SECTION 2 - Other Audit Findings - This section contains audit findings not required to be reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*, but which we believed were significant enough to bring to the District's attention. We recommend that the District consider these matters and take appropriate corrective action.**

**Finding 2003-2 - Expenditures**

Criteria: Title 19 O.S. 2001, § 1713 states, "Any monies received or expended by the district must be accounted for by fund and account." Additionally, effective accounting procedures include adequate support documentation of expenditures.

Condition: While testing expenditures, it was noted:

1. One of the 26 expenditures tested (3.8%) had no invoice or other support documentation for the expenditure nor was a contract available to establish the validity of the rental payment.
2. Nine of the 26 expenditures tested (34.6%) did not have the original invoice, but a copy of an invoice was present.
3. Twenty-three of the 26 expenditures tested (88.4%) did not have any evidence that the expenditures were checked for accuracy.
4. One of the 26 expenditures tested (3.89%) was for a statement, which listed 3 separate invoices with no evidence of items purchased or original invoices.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS  
JUNE 30, 2003**

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5. Three of the 26 expenditures tested (11.5%) did not have an original invoice or a copy of the invoice present.
6. Four of the 26 expenditures tested (15.3%) did not list the account or fund from where the items were paid.

Recommendation: We recommend the District implement policies and accounting procedures to comply with 19 O.S. 2001, § 1713 in that all expenditures and support documentation reflect the account and/or fund from which they are paid.

**Management Response**



# Tillman County District E.M.S.

Paramedic Ambulance Service

P.O. Box 122  
Frederick, Oklahoma 73542  
Phone: 405/335-5877

Max L. Brown, EMT-P, Director



We have reviewed your findings and recommendations reports for Tillman County E.M.S. for the year ended June 30, 2003. In accordance with OMB Circular A-133, we submit the following comments to your **Reportable Conditions** for Tillman County EMS.

## **Finding 1996-1 Segregation of Duties**

On the first Tuesday of each month the Ambulance Board meets and reviews ALL EMS operations and purchases during the month prior.

The Board Members approve all p.o.'s and checks prior to signing.

The Ambulance board is advised of all deposits and in-house transfers during the monthly meeting. If the EMS service needs to purchase anything it is approved during this meeting, for the following month.

## **Finding 2003-1 Payroll**

Please see attached information on our updated and already Implemented Program. Time Sheet with days and hours worked and has a place for the Signature of the Employee, Director, and Board Member.

This will be attached to monthly P.O.'s for that Employee.

## **Finding 2003-2 Expenditures**

To comply with Title 19 O.S. 19-1713. (1)The Tillman County EMS has implement that all P.O.'s and CHECKS have the fund account number on them. (2) All P.O.'s have the original invoice attached. (3) All expenditures are gone over by the Tillman County Board on the first Tuesday of each Month. Most if not all purchase are approved by our board the month prior to purchase.

## **Finding 2003-3 Inadequate Pledged Securities**

Please see attached Information on banking Regulations, Policy and Procedures sent to us by Bancfirst.

If I can be of further assistance, please don't hesitate to call (335) 335-5877.

  
Shelly Bennight: Sec/Medic

  
Max L. Brown: Director