

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SPECIAL-PURPOSE FINANCIAL STATEMENTS
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 of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$36.75. 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

February 10, 2005

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, 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 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2004

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TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2004

CHAIRMAN
Frank Jenson

MEMBERS
Dwight Parker
Don Dick Dunham
Craig Peters
Lowell Hazel

ADMINISTRATOR
Max Brown

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 mill levy to support the operation of the district. The Tillman County Emergency Medical Service District 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, 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 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, 2004, 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 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 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, regulations, contracts, 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.

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

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

December 7, 2004

Special-Purpose Financial Statements

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2004**

	<u>General Fund</u>
Beginning Cash Balance	<u>\$ 198,552</u>
Receipts:	
Ad Valorem Taxes	74,825
Charges for Services	184,053
Miscellaneous Revenues	<u>1,630</u>
Total Receipts	<u>260,508</u>
Disbursements:	
Checks Issued	<u>258,210</u>
Total Disbursements	<u>258,210</u>
Ending Cash Balance	<u><u>\$ 200,850</u></u>

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, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 176,939	\$ 176,939	\$ 198,552	\$ 21,613
Less: Beginning Outstanding Warrants	(11,557)	(11,557)		11,557
Less: Beginning Encumbrances			(458)	(458)
Beginning Cash Balances, Budgetary Basis	<u>165,382</u>	<u>165,382</u>	<u>198,094</u>	<u>32,712</u>
Receipts:				
Ad Valorem Taxes	69,224	69,224	74,825	5,601
Charges for Services	160,076	160,076	184,053	23,977
Miscellaneous Revenues	2,524	2,524	1,630	(894)
Total Receipts, Budgetary Basis	<u>231,824</u>	<u>231,824</u>	<u>260,508</u>	<u>28,684</u>
Expenditures:				
Personal Services	190,080	190,080	174,819	15,261
Travel	1,000	1,000		1,000
Maintenance and Operations	60,199	60,199	47,053	13,146
Capital Outlay	130,927	130,927	32,775	98,152
Audit	15,000	15,000	10,997	4,003
Total Expenditures, Budgetary Basis	<u>397,206</u>	<u>397,206</u>	<u>265,644</u>	<u>131,562</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	192,958	<u>\$ 192,958</u>
Reconciliation to Statements of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			<u>7,892</u>	
Ending Cash Balance			<u>\$ 200,850</u>	

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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

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 (the 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 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 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 is not a component unit of another government and does not have any component units.

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, 2004**

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 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 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, 2004.

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 personnel 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 personnel. 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 2004 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, 2004**

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 \$200,850 and the bank balance was \$200,850. 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. Description of Funds

During the year ended June 30, 2004, the District used the general fund to account for all activity of the operation of the District.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$36,801,788 net of 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. 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, 2004, were approximately 98.5 percent of the tax levy.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

4. Pension Plan

Plan Description - The District 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, established 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.

Internal Control and Compliance Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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
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, 2004, and have issued our report thereon dated December 7, 2004. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation in accordance with accounting principles generally accepted in the United States of America. 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 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 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 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 item 1996-1, 2004-1, and 2004-2.

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 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 weakness.

Compliance and Other Matters

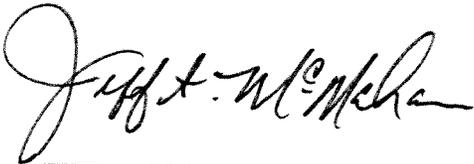
As part of obtaining reasonable assurance about whether Tillman County Emergency Medical Service District's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which 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 or other matters that are required to be reported under *Government Auditing Standards*.

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, appearing to read "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

December 7, 2004

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS
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 1996-1 - 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: The limited number of office personnel within the District office 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 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.

Management Response: Management is aware of the condition, and has taken corrective action to periodically review the job responsibilities of the in-house positions that provide connectivity between and support to the various Service District providers and management, namely the Board of Trustees.

Finding 2004-1 - Pledged Collateral

Criteria: Effective internal controls include management accountability of entity funds.

Condition: While testing bank balances for adequate pledged securities, it was noted there were nine months in the fiscal year that exceeded the FDIC coverage of \$100,000. In May of 2004, an additional \$50,000 was pledged; however, the bank balances exceeded the \$150,000 pledged security.

The July 2003 ending bank balance was \$129,607.08, underpledged by \$29,607.08.

The August 2003 ending bank balance was \$125,743.12, underpledged by \$25,743.12.

The September 2003 ending bank balance was \$137,776.82, underpledged by \$37,776.82.

The December 2003 ending bank balance was \$108,538.71, underpledged by \$8,538.71.

The January 2004 ending bank balance was \$114,399.03, underpledged by \$14,399.03.

The February 2004 ending bank balance was \$136,044.37, underpledged by \$36,044.37.

The March 2004 ending bank balance was \$137,844.77, underpledged by \$37,844.77.

The April 2004 ending bank balance was \$125,299.03, underpledged by \$25,299.03.

The May 2004 ending bank balance was \$151,017.00, underpledged by \$1,017.00

Recommendation: We recommend District management take responsibility to ensure monthly balances do not exceed FDIC coverage and acquired pledged collateral.

TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2004

Management Response: To ensure FDIC coverage and required pledged collateral on CD and bank account with Bancfirst, we have made contact with Mark Bobo; vice-president of Bancfirst. He has insured us that on a monthly basis he will fax a copy of the monthly pledge report.

Finding 2004-2 - Mandated Audit Account

Criteria: Effective internal controls include management accountability of entity expenditures.

Condition: The 2004-2005 Estimate of Needs does not contain a mandatory audit account.

Recommendation: We recommend District management take responsibility to ensure all mandated accounts be set up as a line item on the Estimate of Needs in accordance with 19 O.S. 2001, §1706.1.

Management Response: We had given our accountant all information in a timely manner to prepare our Estimate of Needs. In talking with the Auditor Wendy she pointed out that he had made several mistakes in this fiscal years Estimate of Needs. To assure that we have our Estimate of Needs in a timely manner and that the mandatory audit account is on the Estimate of Needs, we have opted to acquire the services of another CPA/Accountant.