

# WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

FOR THE YEAR ENDED JUNE 30, 2007

EMERGENCY  
AUDIT



Jeff A. McMahan

Oklahoma State Auditor  
& Inspector

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2007**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

April 23, 2008

TO THE BOARD OF TRUSTEES OF THE  
WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the audit of the Waurika Emergency Medical Service District's financial statement for the fiscal year ended June 30, 2007. 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 Waurika 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 handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT**  
**JUNE 30, 2007**

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**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
BOARD OF TRUSTEES  
JUNE 30, 2007**

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Dr. Harold Stout

VICE-CHAIRMAN

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MEMBERS

Gayle Johnson

Carole Eakin

Chris Watkins

Chris Faucett

Sherry Elkins

Scott Cathey

Jim Bernard

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT**  
**JUNE 30, 2007**

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**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 Waurika Emergency Medical Service District is comprised of Waurika Independent School District No. 23.

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 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  
WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Waurika Emergency Medical Service District, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of the Waurika 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 Waurika Emergency Medical Service District as of June 30, 2007, 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 Waurika Emergency Medical Service District, for the year ended June 30, 2007, on the basis of accounting described in Note. 1.



In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2008, on our consideration of Waurika 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—General Fund of Waurika Emergency Medical Service District, taken as a whole. The accompanying Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statement. The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

April 7, 2008

## **Basic Financial Statement**

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	General Fund
Beginning Cash Balance	<u>\$ 19,175</u>
Receipts:	
Ad Valorem Taxes	35,657
Miscellaneous	<u>528</u>
Total Receipts	<u>36,185</u>
Disbursements:	
Maintenance and Operations	21,938
Capital Outlay	<u>15,990</u>
Total Disbursements	<u>37,928</u>
Ending Cash Balance	<u><u>\$ 17,432</u></u>

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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**1. Summary of Significant Accounting Policies**

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

**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.

**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).

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.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 personnel and natural disasters. The District continues to carry commercial insurance for these types of risk. 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 2007 fiscal year.

**F. Compensated Absences**

The District is a volunteer service; therefore, there are no compensated absences.

**G. Provider Contract**

The District Board has contracted with the City of Waurika to provide the emergency medical services within the District. In lieu of payments to the City of Waurika the District provides the ambulances and maintenance thereof. The contract provides that the District maintain title to all emergency vehicles and equipment.

**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 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 Fund Balances**

**A. 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 2006 was approximately \$27,776,243 after deducting homestead exemptions.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 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, 2007, were approximately 96.28 percent of the tax levy.

**B. Fixed Asset Ledger**

A ledger in which to record the details relating to the fixed assets of the District is maintained as required by 19 O.S. § 1718. The fixed assets of the District are not included in the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund because the statement presents only cash resources of the District. Capital acquisition and construction are reflected as capital outlay disbursements in the General Fund. Also, this cash basis presentation does not reflect any depreciation of assets.

The following is a summary of changes in the fixed assets ledger of the District during the fiscal year ended:

	<u>Balance</u> <u>07-01-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06-30-07</u>
Land, buildings, and office	\$ 8,000	\$	\$	\$ 8,000
Emergency vehicles	149,074			149,074
Emergency equipment	<u>18,286</u>	<u>593</u>	<u>          </u>	<u>18,879</u>
	<u>\$175,360</u>	<u>\$ 593</u>	<u>\$          </u>	<u>\$175,953</u>

**C. Promissory Note**

The District acquired a 2003 Ford Ambulance through a promissory note financed by a local bank, The First National Bank of Waurika, Oklahoma. The 48 month note has a maturity date of December 7, 2008, and an interest rate of 4.75%.

The following is a summary of changes in the long-term debt ledger of the District during the fiscal year ended:

	<u>Balance</u> <u>07-01-06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06-30-07</u>
2003 Ford Ambulance	\$35,054	\$	\$14,014	\$21,040

## **SUPPLEMENTARY INFORMATION**



**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—  
BUDGET AND ACTUAL—BUDGETARY BASIS—GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 19,175	\$ 19,175	\$ 19,175	\$ -
Beginning Cash Balances, Budgetary Basis	19,175	19,175	19,175	-
Receipts:				
Ad Valorem Taxes	33,118	33,118	35,657	2,539
Miscellaneous Revenues			528	528
Total Receipts, Budgetary Basis	33,118	33,118	36,185	3,067
Expenditures:				
Maintenance and Operations	46,133	46,133	21,938	24,195
Capital Outlay	5,000	5,000	15,990	(10,990)
Audit Budget Account	1,160	1,160		1,160
Total Expenditures, Budgetary Basis	52,293	52,293	37,928	14,365
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	17,432	\$ 17,432
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances Ending Cash Balance			\$ 17,432	

See independent auditor's report.

The accompanying notes to the supplementary information are an integral part of this schedule.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—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 because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

## **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  
WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

We have audited the Statement of Receipts, Disbursements, and Changes in Cash Balances—General Fund of Waurika Emergency Medical Service District, as of and for the year ended June 30, 2007, which comprises the Waurika 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 April 7, 2008. The report on the Statement of Receipts, Disbursements, and Changes in Cash Balances was adverse because the statement is not a presentation in conformity 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 Waurika 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, but not for the purpose of expressing an opinion on the effectiveness of the Waurika Emergency Medical Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2007-1, 2007-2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waurika 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 2007-3 and 2007-4.

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.



MICHELLE R. DAY, Esq.  
Deputy State Auditor and Inspector

April 7, 2008

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 2007-1 - 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 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.

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

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.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**Finding 2007-2 – Provider Contract (Repeat Finding)**

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as obtaining approved contracts are deficiencies in internal control. Further, provider contracts should be approved prior to the start of each fiscal year and signed by the Board.

Condition: The contract between the City of Waurika and the Waurika Emergency Medical Service District is not being renewed annually.

Effect: This condition could result in the District being exposed to potential litigation, claims, or assessments.

Recommendation: We recommend that the District obtain a signed contract from the City of Waurika prior to the beginning of each fiscal year.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Views of responsible officials and planned corrective actions: Management concurs with the State Auditor's findings and will implement procedures to correct this issue.

**Finding 2007-3 – Promissory Note (Repeat Finding)**

Criteria: The Constitution of Oklahoma, Article 10, § 9C(b) states, "Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same."

Condition: The District entered into a long-term promissory note for the purchase of a 2003 Ford Ambulance.

Effect: This condition results in the District incurring long-term obligations without a vote of the citizens.

Recommendation: We recommend that any contract, which period extends past the appropriation year, include non-appropriation clauses in the contract language.

Views of responsible officials and planned corrective actions: Management concurs with the State Auditor's findings. Future ambulances will be purchased in accordance with the Constitution.

**Finding 2007-4 – Exceeding Approved Appropriations**

Criteria: According to 19 O.S. § 1717, no expenditures may be authorized or made by any employee or member of the board which exceeds any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended.

Condition: The Waurika County Emergency Medical Service District exceeded their approved appropriations for Capital Outlay by \$10,990.

Effect: This condition results in the District incurring unappropriated expenditures.

Recommendation: We recommend that the District adhere to their adopted budget and that no expenditures be approved by the District Board in excess of the approved appropriations.

Views of responsible officials and planned corrective actions: Management concurs with the State Auditor's findings and will implement procedures to correct this issue.





**OFFICE OF THE STATE AUDITOR AND INSPECTOR  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896**

**[WWW.SAI.STATE.OK.US](http://WWW.SAI.STATE.OK.US)**