

WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY

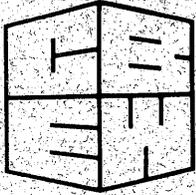
BASIC FINANCIAL STATEMENTS

December 31, 2012

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

June 7, 2013

To the Board of Trustees
Western Payne County Ambulance Trust Authority
Payne County, State of Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Payne County Ambulance Trust Authority as of and for the period of April 12, 2010 to December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Western Payne County Ambulance Trust Authority as of and for the period of April 12, 2010 to December 31, 2012, and the respective changes in financial position and cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of the Western Payne County Ambulance Trust Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Payne County Ambulance Trust Authority's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma
June 7, 2013

WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma

STATEMENT OF NET POSITION
December 31, 2012

Assets:

Cash and cash equivalents (Note 1)	\$ 105,783
Member fees receivable	81,437

Capital assets (Notes 1 and 2):

Ambulance units and equipment, net of accumulated depreciation	<u>150,175</u>
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Total assets	\$ <u><u>337,394</u></u>
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Liabilities:

Accounts payable	<u>\$ 93,353</u>
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Total liabilities	<u>93,353</u>
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Net position:

Invested in capital assets, net of related debt	150,175
Unrestricted	<u>93,866</u>

Total net position	<u>244,041</u>
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Total liabilities and net position	\$ <u><u>337,394</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
April 12, 2010 through December 31, 2012**

Revenues and support:

Membership fees:	
City of Stillwater	\$ 1,564,562
City of Perkins	105,040
Town of Glencoe	19,738
Individual	12,190
Total membership fees:	1,701,530
Local financial assistance:	
City of Perkins	4,000
Oklahoma State University Foundation	4,000
Payne County	4,000
Stillwater Medical Center	174,667
Total local financial assistance:	186,667
Total revenues and support	1,888,196

Expenses:

Advertising	848
Ambulance contract service	1,746,825
Automobile expense	128
Bank service charge	210
Consulting fees	20,381
Depreciation expense	64,360
Interest expense	846
Legal & professional fees	150
Printing & publications	946
Public relations & marketing	23,589
Website hosting	407
Total expenses	1,858,690

Operating income (loss)	29,506
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Other income and expense:

Transfer in of ambulances & equipment from Stillwater Utilities Authority	214,535
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Total other income and expense	214,535
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Change in net position	244,041
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Net position - beginning	-
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Net position - ending	\$ 244,041
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The accompanying notes are an integral part of the basic financial statements.

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**STATEMENT OF CASH FLOWS
April 12, 2010 through December 31, 2012**

Cash flows from operating activities:	
Cash received from members	\$ 1,620,093
Cash received for trust funding	186,667
Cash payments to suppliers for goods and contractors and other services	<u>(1,700,977)</u>
Net cash provided by operating activities	<u>105,783</u>
 Cash flows from investing activities:	
Interest income	<u>-</u>
Net cash provided by investing activities	<u>-</u>
 Cash flows from financing activities:	
Proceeds from short-term debt	24,885
Principal payments on debt	<u>(24,885)</u>
Net cash used in financing activities	<u>-</u>
Net increase (decrease) in cash	105,783
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 105,783</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 29,506</u>
 Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	64,360
Changes in assets and liabilities:	
(Increase) decrease in member fees receivable	(81,437)
Increase (decrease) in accounts payable	<u>93,353</u>
Total adjustments	<u>76,277</u>
Net cash provided by operating activities	<u>\$ 105,783</u>

The accompanying notes are an integral part of the basic financial statements.

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Western Payne County Trust Authority, Stillwater, Oklahoma (the Authority), was created August 18, 2009 under the provisions of Title 60, O.S. 2001, Sections 176-180.4 inclusive, for the purpose of operating, or contracting for the operation of, emergency and non-emergency ambulance services in Western Payne County. Financial activities began with initial Authority funding on April 12, 2010. Initial funding sources were obtained through contributions from the City of Perkins, Oklahoma State University Foundation, Payne County, and Stillwater Medical Center, for the purpose of consulting and public relations work related to the set up and operation of the Authority. The City of Stillwater maintained ambulance operations until May 1, 2011, at which time the contract for ambulance service between the Authority and LifeNet, Inc. took effect. The Stillwater Utility Authority began billing membership fees in April of 2011 and deposited these funds into the Authority's account on May 2, 2011.

The Authority has a five (5) member board apportioned as follows: One (1) trustee is appointed by each of the following; the City of Stillwater Mayor and City Council, the Board of Commissioners of Payne County, the Board of Trustees of the Stillwater Medical Center, the Board of Regents for the Oklahoma A&M colleges, and one (1) shared trustee appointed by the City Councils of the City of Perkins and the Town of Glencoe. The Authority, by virtue of dependence, is a potential component unit of the City of Stillwater, Oklahoma. The financial activities of the City of Stillwater and its other component units are not included in the financial statements of the Authority.

The more significant accounting policies of the Authority are described below.

A. Reporting Entity

Western Payne county Ambulance Trust Authority is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of operating, or contracting for the operation of, emergency and non-emergency ambulance services in Western Payne County are offset by the collection of membership fees.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Generally Accepted Governmental Accounting Principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Depreciation expense is provided for capital assets based upon estimated useful lives.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Authority can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

All the bank deposits are held at one financial institution and are carried at cost. For purposes of statements of cash flows, the Authority considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**WESTERN PAYNE COUNTY ABULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk

At December 31, 2012, the Authority held deposits of approximately \$105,783 at financial institutions. The Authority's cash deposits are entirely covered by Federal Depository Insurance (FDIC).

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The Authority held no investments at December 31, 2012

2. Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**WESTERN PAYNE COUNTY ABULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

4. Capital Assets

The Stillwater Utility Authority, a component unit of The City of Stillwater, transferred six (6) ambulances and equipment to The Authority on April 25, 2011. According to GASB 48, paragraph 15, if assets are transferred within the same reporting entity, then the transfer is made at carrying value. The financial statements reflect a continuation of the carrying value on the transferred assets from their original service dates with The Stillwater Utility Authority.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Ambulances	5 years
Equipment	5 years

5. Net Position

In the basic financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments.

2. CAPITAL ASSETS

The following is a summary of changes in property, plant and equipment.

	Balance April 12, 2010	Additions	Deletions	Balance December 31, 2012
Ambulances	\$ -	\$ 598,442	\$ -	\$ 598,442
Equipment	-	51,989	-	51,989
Total	-	650,431	-	650,431
Less accumulated depreciation	-	500,256	-	500,256
Net	\$ -	\$ 150,175	\$ -	\$ 150,175

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012**

3. RISK MANAGEMENT

Western Payne County Ambulance Trust Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to patients; and natural disasters. LifeNet, Inc. carries commercial insurance for these risks, including general liability, property damage. The Authority is named as an additional insured on these policies.

4. OPERATING LEASES

The Authority leases all of its ambulances and equipment to LifeNet, Inc., the ambulance service provider for the Authority, as part of its operating agreement with LifeNet, Inc. LifeNet Inc. must maintain the ambulances and equipment, however, ownership remains with the Authority.

5. COMMITMENTS AND CONTINGENCIES

The Authority has an operating agreement with LifeNet, Inc. that began May 1, 2011 and will continue through April, 30, 2016. LifeNet, Inc. Fees for service are fixed on an annual basis and are as follows:

Annual contract fees due in monthly installments:

May 1, 2011- April 31, 2012	\$1,000,000
May 1, 2012- April 31, 2013	\$1,120,239
May 1, 2013- April 31, 2014	\$1,253,336
May 1, 2014- April 31, 2015	\$1,241,731
May 1, 2015- April 31, 2016	\$1,233,990

6. CONCENTRATIONS/ FINANCIAL DEPENDENCY

Approximately 90% of the Authority's revenues were derived from membership fees collections. Of the membership fee collections, 92% were collected from the City of Stillwater memberships. Any significant change in memberships within the participating cities could have a significant impact on operations. The Authority offers opt-out annually to all members.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
December 31, 2012

INDEPENDENT AUDITOR'S 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

June 7, 2013

To the Board of Trustees
Western Payne County Ambulance Trust Authority
Payne County, State of Oklahoma

We have audited, in accordance with the 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, the financial statements of the of the proprietary activities of Western Payne County Ambulance Trust Authority as of and for the period of April 12, 2010 to December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated Jun 7, 2013. The Western Payne County Ambulance Trust Authority did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Payne County Ambulance Trust Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Payne County Ambulance Trust Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Payne County Ambulance Trust Authority's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. The finding reference numbers are 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Payne County Ambulance Trust Authority's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Western Payne County Ambulance Trust Authority's Response to Findings

Western Payne County Ambulance Trust Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Western Payne County Ambulance Trust Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBEW Professional Group, LLP
CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

**WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2012**

12-1. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority's assets and ensure accurate financial reporting.

Condition: Presently the same individual receives and maintains custody of bank statements, records banking transactions, has signing authority over bank accounts, and prepares monthly financial summaries.

Cause: The Authority's limited size and limited amount of transactions.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to cash and vendor payments, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that the board should consider a formal evaluation of their risks associated with this lack of duties segregation over checking account transactions. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased board oversight and an independent reconciliation of accounts. For example, the entity might consider requiring dual signature's on checks and/or another board member receiving bank statement or reviewing bank reconciliations.

Responsible Official's Response: The Chairman of the board concurs with the recommendation and will make corrective recommendations to the board. The Authority will make certain changes in procedures that will improve the overall lack of segregation of duties and will implement compensating procedures as appropriate.

12-2. Internal Control – Material Adjusting Journal Entries

Criteria: The Authority's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the Authority's annual financial statements in accordance with generally accepted accounting principles (GAAP) or another financial framework from trial balances derived from the Authority's accounting records. For trial balances to be both complete and accurate, the Authority must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, Authority management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Authority's cash basis financial summaries required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Capital asset recording, depreciation, accounts payable, and accounts receivable.

Cause: The Authority is relatively new and proper procedures have not yet been implemented for annual financial statement presentation other than cash basis summaries. Management has the capacity to review, understand and accept the adjusting entries proposed by the auditor in order to take full responsibility for them and the related financial statements.

Effect or Potential Effect: As a result of this condition, without assistance from its external auditors, the Authority lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit.

**WESTERN PAYNE COUNTY AMBUALANCE TRUST AUTHORITY
PAYNE COUNTY
Stillwater, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES (Continued)
December 31, 2012**

Recommendation: The Authority should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances to ensure proper financial reporting framework is presented at least annually in accordance with GAAP or another financial framework. This could include acquiring financial statement preparation software to generate annual financial statements.

Responsible Official's Response: The Chairman of the board concurs with the recommendation and will make corrective recommendations to the board. The Authority will seek to ensure that, at a minimum, complete annual financial statements are prepared on the modified cash basis of accounting.

WESTERN PAYNE COUNTY AMBULANCE TRUST AUTHORITY

BASIC FINANCIAL STATEMENTS
December 31, 2012