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**GARRISON-MAX AMBULANCE DISTRICT
GARRISON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Garrison-Max Ambulance District
Garrison, North Dakota

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities of Garrison-Max Ambulance District, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Garrison-Max Ambulance District'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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on the financial statements based on our audits. We conducted our audits 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 on the 2014 financial statements and the 2013 balance sheet.

Basis for Disclaimer of Opinion on 2013 Operations

We were unable to obtain sufficient appropriate audit evidence regarding ambulance service revenue. Ambulance service revenue amounts as of December 31, 2013, materially affect the determination of the results of operations for the year ended December 31, 2013.

Disclaimer of Opinion on 2013 Results of Operations

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations for the year ended December 31, 2013. Accordingly, we do not express an opinion on the results of operations for the year ended December 31, 2013.

Opinion on the 2014 Financial Statements and the 2013 Balance Sheet

In our opinion, the statements of net position – cash basis of the business-type activities of Garrison-Max Ambulance District as of December 31, 2014 and 2013, and the statement of revenues, expenditures and changes in net position – cash basis for the year ended December 31, 2014 present fairly, in all material respects, the cash basis financial position of Garrison-Max Ambulance District as of December 31, 2014 and 2013 and the changes in cash basis financial position for the year ended December 31, 2014, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garrison-Max Ambulance District's basic financial statements. The budgetary comparison schedules on pages 10 and 11, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2016 on our consideration of the Garrison-Max Ambulance 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* in considering the Authority's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

Minot, North Dakota

July 20, 2016

GARRISON-MAX AMBULANCE DISTRICT
STATEMENTS OF NET POSITION – (CASH BASIS)
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 317,564	\$ 481,478
Total assets	317,564	481,478
LIABILITIES		
Payroll liabilities	836	973
Total liabilities	836	973
NET POSITION		
Unrestricted	316,728	480,505
Total net position	\$ 316,728	\$ 480,505

SEE NOTES TO THE FINANCIAL STATEMENTS

GARRISON-MAX AMBULANCE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u> <u>(Unaudited)</u>
REVENUES		
Taxes	\$ 62,444	\$ 54,170
Charges for services	295,808	420,090
Contributions and donations	51,706	29,146
Interest income	2,018	2,152
Miscellaneous	4,684	1,916
Total revenues	<u>416,660</u>	<u>507,474</u>
EXPENDITURES		
Operating		
Salaries and benefits	431,110	356,591
Accounting fees	12,464	9,267
Office supplies	14,590	4,958
Telephone	2,401	3,300
Advertising	5,368	1,464
Education expense	2,771	1,044
Vehicle expense	17,274	26,298
Equipment purchases and repairs	25,076	43,823
Insurance	38,158	31,163
Rent	-	600
Meals	2,831	4,517
Ambulance supplies	18,267	19,817
Utilities	6,428	3,594
Travel	2,849	-
Miscellaneous	850	6,689
Total operating expenses	<u>580,437</u>	<u>513,125</u>
Net change in net position	<u>(163,777)</u>	<u>(5,651)</u>
Net position - beginning	<u>480,505</u>	<u>486,156</u>
Net position - ending	<u>\$ 316,728</u>	<u>\$ 480,505</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Garrison-Max Ambulance District is presented to assist in understanding the District's financial statements.

The District reports as a business type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification as a single source of authoritative accounting principles recognized by the FASB in preparation of financial statements in conformity with generally accepted accounting principles. The Codification supersedes existing non-grandfathered non-SEC accounting and reporting standards. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Nature of operations

The Garrison-Max Ambulance District (the District) operates under the North Dakota Department of Emergency Health Services and was established as a rural ambulance district under North Dakota Century Code §11-28.3. The District is composed of trained volunteer members whose purpose is to render routine or emergency ambulance service to the area. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

For financial reporting purposes the Garrison-Max Ambulance District, has included all funds. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Garrison-Max Ambulance District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Garrison-Max Ambulance District. Based on these criteria, there are no component units to be included within the Garrison-Max Ambulance District as a reporting entity.

Basis of accounting

The basis of accounting determines "when" transactions are recorded regardless of the measurement focus applied. The financial statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgets and budgetary accounting

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end.

In September, the proposed budget is presented to the District's board for review. The District's board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be changed by an affirmative vote of a majority of the District's board.

Cash and cash equivalents

The District considers all investments with maturity of one year or less to be cash equivalents.

Net position

Net position represents the difference between (a) assets and (b) liabilities in the Authority's financial statements. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of estimates

The preparation of the financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 2 – CUSTODIAL CREDIT RISK

This is the risk that, in the event a financial institution fails, the District is unable to recover value of its deposits, investment or collateral securities in the possession of the institution. As of December 31, 2014 and 2013, the District's had \$0 and \$25,051, respectively, in excess of federal depository insurance coverage.

NOTE 3 – RISK MANAGEMENT

The Garrison-Max Ambulance District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the mid 1980's, the District was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 public subdivisions. All members joined to help capitalize the NDIRF. The District pays an annual premium to NDIRF for its general insurance, personal injury insurance, auto insurance, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile coverage and \$131,117 for inland marine.

The Garrison-Max Ambulance District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacements cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$50,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Garrison-Max Ambulance District has workers compensation coverage with the North Dakota Workforce Safety and Insurance. The District offers a single health insurance policy, including vision and dental, through Blue Cross/Blue Shield for all full time employees.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 4 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statements establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GARRISON-MAX AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

NOTE 5 – SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 20, 2016, which is the date these financial statements were available to be issued.

GARRISON-MAX AMBULANCE DISTRICT
BUDGETARY COMPARISON SCHEDULE – (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original / Final Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
Property taxes	\$ -	\$ 62,444	\$ 62,444
Charges for services	320,000	295,808	(24,192)
Contributions and donations	12,300	51,706	39,406
Interest income	1,500	2,018	518
Miscellaneous	5,000	4,684	(316)
Total revenues	<u>338,800</u>	<u>416,660</u>	<u>77,860</u>
EXPENDITURES			
Operating			
Salaries and benefits	564,000	431,110	132,890
Accounting fees	30,000	12,464	17,536
Office supplies	10,200	14,590	(4,390)
Telephone	4,000	2,401	1,599
Advertising	-	5,368	(5,368)
Education expense	7,500	2,771	4,729
Vehicle expense	40,000	17,274	22,726
Equipment purchases and repairs	103,000	25,076	77,924
Insurance	60,000	38,158	21,842
Meals	-	2,831	(2,831)
Ambulance supplies	20,000	18,267	1,733
Utilities	5,000	6,428	(1,428)
Travel	-	2,849	(2,849)
Miscellaneous	50,000	850	49,150
Total operating expenses	<u>893,700</u>	<u>580,437</u>	<u>313,263</u>
Net change in net position	(554,900)	(163,777)	391,123
Net position - beginning	480,505	480,505	-
Net position - ending	<u>\$ (74,395)</u>	<u>\$ 316,728</u>	<u>\$ 391,123</u>

GARRISON-MAX AMBULANCE DISTRICT
BUDGETARY COMPARISON SCHEDULE – (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original / Final Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
Property taxes	\$ -	\$ 54,170	\$ 54,170
Charges for services	295,000	420,090	125,090
Contributions and donations	9,070	29,146	20,076
Interest income	5,000	2,152	(2,848)
Miscellaneous	9,157	1,916	(7,241)
Total revenues	<u>318,227</u>	<u>507,474</u>	<u>189,247</u>
EXPENDITURES			
Operating			
Salaries and benefits	544,000	356,591	187,409
Accounting fees	30,000	9,267	20,733
Office supplies	10,260	4,958	5,302
Telephone	3,800	3,300	500
Advertising	-	1,464	(1,464)
Education expense	7,500	1,044	6,456
Vehicle expense	38,000	26,298	11,702
Equipment purchases and repairs	106,000	43,823	62,177
Insurance	56,000	31,163	24,837
Rent	-	600	(600)
Meals	-	4,517	(4,517)
Ambulance supplies	15,000	19,817	(4,817)
Utilities	7,700	3,594	4,106
Miscellaneous	16,000	6,689	9,311
Total operating expenses	<u>834,260</u>	<u>513,125</u>	<u>321,135</u>
Net change in net position	(516,033)	(5,651)	510,382
Net position - beginning	486,156	486,156	-
Net position - ending	<u>\$ (29,877)</u>	<u>\$ 480,505</u>	<u>\$ 510,382</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

To the District Board
Garrison-Max Ambulance District
Garrison, North Dakota

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 cash basis financial statements of the business-type activities of Garrison-Max Ambulance District, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Garrison-Max Ambulance District's basic financial statements and have issued our report thereon dated July 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garrison-Max Ambulance District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garrison-Max Ambulance District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garrison-Max Ambulance District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-001, 2014-002, 2014-003 and 2013-001 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2014-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garrison-Max Ambulance District's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Garrison-Max Ambulance District's Response to Findings

The Garrison-Max Ambulance District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Garrison-Max Ambulance District's responses were not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the 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.



BRADY, MARTZ & ASSOCIATES P. C.

Minot, North Dakota

July 20, 2016

GARRISON-MAX AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014 AND 2013

Findings Related to the Financial Statements

2014-001: *Preparation of Financial Statements – Material Weakness*

Criteria

An appropriate system of internal control requires the District to determine that financial statements are properly stated in compliance with the cash basis of accounting (OCBOA). This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The District does not have internal resources to prepare full-disclosure financial statements for external reporting. Adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with the cash basis of accounting (OCBOA). However, the entity is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

The entity should establish an internal control policy to document the annual review of the financial statements and schedules.

Views of responsible officials and planned corrective action

It is not currently cost effective for the District to acquire the information necessary to prepare its own financial statements.

GARRISON-MAX AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2014 AND 2013

2014-002: Segregation of Duties – Material Weakness

Criteria

Generally, a system of internal control contemplates separation of duties that has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The above areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by the board.

Views of responsible officials and planned corrective action

The District does not have the resources to include another person in the accounting department. The Board will oversee as many accounting functions as possible.

GARRISON-MAX AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2014 AND 2013

2014-003: Significant Adjusting Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected on the cash basis of accounting.

Condition

During our audits, adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the cash basis of accounting.

Cause

It is currently not cost effective for the District to determine the proper balance of each general ledger account prior to the start of the audit.

Effect

The District does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the cash basis of accounting.

Recommendation

In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.

Views of responsible officials and planned corrective action

The Board will review the accounting functions and will strive to improve in areas that are economically feasible.

GARRISON-MAX AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2014 AND 2013

2013 only

2013-001: *Supporting Document Retention – Material Weakness*

Criteria

The District should retain supporting documentation for all transactions in order to determine that the general ledger accounts are properly reflected on the cash basis of accounting.

Condition

During our audit, it was noted that the District did not have supporting documentation for all transactions.

Effect

We are unable to give an opinion on the 2013 income statement, because there is not sufficient supporting documentation to determine that the general ledger accounts are properly reflected on the cash basis of accounting.

Recommendation

The District should retain supporting documentation all transactions for at least 7 years.

Views of responsible officials and planned corrective action

The District will retain all supporting documentation in the future.

GARRISON-MAX AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2014 AND 2013

2014-001: *Review of Bank Reconciliations – Significant Deficiency*

Criteria

The District should have their bank reconciliations reviewed by someone independent of its preparation. There should also be documentation of this review noted on the bank reconciliations.

Condition

During our audit, it was noted that the District's bank reconciliations are not being reviewed.

Effect

Bank reconciliations are not being reviewed for accuracy and to ensure that reconciling items are clearing in a timely manner.

Recommendation

The District should have an employee independent of the bank reconciliation process review the monthly bank reconciliations.

Views of responsible officials and planned corrective action

The District will consider this recommendation.