

**STANLEY RURAL AMBULANCE SERVICE DISTRICT
STANLEY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanley Rural Ambulance Service District
Stanley, North Dakota

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities of Stanley Rural Ambulance Service District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Stanley Rural Ambulance Service 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 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 cash basis financial position of the business-type activities of Stanley Rural Ambulance Service District as of December 31, 2015 and the respective changes in the cash basis financial position for the year then ended 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 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 Stanley Rural Ambulance 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* in considering the Authority's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

Minot, North Dakota

July 20, 2016

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	<u>\$ 759,162</u>
Total assets	<u><u>759,162</u></u>

NET POSITION

Unrestricted	<u>759,162</u>
Total net position	<u><u>\$ 759,162</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUES

Taxes	\$ 248,600
Charges for services	315,204
Contributions and donations	10,081
Federal and state grants	17,072
Interest income	1,697
Total revenues	<u>592,654</u>

EXPENDITURES

Operating	
Contract labor	353,688
Construction costs	103,026
Vehicle expenditures	49,553
Ambulance supplies	57,916
Equipment purchases and repairs	17,972
Collections and billing	10,109
Office supplies	1,336
Education expenditures	3,060
Insurance	3,222
Meals	635
Travel	496
Advertising	38
Utilities	9,727
Miscellaneous	2,698
Total operating expenditures	<u>613,476</u>
Net change in net position	<u>(20,822)</u>
Net position - beginning	<u>779,984</u>
Net position - ending	<u><u>\$ 759,162</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Stanley Rural Ambulance Service 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.

Nature of operations

The Stanley Rural Ambulance Service 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 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 Stanley Rural Ambulance Service 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 Stanley Rural Ambulance Service 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 Stanley Rural Ambulance Service District. Based on these criteria, there are no component units to be included within the Stanley Rural Ambulance Service 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 position/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.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

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 general fund. All annual appropriations lapse at year end.

Each year, the budget is due by the end of June. Budgeted amounts are based off of the previous year's revenues and expenditures in addition to projections and expenditures incurred during the first 5 months of the current year.

Cash and cash equivalents

Cash consists of checking accounts, savings accounts, and certificates of deposit.

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.

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, 2015, the District had approximately \$451,000 of cash on deposit in excess of FDIC coverage.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

NOTE 3 – RISK MANAGEMENT

The Stanley Rural Ambulance Service 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. The District pays an annual premium to BBH Insurance for its general liability insurance, auto insurance, inland marine insurance coverage, and portable equipment insurance coverage. The coverage by BBH is limited to losses of \$2,000,000 per occurrence for general liability and \$1,000,000 for auto and inland marine.

The Stanley Rural Ambulance Service 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. Replacement 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 Stanley Rural Ambulance Service District with blanket fidelity bond coverage in the amount of \$379,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 4 – SERVICE AGREEMENT

The District entered into a service agreement beginning in 2015 with Ambulance Resources, LLC for the duration of one year. Under the agreement, Ambulance Resources, LLC provides one certified Paramedic and one certified Emergency Medical Technician (EMT) or CPR driver to the District 7 days per week for 52 weeks per year. Ambulance Resources, LLC is also responsible for administrative functions of the District such as management services and record keeping. In return, the District paid \$568.56 per day for Paramedic services and \$445.50 per day for EMT services. This agreement was renewed for the year of 2016 with the rates increasing to \$650 per day for Paramedic services and \$490 per day for EMT services.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

NOTE 5 – FUTURE GASB PRONOUNCEMENTS

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, established requirement 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 government 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 requirement of this Statement that addresses financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of the Statement 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.

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 non-authoritative 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.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

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.

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 Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the Authority's financial statements.

NOTE 6 – 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.



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
Stanley Rural Ambulance Service District
Stanley, 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 Stanley Rural Ambulance Service District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Stanley Rural Ambulance Service 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 Stanley Rural Ambulance Service 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 Stanley Rural Ambulance Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stanley Rural Ambulance Service 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 2015-001, 2015-002, and 2015-003 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 2015-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanley Rural Ambulance Service 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2015-005.

Stanley Rural Ambulance Service District's Response to Findings

The Stanley Rural Ambulance Service District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Stanley Rural Ambulance Service 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

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015

Findings Related to the Financial Statements

2015-001: *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.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2015

2015-002: *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 all 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.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2015

2015-003: *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 audit, 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.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2015

2015-004: *Review of Bank Reconciliations – Significant Deficiency*

Criteria

There should be documentation of review noted on the bank reconciliations.

Condition

During our audit, it was noted that the District's bank reconciliations contain no documentation they have been reviewed by someone independent of their preparation.

Effect

There is no record that bank reconciliations are being reviewed for accuracy and to ensure that reconciling items are clearing in a timely manner.

Recommendation

The District should have an employee or board member independent of the bank reconciliation process review the monthly bank reconciliations and document this review.

Views of responsible officials and planned corrective action

The District will consider this recommendation.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2015

2015-005: *Noncompliance with Laws and Regulations*

Criteria

According to the North Dakota Century Code (NDCC) Chapter 21 Section 04, before any deposit is made in any depository other than the Bank of North Dakota, such funds in excess of the FDIC coverage limit amount shall be collateralized through a pledge of securities in the amount of one hundred ten dollars for every one hundred dollars.

Condition/Context

The district had bank accounts with balances over the FDIC coverage limit of \$250,000 that were not covered by another form of insurance or by pledged securities. These deposits were held at American Bank Center.

Cause

The District's controls have not been designed to address the monitoring of the collateralization of bank accounts in accordance with the NDCC.

Effect

There were uninsured cash and cash equivalent balances totaling \$451,177 as of December 31, 2015.

Recommendation

The District should monitor bank balances on a regular basis to ensure they are fully-covered by FDIC insurance. If FDIC insurance is not adequate, pledged collateral should be obtained from the respective financial institution at the rate set forth in the NDCC.

Views of responsible officials and planned corrective action

The District is working on obtaining the pledged collateral from the financial institution.