

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2017

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

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December 31, 2017

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LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

OFFICIAL DIRECTORY
December 31, 2017

DuWayne Irwin	President
Jim Prchal	Vice-President
Karl Fredrickson	Board Member
Kathy Skroch	Board Member
Diane Neiber	Board Member
Kelly Honl	Board Member
Heidi Trittin	Board Member
Sandy Fossum	Business Manager



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Lidgerwood Rural Ambulance Service District
Lidgerwood, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Lidgerwood Rural Ambulance Service District, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise Lidgerwood Rural Ambulance Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lidgerwood Rural Ambulance Service District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Lidgerwood Rural Ambulance Service District, as of December 31, 2017 and the respective changes in financial position-modified cash basis for the year then ended on the 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 modified cash basis of accounting, which is a comprehensive 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund – modified cash basis, and notes to required supplementary information presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The official directory 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2018 on our consideration of Lidgerwood 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 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 Lidgerwood Rural Ambulance Service District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, ND
November 23, 2018

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

The Management's Discussion and Analysis (MD&A) of Lidgerwood Rural Ambulance Service District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2017, with comparative data for the fiscal year ended December 31, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

Financial Highlights

Key financial highlights for the year ended December 31, 2017 are as follows:

The District received \$20,339 from a rural EMS grant and \$7,000 in donations from individuals and businesses. The District was able to purchase a new 2016 Ford ambulance for \$217,000 without acquiring debt.

Using this Annual Report

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the Lidgerwood Rural Ambulance Service District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting on the District as a Whole

Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis

These statements are summaries of all the funds used by the Lidgerwood Rural Ambulance Service District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended December 31, 2017?"

The Statement of Net Position – Modified Cash Basis presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities – Modified Cash Basis presents information on how the District's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, salaries and benefits, purchased services, ambulance expenses, and supplies.

The government-wide financial statements can be found on pages 8-9 of this report.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management’s Discussion and Analysis - Continued

Reporting on the District's Most Significant Funds

Balance Sheet – Governmental Funds – Modified Cash Basis

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District’s major funds. Using the criteria established by GASB Statement No. 34, the District’s only fund, the general fund, is considered a “major fund.”

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 14-19 of this report.

Financial Analysis of the District as a Whole

Table I provides a summary of the District’s net position as of December 31, 2017 and 2016. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lidgerwood Rural Ambulance Service District, net position increased by \$28,004 for the year ending December 31, 2017.

The District’s net position at December 31, 2017 is segregated into two separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. The remaining unrestricted net position is available to meet the District’s ongoing obligations.

Table I
Net Position - Modified Cash Basis
June 30,

	2017	2016
Assets		
Current Assets	\$ 101,662	\$ 255,155
Capital Assets, net of depreciation	441,867	260,724
Total Assets	543,529	515,879
Liabilities		
Current Liabilities	2,480	2,834
Total Liabilities	2,480	2,834
NET POSITION		
Net Investment in Capital Assets	441,867	260,724
Unrestricted	99,182	252,321
Total Net Position	\$ 541,049	\$ 513,045

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management's Discussion and Analysis - Continued

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016.

Table II
Changes in Net Position - Modified Cash Basis
Years Ended June 30,

	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 63,010	\$ 43,177
Operating Grants and Contributions	34,214	41,145
General Revenues		
Property Taxes	83,981	82,575
Interest and Miscellaneous Earnings	51	306
Total Revenues	181,256	167,203
Expenses		
Salaries and Benefits	63,929	60,287
Purchased Services	18,644	7,088
Ambulance Services	67,993	59,547
Supplies	2,686	2,770
Total Expenses	153,252	129,692
Change in Net Position	\$ 28,004	\$ 37,511

Property taxes constituted 46.3%, charges for services 34.8%, and operating grants and contributions 18.9% of the total revenues of governmental activities of the District for the fiscal year ended December 31, 2017.

Ambulance services constituted 44.4%, salaries and benefits 41.7%, purchased services 12.2%, and supplies 1.8% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

The Statement of Activities – Modified Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III
Total and Net Cost of Services - Modified Cash Basis
Years Ended June 30,

	Total Cost		Net Cost	
	2017	2016	2017	2016
Salaries and Benefits	\$ 63,929	\$ 60,287	\$ 919	\$ (24,035)
Purchased Services	18,644	7,088	18,644	7,088
Ambulance Services	67,993	59,547	33,779	59,547
Supplies	2,686	2,770	2,686	2,770
Total Expenses	\$ 153,252	\$ 129,692	\$ 56,028	\$ 45,370

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management's Discussion and Analysis - Continued

Financial Analysis of the Government's Funds

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting.

The District's governmental funds had total revenue of \$181,256 and expenditures of \$334,395 for the fiscal year ended December 31, 2017. The unassigned fund balance of the District's general fund was \$36,023.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$21,983 and expenditures were more than budgetary estimates by \$202,195.

Additional information on the Lidgerwood Rural Ambulance Service District budget can be found in Note 2 of the audited financial statements that follow this analysis.

Capital Assets

As of December 31, 2017, the Lidgerwood Rural Ambulance Service District had \$441,867 invested in capital assets. Table IV shows the balances at December 31, 2017 and 2016.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
Years Ended June 30,

	2017	2016
Buildings	\$ 203,697	\$ 207,933
Equipment	238,170	52,791
Total Capital Assets	<u>\$ 441,867</u>	<u>\$ 260,724</u>

This total represents a net increase of \$181,143 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 of the audited financial statements that follow this analysis.

Debt Administration

As of December 31, 2017, the Lidgerwood Rural Ambulance Service District had no debt.

For the Future

The District is looking into acquiring a Styker power cot and other equipment needed for the safe and efficient transport of patients. The District will continue to actively recruit new squad members to the ambulance service.

Contacting the District's Financial Management

This financial report is designed to provide our users, taxpayers, and creditors with a general overview of the Lidgerwood Rural Ambulance Service District's finances and to show the District's accountability for the money it receives to provide the best level of service to the Lidgerwood Rural Ambulance Service District. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Sandy Fossum at PO Box 416, Lidgerwood, North Dakota, 58053, (701) 538-4344.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 38,503
Savings and CD's	<u>63,159</u>
Total Current Assets	101,662
Capital Assets	
Depreciable, net of accumulated depreciation	
Buildings	203,697
Equipment	<u>238,170</u>
Total Capital Assets	<u>441,867</u>
Total Assets	543,529
LIABILITIES	
Current Liabilities	
Payroll Liabilities	<u>2,480</u>
Total Current Liabilities	2,480
NET POSITION	
Net Investment in Capital Assets	441,867
Unrestricted	<u>99,182</u>
Total Net Position	<u>\$ 541,049</u>

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Salaries and Benefits	\$ 63,929	\$ 63,010	\$ -	\$ (919)
Purchased Services	18,644	-	-	(18,644)
Ambulance Services	67,993	-	34,214	(33,779)
Supplies	2,686	-	-	(2,686)
	<u>\$ 153,252</u>	<u>\$ 63,010</u>	<u>\$ 34,214</u>	(56,028)
General Revenues				
Taxes				
				83,981
				51
				<u>84,032</u>
				28,004
				<u>513,045</u>
				<u>\$ 541,049</u>

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

BALANCE SHEET – GOVERNMENTAL FUND – MODIFIED CASH BASIS
December 31, 2017

	<u>Major Fund</u>
	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 38,503
Savings and CD's	63,159
Total Assets	<u>\$ 101,662</u>
LIABILITIES	
Payroll Liabilities	\$ 2,480
Total Liabilities	<u>2,480</u>
FUND BALANCE	
Committed	63,159
Unassigned	36,023
Fund Balance	<u>99,182</u>
Total Liabilities and Fund Balance	<u>\$ 101,662</u>

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2017

Total Fund Balance - Governmental Fund		\$	99,182
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	648,222		
Less Accumulated Depreciation	<u>(206,355)</u>		
Net Capital Assets			<u>441,867</u>
Total Net Position of Governmental Activities		\$	<u>541,049</u>

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUND – MODIFIED CASH BASIS**
Year Ended December 31, 2017

	<u>Major Fund</u>
	<u>General Fund</u>
REVENUES	
Local Sources	\$ 146,991
State Sources	20,339
Donations	13,875
Interest Income	51
Total Revenues	<u>181,256</u>
EXPENDITURES	
Current	
Salaries and Benefits	63,929
Purchased Services	18,644
Ambulance Services	249,136
Supplies	2,686
Total Expenditures	<u>334,395</u>
Exces (Deficiency) of Revenues over Expenditures	(153,139)
FUND BALANCE, BEGINNING OF YEAR	<u>252,321</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 99,182</u></u>

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**
Year Ended December 31, 2017

Net Change in Fund Balance - Total Governmental Fund \$ (153,139)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year

181,143

Change in Net Position of Governmental Activities

\$ 28,004

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lidgerwood Rural Ambulance Service District, Lidgerwood, North Dakota (the District) have been prepared in accordance with modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Lidgerwood Rural Ambulance Service District. 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 such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Lidgerwood 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 Lidgerwood Rural Ambulance Service District.

Based on these criteria, there are no component units to be included within the Lidgerwood Rural Ambulance Service District as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements – The statement of net position – modified cash basis and the statement of activities – modified cash basis display information about the primary government (the Lidgerwood Rural Ambulance Service District). These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, charges for services, and other non-exchange transactions. The statement of activities – modified cash basis presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for the one governmental fund; the general fund. The general fund is the District's major fund that accounts for all financial resources.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide statement of net position – modified cash basis and the statement of activities – modified cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined under the "Basis of Accounting".

In the fund financial statements all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide statement of net position – modified cash basis and statement of activities – modified cash basis and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net positions/fund equity revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Notes to Financial Statements – Continued

As a result of the use of this modified 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.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Capital Assets

Capital assets include land, building and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Equipment	10

F. Fund Balance and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Lidgerwood Rural Ambulance Service District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Budget Stabilization Policy:

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and time frames described as follows:

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit; or
- The District will increase revenues or pursue funding sources; or
- Some combination of the two operations above

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Notes to Financial Statements – Continued

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Supervisors. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Committed Fund Balance

Consists of the amount reported in the General Fund at year-end committed for capital asset expenditures.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Notes to Financial Statements – Continued

Unassigned Fund Balance

Consists of the remaining fund balance reported in the General Fund at year-end.

Net Position

The District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position – Modified Cash Basis, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures exceed appropriations by \$202,195 for the year ended December 31, 2017. A new ambulance was purchased during the year that was not budgeted.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designed by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end December 31, 2017, the District's carrying amounts of deposits was \$101,662 and the bank balances were \$107,017. All bank balances were covered by Federal Depository Insurance.

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statues, as follows:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Notes to Financial Statements – Continued

c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.

d) Obligations of the state.

As of December 31, 2017, the District held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Governmental Activities:				
Capital Assets, being depreciated				
Buildings	\$ 211,816	\$ -	\$ -	\$ 211,816
Equipment	219,406	217,000	-	436,406
Total Capital Assets, being depreciated	431,222	217,000	-	648,222
Less Accumulated Depreciation for:				
Buildings	3,883	4,236	-	8,119
Equipment	166,615	31,621	-	198,236
Total Accumulated Depreciation	170,498	35,857	-	206,355
Total Capital Assets Being Depreciated, net	260,724	181,143	-	441,867
Governmental Activities Capital Assets, net	\$ 260,724	\$ 181,143	\$ -	\$ 441,867

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Notes to Financial Statements – Continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Ambulance Services	\$ 35,857
	<u> </u>
Total Depreciation Expense - Governmental Activities	\$ 35,857
	<u> </u>

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota 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 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability coverage and \$112,361 for personal property.

The 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 \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$10,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 7 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 23, 2018, the date on which the financial statements were available to be issued.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 140,781	\$ 140,781	\$ 146,991	\$ 6,210
State Sources	17,027	17,027	20,339	3,312
Donations	950	950	13,875	12,925
Interest Income	260	260	51	(209)
Miscellaneous Income	255	255	-	(255)
Total Revenues	159,273	159,273	181,256	21,983
EXPENDITURES				
Current				
Salaries and Benefits	76,500	76,500	63,929	12,571
Purchased Services	11,350	11,350	18,644	(7,294)
Ambulance Services	41,350	41,350	249,136	(207,786)
Supplies	3,000	3,000	2,686	314
Total Expenditures	132,200	132,200	334,395	(202,195)
Exces (Deficiency) of Revenues over Expenditures	27,073	27,073	(153,139)	(180,212)
FUND BALANCE, BEGINNING OF YEAR			252,321	
FUND BALANCE, END OF YEAR			<u>\$ 99,182</u>	

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Board of Supervisors adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.



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*

Board of Supervisors
Lidgerwood Rural Ambulance Service District
Lidgerwood, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the moind cash basis financial statements of the governmental activities and the major fund of the Lidgerwood Rural Ambulance Service District, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Lidgerwood Rural Ambulance Service District's basic financial statements, and have issued our report thereon dated November 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lidgerwood 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lidgerwood Rural Ambulance Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lidgerwood Rural Ambulance Service District'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 these 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*.

District's Response to Findings

Lidgerwood Rural Ambulance Service District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lidgerwood Rural Ambulance Service District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
November 23, 2018

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	X	Yes			No
Significant deficiencies identified not considered to be material weaknesses?		Yes		X	None reported
Noncompliance material to financial statements noted?		Yes		X	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 LACK OF SEGREGATION OF DUTIES

Criteria

An appropriate system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation functions.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District's financial condition whether due to error or fraud.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Schedule of Findings and Questioned Costs - Continued

2017-002 MATERIAL JOURNAL ENTRIES

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

There is no disagreement with the audit finding.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2017

Prior Financial Statement Findings:

2016-001

A material weakness was reported for a lack of segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2017-001.

2016-002

A material weakness was reported for material journal entries.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2017-002.