

**MCKENZIE COUNTY AMBULANCE  
SERVICE**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

WITH INDEPENDENT AUDITOR'S REPORT



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## *Independent Auditor's Report*

Board of Directors  
McKenzie County Ambulance Service  
Watford City, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of McKenzie County Ambulance Service, which comprise the statements of assets, liabilities, and net assets — cash basis as of December 31, 2019 and 2018, and the related statement of support, revenue, expenses, and changes in net assets — cash basis for the years then ended, and the related notes to the financial statements.

### ***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 as 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of McKenzie County Ambulance Service as of December 31, 2019 and 2018, and its support, revenue, expenses, and changes in net assets for the year then ended in accordance with the cash basis of accounting as 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.


### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2018, the entity adopted new accounting guidance ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This amendment changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources and the changes in those resources to users. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2018, management adopted a policy of preparing its financial statements on the cash basis of accounting. Prior to 2018, the Organization's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. Management believes that this change results in more relevant financial reporting that is easier and less costly to understand, apply, and use in the Organization's circumstances and considering the needs of the users of the financial statements. 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 September 9, 2020 on our consideration of McKenzie County Ambulance Service'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 McKenzie County Ambulance Service's internal control over financial reporting and compliance.

  
Bismarck, North Dakota  
September 9, 2020

# MCKENZIE COUNTY AMBULANCE SERVICE

## STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – CASH BASIS DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,264,951	\$ 1,120,761
Investments	<u>1,320,392</u>	<u>1,280,512</u>
Total assets	<u>\$ 2,585,343</u>	<u>\$ 2,401,273</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 2,585,343	\$ 2,341,273
With donor restrictions	<u>-</u>	<u>60,000</u>
Total net assets	<u>\$ 2,585,343</u>	<u>\$ 2,401,273</u>

See Notes to Financial Statements

# MCKENZIE COUNTY AMBULANCE SERVICE

## STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS – CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Ambulance services	\$ 807,734	\$ -	\$ 807,734
Donations	85,346	-	85,346
Grants	221,438	-	221,438
Refunds	1,594	-	1,594
Miscellaneous revenue	4,070	-	4,070
Taxes collected	449,469	-	449,469
Unit fees	13,531	-	13,531
Net assets released from restriction	60,000	(60,000)	-
Total support and revenue	1,643,182	(60,000)	1,583,182
<b>OPERATING EXPENSES</b>			
Advertising and promotion	745	-	745
Billing fees	22,460	-	22,460
Computer and internet	7,836	-	7,836
Continuing education/training	444	-	444
Equipment	415,605	-	415,605
Insurance	8,868	-	8,868
Meals and entertainment	6,786	-	6,786
Miscellaneous expenses	172	-	172
Postage	110	-	110
Professional fees	10,469	-	10,469
Repairs and maintenance	38,946	-	38,946
Salaries and wages	806,296	-	806,296
Small medical equipment	47,954	-	47,954
Supplies	62,498	-	62,498
Uniforms	888	-	888
Utilities	11,897	-	11,897
Total operating expenses	1,441,974	-	1,441,974
<b>OTHER INCOME</b>	42,862	-	42,862
<b>CHANGE IN NET ASSETS</b>	244,070	(60,000)	184,070
<b>NET ASSETS</b> , beginning of year	2,341,273	60,000	2,401,273
<b>NET ASSETS</b> , end of year	\$ 2,585,343	\$ -	\$ 2,585,343

See Notes to Financial Statements

# MCKENZIE COUNTY AMBULANCE SERVICE

## STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS – CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Ambulance services	\$ 809,909	\$ -	\$ 809,909
Donations	31,936	60,000	91,936
Grants	160,719	-	160,719
Miscellaneous revenue	72,287	-	72,287
Stipends	150,000	-	150,000
	1,224,851	60,000	1,284,851
<b>OPERATING EXPENSES</b>			
Salaries and wages	760,101	-	760,101
Advertising and promotion	1,802	-	1,802
Billing fees	15,060	-	15,060
Computer and internet	12,747	-	12,747
Continuing education/training	3,843	-	3,843
Insurance	11,424	-	11,424
Meals and entertainment	7,299	-	7,299
Miscellaneous expenses	472	-	472
Postage	332	-	332
Professional fees	14,753	-	14,753
Repairs and maintenance	31,302	-	31,302
Supplies	27,656	-	27,656
Uniforms	938	-	938
Utilities	11,717	-	11,717
	899,446	-	899,446
<b>OTHER INCOME</b>	44,416	-	44,416
<b>CHANGE IN NET ASSETS</b>	369,821	60,000	429,821
<b>NET ASSETS</b> , beginning of year	1,971,452	-	1,971,452
<b>NET ASSETS</b> , end of year	\$ 2,341,273	\$ 60,000	\$ 2,401,273

See Notes to Financial Statements

# MCKENZIE COUNTY AMBULANCE SERVICE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Nature of Operations***

McKenzie County Ambulance Service (Organization) is a nonprofit organization organized to provide advanced life support emergency medical services. The organization operates in the State of North Dakota and is primarily funded by its ambulance services, tax collections, and other grants.

In addition to providing services within its jurisdiction, the Organization is also affiliated with other Quick Response Units (QRU), including the Arnegard Rural Fire District QRU and Grassy Butte QRU. Under terms of the affiliation, the Organization is responsible for all patient care standards of the QRU, including the coordination of a system for quality improvement, quality assurance between the Organization and the QRU, providing input on training issues, and providing online medical direction when necessary.

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, revenue is recognized when received, rather than when earned, and expenses are recognized when paid, rather than when the obligation is incurred. Long-term assets and liabilities are not recognized or reported in the statement of assets, liabilities, and net assets – cash basis. Accounting principles generally accepted in the United States of America require the use of the accrual method of accounting.

#### ***Basis of Presentation***

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

#### ***Programs and Services***

The Organization provides advanced life support pre-hospital care and medical transport services. The majority of revenues are from insurance billings, tax revenues and contributions.

# **MCKENZIE COUNTY AMBULANCE SERVICE**

## **NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

### ***Cash and Cash Equivalents***

Cash includes all funds on deposit at the bank. The Organization considers all highly liquid investment accounts with an original maturity of three months or less to be cash equivalents, except for those amounts that are held in an original investment portfolio which are invested for long-term purposes.

### ***Concentrations of Credit Risk***

The Organization maintains cash balances at local banks. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits that are held in the same ownership category are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization's bank balances may exceed the federally insured limits. As of December 31, 2019 and 2018, the Company had funds in excess of FDIC limits in the amount of \$787,555 and \$377,788, respectively.

### ***Investments***

Investments consist of mutual funds, corporate bonds, certificates of deposit, and cash which are stated at the cost basis in the statement of assets, liabilities, and net assets – cash basis.

### ***Property and Equipment***

Under the cash basis of accounting, the Organization does not capitalize any assets. Property and equipment are expensed immediately in the period the transaction occurs.

### ***Contributions***

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenue, expenses and changes in net assets – cash basis as net assets released from restriction.

### ***Contributed Materials, Facilities and Services***

The Organization receives volunteer and other types of contributed services. Contributed materials, facilities, or services are not recognized in the financial statements. Donations of materials, facilities, equipment, and other non-monetary items, including purchases by the Organization at prices significantly less than fair value, are recorded at the cost incurred by the Organization. The Organization did not receive any noncash contributions that meet the criteria described above during the years ended December 31, 2019 and 2018.



# MCKENZIE COUNTY AMBULANCE SERVICE

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### ***Functional Expenses***

The Organization classifies functional expenses into program and supporting services activities, and management and general operational activities. Accordingly, certain costs have been allocated among the different categories. The expenses that are allocated include salaries and wages, employee benefits, and payroll taxes, which are allocated based on estimated time and effort. The percentage of total expenses allocated to the different functional expense categories are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Program and supporting services	91%	85%
Management and general operational activities	9%	15%

### ***Income Tax Exemption***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and by virtue thereof from North Dakota income taxes. The Organization is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the years ended December 31, 2019 and 2018.

With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2016.

### ***Advertising Costs***

Advertising costs are expensed as incurred. These costs totaled \$745 and \$1,802 for the years ended December 31, 2019 and 2018, respectively.

### ***Reclassifications***

Certain amounts in the December 31, 2018 financial statements have been reclassified for comparative purposes to conform with the presentation in the December 31, 2019 financial statements. The reclassifications had no effect on the total change in net assets.

### ***New Accounting Pronouncement***

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

# MCKENZIE COUNTY AMBULANCE SERVICE

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### *Adoption of New Accounting Principles*

In 2018, management adopted a policy of preparing its financial statements on the cash basis of accounting. Prior to 2018, the Organization's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. Management believes that this change results in more relevant financial reporting that is easier and less costly to understand, apply, and use in the Organization's circumstances and considering the needs of the users of the financial statements.

### **NOTE 2 – AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of assets, liabilities, and net assets – cash basis, comprise the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,264,951	\$ 1,120,761
Investments	<u>692,052</u>	<u>662,394</u>
	<u>\$ 1,957,003</u>	<u>\$ 1,783,155</u>

Remaining investments are not restricted funds, just longer held investments that could be subject to a penalty if withdrawn before they expire.

### **NOTE 3 - INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 477,474	\$ 453,707
Corporate bonds	192,639	194,281
Certificates of deposit	628,341	618,119
Cash	<u>21,939</u>	<u>14,405</u>
	<u>\$ 1,320,392</u>	<u>\$ 1,280,512</u>

# MCKENZIE COUNTY AMBULANCE SERVICE

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### NOTE 4 – OTHER INCOME

Other income consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 13,204	\$ 8,332
Dividend income	29,658	36,084
	<u>\$ 42,862</u>	<u>\$ 44,416</u>

### NOTE 5 – OPERATING LEASES

On February 28, 2019, the Organization entered into an operating lease agreement for a copier, which is on a month-to-month basis. Rent expense is \$156 per month through February 2024. Rent expense for the copier lease agreement for the years ended December 31, 2019 and 2018 was \$1,544 and \$0, respectively. Required lease payments are as follows: 2020 - \$1,869; 2021 - \$1,869; 2022 - \$1,869; 2023 - \$1,869; and 2024 - \$467.

### NOTE 6 – OTHER COMMITMENTS

#### *Mutual Aid Agreements*

In October 2014, the Organization entered into a mutual aid agreement with the Killdeer Area Ambulance Service, Inc., whereby each party agrees that in the event of an emergency situation, each party shall furnish personnel, equipment, facilities, or services as are available. The requesting entity is responsible for reimbursement of actual costs of personnel, equipment, facilities, and related resources. The agreement remains in effect until participation is terminated by either party.

In October 2015, the Organization entered into a mutual aid agreement with Community Ambulance Services, Inc. of Beach, North Dakota, whereby each party agrees that in the event of an emergency situation, each party shall furnish personnel, equipment, facilities, or services as are available. The requesting entity is responsible for reimbursement of actual costs of personnel, equipment, facilities, and related resources. The agreement remains in effect until participation is terminated by either party.

In June 2018, the Organization entered into a mutual aid agreement with the Watford City Fire Department, Alexander Fire District, McKenzie County Sheriff's Office, and McKenzie County Emergency Management, whereby each party agrees that in the event of an emergency situation, each party may at its discretion furnish personnel, equipment, facilities, or services. The requesting agency is not responsible for the costs of personnel, equipment, facilities, and related resources incurred by an assisting party for the first operational period. The requesting party is responsible for the costs of personnel, equipment, facilities, and related resources used during any period after the first operational period. The agreement remains in effect until participation is terminated by the participating party.

# **MCKENZIE COUNTY AMBULANCE SERVICE**

## **NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

### **NOTE 7 – CONCENTRATIONS**

State grant awards are typically for one to two years. A major reduction in the level of support and revenue from the above funding sources could have a negative impact on the Organization's ability to maintain its current services. The Organization had certain state grants whose revenue individually represented 10% or more of the Organization's total revenue. The Organization had one state grant award that accounted for 10% of revenue at December 31, 2019 and 17% of revenue at December 31, 2018.

In 2019, the Organization was eligible to begin receiving tax revenues from the county relating to a county emergency medical service levy. A major reduction in the level of support and revenue from the above funding sources could have a negative impact on the Organization's ability to maintain its current services. Total county tax revenues received by the Organization accounted for 27% of revenue during the year ended December 31, 2019. The Organization also received a grant from the county which accounted for 12% of revenue during the year ended December 31, 2018.

The Organization had one vendor that consisted of 29% of the total expenses during the year ended December 31, 2019.

### **NOTE 8 – SUBSEQUENT EVENTS**

On January 15, 2020, the board approved the purchase of a new ambulance. The total cost of the new ambulance is estimated to be \$238,068 less a trade-in value of \$58,000.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic and on March 13, 2020 Governor of North Dakota declared a state of emergency in response to the COVID-19 public health crisis. As a result, economic uncertainties have arisen which are likely to negatively impact revenues. At the current time, we are unable to quantify the potential effects of this pandemic on our future financial statements.

On March 18, 2020, the board received information that the Organization is working with the hospital to develop protocols in response to the COVID-19 public health crisis.

On July 28, 2020, the Organization purchased decontamination equipment for \$30,000.

The Organization has evaluated subsequent events through September 9, 2020, the date which the financial statements were available to be issued.



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**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 Directors  
McKenzie County Ambulance Service  
Watford City, North Dakota

We have audited, 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, the financial statements of McKenzie County Ambulance Service which comprise the statements of assets, liabilities, and net assets — cash basis as of as of and for the year ended December 31, 2019, and the related statements of support, revenue, expenses, and changes in net assets — cash basis and the related notes to the financial statements, and have issued our report thereon dated September 9, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered McKenzie County Ambulance Service'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 McKenzie County Ambulance Service's internal control. Accordingly, we do not express an opinion on the effectiveness of McKenzie County Ambulance Service'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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses we did identify certain deficiencies in internal control over financial reporting 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 2019-001, 2019-002 and 2019-003 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 schedule of findings and responses as item 2019-004 to be a significant deficiency.

### ***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether McKenzie County Ambulance Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **McKenzie County Ambulance Service's Response to Findings**

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

### **Purpose of this Report**

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

  
Bismarck, North Dakota  
September 9, 2020

# **MCKENZIE COUNTY AMBULANCE SERVICE**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

### **2019-001 Lack of Segregation of Duties**

The limited number of personnel prevents a proper segregation of duties necessary to ensure adequate internal control. This is not unusual in organizations of your size, but we believe management should be constantly aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

To reduce the risk created by the limited staff size, we recommend that the Board of Directors remain involved in the financial affairs of the organization to provide oversight and independent review functions, which could include a review of activity in general ledger accounts and a summary of changes in net asset accounts. We also recommend implementing processes involving at least two individuals so cash disbursement transactions can be approved and issued by more than one individual and cash receipts have a decreased likelihood of being diverted.

#### **Management Response:**

The Board of Directors agrees with the finding and will continue our oversight responsibilities and consider implementing a process for two individuals to approve cash disbursements.

### **2019-002 Lack of consistent and timely bank reconciliations**

Bank reconciliations are not performed consistently or as of year-end in agreement with statement dates for material bank accounts. Bank account reconciliations are an important measure to prevent and detect fraudulent bank activity, as well as assessing and addressing performance accurately and in a timely manner.

To improve oversight, especially considering the lack of segregation of duties, we recommend bank reconciliations are performed consistently and reconciliation dates match bank statement dates.

#### **Management Response:**

The Board of Directors agrees with the finding and will ensure reconciliations are done timely and properly.

### **2019-003 Material Adjusting Entries**

During audit procedures performed, we proposed material adjustments that would not have been identified by the company's existing internal control structure. As a result, it is possible that a material error in the company's financial statements may occur. An effective internal control structure should ensure that all material adjustments are recorded in accordance with the applicable financial reporting framework, in this instance, cash basis. It is the responsibility of management and those in charge of governance to determine an appropriate and acceptable degree of risk. Cost and other considerations may affect this decision.

To improve internal control activities to support the achievement of management's objectives, we recommend recording financial transactions in accordance with the financial reporting framework selected by management and the board of directors, and retaining sufficient support for the purpose and approval of the transactions.

# MCKENZIE COUNTY AMBULANCE SERVICE

## SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

We recommend implementing oversight and review procedures to ensure the income and net assets which have been restricted by the contributor for a particular purpose or period of time are recognized separately in the financial information to aid in decision making and strengthen compliance with donor and contributor requirements and reporting. Additionally, we recommend, implementing oversight procedures which include a review of activity on the financial statements and general ledger to ensure compliance with the selected financial reporting framework.

### **Management Response:**

The Board of Directors agrees with the finding and will take steps to address this finding.

### **2019-004 Classification and support of correcting entries**

During audit procedures performed, we noted multiple transactions to cash and other accounts, both before and after year end, to correct various errors, which were inappropriately recorded as deposits or other types of entries. No support could be provided for purpose or approval of these transactions. As a result, it is possible that a material error in the company's financial statements may occur. An effective internal control structure should ensure adjustments and corrections are properly recorded as journal entries, rather than other types of entries which may mislead management and those charged with governance and run the risk of misrepresenting account balances and the financial positions of the entity.

To improve internal control activities to support the achievement of management's objectives, we recommend recording correcting and adjusting entries as a transaction type that clearly indicates the purpose of the transaction in accordance with the financial reporting framework selected by management and the board of directors, and retaining sufficient support for the purpose and approval of the transactions. We recommend implementing oversight and review procedures to ensure the adjustments and corrections are appropriate.

### **Management Response:**

The Board of Directors agrees with the finding and will implement further oversight to ensure adjustments and corrections are appropriate.