

**PARSHALL RURAL AMBULANCE DISTRICT
PARSHALL, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parshall Rural Ambulance District
Parshall, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Parshall Rural Ambulance District as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Parshall Rural Ambulance District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 business-type activities of Parshall Rural Ambulance District, as of December 31, 2020 and 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified 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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 February 4, 2022, on our consideration of Parshall Rural Ambulance District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 Parshall Rural Ambulance District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA**

February 4, 2022

PARSHALL RURAL AMBULANCE DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020 AND 2019

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 310,272	\$ 209,776
Noncurrent assets:		
Restricted cash and cash equivalents	504,022	502,948
Capital assets, net of accumulated depreciation	176,681	238,172
Total assets	\$ 990,975	\$ 950,896
Net Position:		
Net investment in capital assets	\$ 176,681	\$ 238,172
Restricted	504,022	502,948
Unrestricted	310,272	209,776
Total net position	\$ 990,975	\$ 950,896

SEE NOTES TO THE FINANCIAL STATEMENTS

PARSHALL RURAL AMBULANCE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Charges for services	<u>\$ 273,826</u>	<u>\$ 132,252</u>
Total operating revenue	<u>273,826</u>	<u>132,252</u>
Operating expenses:		
Ambulance management services and staffing	348,709	266,176
Building improvements	1,002	2,762
Collection service	7,770	5,801
Depreciation	61,491	57,084
Employee education and training	1,275	1,379
Equipment	5,557	11,182
Insurance	3,992	4,911
Intercepts	1,189	4,672
Professional services	3,680	5,909
Supplies	15,258	18,041
Utilities	7,030	4,940
Vehicle expenses	13,203	13,456
Software expenses	3,676	2,812
Other	<u>1,318</u>	<u>1,004</u>
Total operating expenses	<u>475,150</u>	<u>400,129</u>
Net operating income (loss)	<u>(201,324)</u>	<u>(267,877)</u>
Nonoperating revenue		
Taxes	82,436	86,828
Donations	2,155	104,917
Grants	155,194	34,278
Gain (loss) on disposal of capital assets	-	14,000
Interest and dividends	1,597	2,863
Other revenue	<u>21</u>	<u>22</u>
Total nonoperating revenue	<u>241,403</u>	<u>242,908</u>
Change in net position	40,079	(24,969)
Net position, beginning of year	<u>950,896</u>	<u>975,865</u>
Net position, end of year	<u>\$ 990,975</u>	<u>\$ 950,896</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

PARSHALL RURAL AMBULANCE DISTRICT
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 273,826	\$ 132,252
Payments to suppliers	<u>(413,659)</u>	<u>(343,045)</u>
Net cash provided (used) by operating activities	<u>(139,833)</u>	<u>(210,793)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes	82,436	86,828
Donations	2,155	104,917
Grant proceeds not restricted to capital purposes	145,194	34,278
Other revenue	<u>21</u>	<u>22</u>
Net cash provided (used) by noncapital financing activities	<u>229,806</u>	<u>226,045</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(29,600)
Capital grants	<u>10,000</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>10,000</u>	<u>(29,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends	<u>1,597</u>	<u>2,863</u>
Net cash provided (used) by investing activities	<u>1,597</u>	<u>2,863</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>101,570</u>	<u>(11,485)</u>
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>712,724</u>	<u>724,209</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 814,294</u></u>	<u><u>\$ 712,724</u></u>
RECONCILIATION OF CASH PRESENTATION TO CASH AND CASH EQUIVALENTS		
Current assets		
Cash and cash equivalents	\$ 310,272	\$ 209,776
Noncurrent assets		
Restricted cash and cash equivalents	<u>504,022</u>	<u>502,948</u>
Total cash and cash equivalents	<u><u>\$ 814,294</u></u>	<u><u>\$ 712,724</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (201,324)	\$ (267,877)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	<u>61,491</u>	<u>57,084</u>
Net cash provided (used) by operating activities	<u><u>\$ (139,833)</u></u>	<u><u>\$ (210,793)</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Trade-in allowance capitalized on equipment traded	\$ -	\$ 14,000

SEE NOTES TO THE FINANCIAL STATEMENTS

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

Nature of Operations

The Parshall Rural Ambulance District (the District), Parshall, North Dakota, was established to provide ambulance services to the Parshall community and surrounding area. The Ambulance 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.

Reporting Entity

For financial reporting purposes the Parshall Rural Ambulance District, has included all funds. The Ambulance District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Ambulance District are such that exclusion would cause the Ambulance District's financial statements to be misleading or incomplete. The Governmental 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 Parshall Rural Ambulance District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Parshall Rural Ambulance District. Based on these criteria, there are no component units to be included within the Parshall Rural Ambulance District as a reporting entity.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The accompanying financial statements have been presented using the modified cash basis of accounting. This basis recognizes assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 statements would be prepared on the accrual basis of accounting.

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

The District's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for through a single business-type activity. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. Equity is classified as net position.

Business-type activities distinguish from operating and nonoperating revenues and expenses. Operating revenues and expenses are those that generally result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Revenue from services is reported as operating revenue. Taxes, donations and grants, gains or losses on disposals of capital assets, interest and dividends, and other miscellaneous revenue are reported as nonoperating revenue. All expenses related to operating the District are reported as operating expenses. Interest expense and financing costs are reported as nonoperating.

Cash and Cash Equivalents

Cash and cash equivalents include funds on deposit in checking and savings accounts and certificates of deposit.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent amounts set aside in an emergency medical sinking fund for the replacement of equipment and ambulances in accordance with North Dakota Century Code 11-28.3-09.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. A portion of the cost of the capital assets is charged against earnings each year as depreciation expense. Depreciation is computed on the straight-line basis, over the estimated useful life of the asset. The District established a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The District has established the following useful lives:

Building and improvements	7 to 39 years
Vehicles and equipment	5 to 7 years

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Cash Flow Assumption

Sometimes, the District will fund capital outlays for particular purposes wherein both restricted and unrestricted cash are available for use. The determination of whether the outlay is reported within restricted or unrestricted net position is based on whether restricted or unrestricted cash was utilized for the outlay. Restricted and unrestricted cash are maintained in separate deposit accounts.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as a deferred inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Tax Calendar and Revenues

The District is responsible for levying property taxes, but the taxes are collected by the County. Taxes are levied on January 1 based on assessed values at November 1. Property tax payments are due in two installments—February 15 and October 15. Taxes are considered delinquent after their due date and become a lien on the property at that time. Property taxes can only be delinquent for 3 years before foreclosure.

NOTE 2 CUSTODIAL CREDIT RISK

The District maintains cash deposits at various financial institutions. The amounts on deposit were insured by the FDIC/NCUA up to \$250,000 per financial institution. At December 31, 2020, the District had approximately \$560,000 in excess of the FDIC/NCUA limit on deposit. The entire amount in excess of FDIC/NCUA coverage was insured by pledged securities at December 31, 2020.

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2020 and 2019:

	Balance 1/1/20	Additions	Disposals	Balance 12/31/20
Capital assets being depreciated				
Buildings and improvements	\$ 138,806	\$ -	\$ -	\$ 138,806
Vehicles and equipment	327,388	-	-	327,388
Total capital assets being depreciated	<u>466,194</u>	<u>-</u>	<u>-</u>	<u>466,194</u>
Less accumulated depreciation				
Buildings and improvements	41,645	4,652	-	46,297
Vehicles and equipment	186,377	56,839	-	243,216
Total accumulated depreciation	<u>228,022</u>	<u>61,491</u>	<u>-</u>	<u>289,513</u>
Total capital assets being depreciated, net	<u>238,172</u>	<u>(61,491)</u>	<u>-</u>	<u>176,681</u>
Net capital assets	<u>\$ 238,172</u>	<u>\$ (61,491)</u>	<u>\$ -</u>	<u>\$ 176,681</u>
	Balance 1/1/19	Additions	Disposals	Balance 12/31/19
Capital assets being depreciated				
Buildings and improvements	\$ 138,806	\$ -	\$ -	\$ 138,806
Vehicles and equipment	310,688	43,600	26,900	327,388
Total capital assets being depreciated	<u>449,494</u>	<u>43,600</u>	<u>26,900</u>	<u>466,194</u>
Less accumulated depreciation				
Buildings and improvements	36,993	4,652	-	41,645
Vehicles and equipment	160,845	52,432	26,900	186,377
Total accumulated depreciation	<u>197,838</u>	<u>57,084</u>	<u>26,900</u>	<u>228,022</u>
Total capital assets being depreciated, net	<u>251,656</u>	<u>(13,484)</u>	<u>-</u>	<u>238,172</u>
Net capital assets	<u>\$ 251,656</u>	<u>\$ (13,484)</u>	<u>\$ -</u>	<u>\$ 238,172</u>

Depreciation expense was \$61,491 and \$57,084 for the years ended December 31, 2020 and 2019, respectively.

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE 4 GRANTS

The Ambulance District participates in state grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 5 SERVICE AGREEMENT

The Ambulance District has entered into a service agreement with Ambulance Resources, LLC. Under the agreement, Ambulance Resources, LLC provides staffing of certified paramedics, emergency medical technicians, and CPR drivers to the Ambulance District. All costs associated with the service agreement are included in the expense Ambulance management services and staffing in the Statements of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis.

NOTE 6 RISK MANAGEMENT

The Ambulance 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 (NDRIF), 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 NDRIF for its personal injury, property damage liability, and governance liability insurance coverages. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence.

The District also has a commercial insurance policy for its building and equipment insurance coverages. The coverage under this policy is limited to \$180,250 on the building and \$10,000 on personal property per occurrence.

The District does not participate in the State Bonding Fund which provides fidelity bond coverage to the State of North Dakota and its political subdivisions. However, the District's Treasurer is bonded in the amount of \$5,000 through private insurance.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE 7 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the

PARSHALL RURAL AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2020 AND 2019

plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 8 SUBSEQUENT EVENTS

No subsequent events have occurred subsequent to the Ambulance District's year end. Subsequent events have been evaluated through February 4, 2022, which is the date these financial statements were available to be issued.

**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 Directors
Parshall Rural Ambulance District
Parshall, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards as applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Parshall Rural Ambulance District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Parshall Rural Ambulance District's basic modified cash financial statements and have issued our report thereon dated February 4, 2022.

Internal Control Over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and responses, we did identify 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 2020-001 and 2020-002 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 deficiencies described in the accompanying schedule of findings and responses as items 2020-003 and 2020-004 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parshall Rural Ambulance 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 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*.

Parshall Rural Ambulance District's Response to Findings

The Parshall Rural Ambulance District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Parshall Rural Ambulance District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



**BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA**

February 4, 2022

PARSHALL RURAL AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020-001 - Auditor 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 modified cash basis of accounting.

Condition/Context

The District's personnel prepare periodic financial information for internal use that meet the needs of management and the board of directors. However, the District currently does not prepare the financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The Ambulance District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend that the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by Parshall Rural Ambulance District management that it is in the best interest of Parshall Rural Ambulance District and all interested parties to have the financial statements prepared by the auditing firm at the time of the audit.

Indication of Repeat Finding

This is a repeat finding.

PARSHALL RURAL AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020-002 - Segregation of Duties - Material Weakness

Criteria

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

Condition/Context

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

Cause

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

Effect

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

Recommendation

The areas of authorization, custody, record keeping, and reconciliation 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 management and the board.

Views of Responsible Officials and Planned Corrective Actions

Due to the size of the District, it is currently not cost effective for the Ambulance District to maintain the staff necessary to negate this finding. The District will review again when it is determined to become cost effective.

Indication of Repeat Finding

This is a repeat finding.

PARSHALL RURAL AMBULANCE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020-003 – Backdated Check - Significant Deficiency

Criteria

Checks should be dated and recorded in the period written.

Condition/Context

The District's December 31, 2020 bank reconciliation did not reconcile to the general ledger because of a check written in January 2021 which was dated and recorded on December 31, 2020.

Cause

The District's controls failed to prevent the disbursement from being recorded in the improper period.

Effect

The District's cash and change in net position was understated as of December 31, 2020.

Recommendation

The District should date and record checks in the period written and bank reconciliations should be reviewed for accuracy by personnel independent of their preparation.

Views of Responsible Officials and Planned Corrective Actions

The District has designed and implemented controls to prevent and/or detect backdated checks to include dual signatures required on all checks and review of bank reconciliations. The District will continue with these controls that have already been implemented. The District will also inform and educate staff on proper dating and recording of checks.

PARSHALL RURAL AMBULANCE SERVICE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020-004 – Duplicate Invoices - Significant Deficiency

Criteria

Invoices received by the District for goods purchased or services received should be reviewed for accuracy and determination of whether the invoice is the obligation of the District.

Condition/Context

The District paid two invoices that related to the same service when only one should have been paid.

Cause

The invoices received by the District did not contain the detail necessary to determine the goods or services provided which were being charged to the District on the related invoice.

Effect

The District paid for the same service on two separate invoices which resulted in an unnecessary cash outflow for the year ended December 31, 2020.

Recommendation

The District's invoices should be reviewed for accuracy and determination of whether the invoice is the obligation of the District. If invoices do not contain the detail necessary to make this determination, inquiries should be made of the vendor.

Views of Responsible Officials and Planned Corrective Actions

The District has implemented controls designed to prevent and/or detect situations such as these to include review of invoices by multiple personnel and dual signatures required for all checks. The District will continue with these controls as designed, however, the District will request more detailed invoices from vendors as determined to be necessary.

PARSHALL RURAL AMBULANCE DISTRICT
CORRECTIVE ACTION PLAN
DECEMBER 31, 2020 AND 2019

2020-001

Contact Person

Ken Ruud, Board Vice President

Corrective Action Plan

The Ambulance District will implement the plan when and if it becomes cost effective.

Completion Date

Not applicable.

2020-002

Contact Person

Ken Ruud, Board Vice President

Corrective Action Plan

The Ambulance District will implement the plan when and if it becomes cost effective.

Completion Date

Not applicable.

2020-003

Contact Person

Ken Ruud, Board Vice President

Corrective Action Plan

The District will date and record all checks in the proper period.

Completion Date

December 31, 2021

2020-004

Contact Person

Ken Ruud, Board Vice President

Corrective Action Plan

The District will request more detailed invoices from vendors as determined to be necessary.

Completion Date

December 31, 2021