STANLEY RURAL AMBULANCE SERVICE DISTRICT
STANLEY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

BradyMartz

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities of Stanley Rural Ambulance Service District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Stanley Rural Ambulance Service District's basic financial statements as listed in the table of contents.

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 Stanley Rural Ambulance Service District, as of December 31, 2021 and 2020, 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 for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stanley Rural Ambulance Service District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - 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.

.

Responsibilities of Management 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 described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stanley Rural Ambulance Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stanley Rural Ambulance Service District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of Stanley Rural Ambulance Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Stanley Rural Ambulance Service District's internal control over financial reporting and compliance.

Brady Martz

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

September 29, 2023

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 147,646	$ 321,928
Noncurrent assets:		
Restricted cash and cash equivalents	252,660	452,634
Capital assets, net of accumulated depreciation	1,608,096	1,432,374
Total assets	2,008,402	2,206,936
LIABILITIES		
Current liabilities:		
Note payable, current portion	47,856	-
Long-term liabilities:		
Note payable, net of current portion	175,388	-
Total liabilities	223,244	-
NET POSITION		
Net investment in capital assets	1,384,852	1,432,374
Restricted, ambulances and equipment	252,660	452,634
Unrestricted	147,646	321,928
Total net position	$ 1,785,158	$ 2,206,936

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenue:		
Charges for services	$ 177,523	$ 323,696
Operating Expenses:		
Contract labor	693,436	701,443
Vehicle expenditures	7,381	12,151
Medical supplies	34,860	40,962
Repairs and maintenance	5,582	8,276
Collections and billing	6,785	7,592
Professional fees	33,017	17,865
Hall supplies	14,763	16,702
Insurance	4,393	3,621
Advertising	52	99
Utilities	15,371	14,390
Subscriptions	1,942	2,742
Depreciation	136,972	137,687
Miscellaneous	177	1,486
Total operating expenses	954,731	965,016
Net Operating Revenue (Loss)	(777,208)	(641,320)
Nonoperating Revenue (Expenses)		
Taxes	334,221	490,304
Contributions and donations	1,502	3,950
Federal and state grants	9,000	34,898
Sale of equipment	15,500	2,009
Interest income	45	137
Interest expense	(4,838)	-
Total nonoperating revenue (expenses)	355,430	531,298
Change in net position	(421,778)	(110,022)
Net position, beginning of year	2,206,936	2,316,958
Net position, end of year	$ 1,785,158	$ 2,206,936

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 177,523	$ 323,696
Payments to suppliers	(817,759)	(827,329)
Net cash provided (used) by operating activities	(640,236)	(503,633)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes	334,221	490,304
Contributions and donations	1,502	3,950
Grant proceeds not restricted to capital purposes	9,000	32,398
Net cash provided (used) by noncapital financing activities	344,723	526,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets	15,500	3,000
Acquisition of capital assets	(62,323)	-
Capital grants	-	2,500
Repayment of note payable	(27,127)	-
Interest expense on note payable	(4,838)	-
Net cash provided (used) for capital and related financing activities	(78,788)	5,500
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	45	137
Net cash provided (used) by investing activities	45	137
NET CHANGE IN CASH AND CASH EQUIVALENTS	(374,256)	28,656
CASH AND CASH EQUIVALENTS - JANUARY 1	774,562	745,906
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 400,306	$ 774,562
RECONCILIATION OF CASH PRESENTATION TO CASH AND CASH EQUIVALENTS		
Current assets		
Cash and cash equivalents	$ 147,646	$ 321,928
Noncurrent assets		
Restricted cash and cash equivalents	252,660	452,634
Total cash and cash equivalents	$ 400,306	$ 774,562
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (777,208)	$ (641,320)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	136,972	137,687
Net cash provided (used) by operating activities	$ (640,236)	$ (503,633)
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets acquired with note payable	$ 250,371	$ -

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Nature of Operations

The Stanley Rural Ambulance Service District (the District), Stanley, North Dakota, was established to provide ambulance services to the Stanley 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 Stanley Rural Ambulance Service District, has included all funds. The 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 District are such that exclusion would cause the 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 Stanley Rural Ambulance Service District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Stanley Rural Ambulance Service District. Based on these criteria, there are no component units to be included within the Stanley Rural Ambulance Service District as a reporting entity.

Basis of Accounting

The basis of accounting determines when transactions are recorded 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.

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 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.

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 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, 2021, the District had approximately $129,000 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, 2021.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

	Balance 1/1/21	Additions	Disposals	Balance 12/31/21
Capital assets being depreciated				
Buildings and improvements	$ 1,449,352	$ -	$ -	$ 1,449,352
Vehicles and equipment	834,051	312,694	133,895	1,012,850
Total capital assets being depreciated	2,283,403	312,694	133,895	2,462,202
Less accumulated depreciation				
Buildings and improvements	172,968	38,025	-	210,993
Vehicles and equipment	678,061	98,947	133,895	643,113
Total accumulated depreciation	851,029	136,972	133,895	854,106
Total capital assets being depreciated, net	1,432,374	175,722	-	1,608,096
Net capital assets	$ 1,432,374	$ 175,722	$ -	$ 1,608,096

	Balance 1/1/20	Additions	Disposals	Balance 12/31/20
Capital assets being depreciated				
Buildings and improvements	$ 1,449,352	$ -	$ -	$ 1,449,352
Vehicles and equipment	843,301	-	9,250	834,051
Total capital assets being depreciated	2,292,653	-	9,250	2,283,403
Less accumulated depreciation				
Buildings and improvements	134,943	38,025	-	172,968
Vehicles and equipment	586,658	99,662	8,259	678,061
Total accumulated depreciation	721,601	137,687	8,259	851,029
Total capital assets being depreciated, net	1,571,052	(137,687)	991	1,432,374
Net capital assets	$ 1,571,052	$ (137,687)	$ 991	$ 1,432,374

Depreciation expense was $136,972 and $137,687 for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 NOTE PAYABLE

Note payable activity for the year ended December 31, 2021 was as follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21	Due Within One Year
BNC National Bank	$ -	$ 250,371	$ 27,127	$ 223,244	$ 47,856

The note payable with BNC National Bank carries a fixed interest rate of 3.23%, is secured by a 2021 International Super Chief 1 Ambulance, and matures on May 11, 2026.

The future required payments on the note payable including interest are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 47,856	$ 6,504	$ 54,360
2023	49,425	4,935	54,360
2024	51,045	3,315	54,360
2025	52,719	1,641	54,360
2026	22,199	177	22,376
	$223,244	$16,572	$239,816

NOTE 5 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 6 SERVICE AGREEMENT

The 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 District. All costs associated with the service agreement are included in the expense contract labor in the Statements of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis.

NOTE 7 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.

The Stanley Rural Ambulance Service District 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 the replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado fund is reinsured by a third-party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the Stanley Rural Ambulance Service District with blanket fidelity bond coverage in the amount of $379,000 for its employees or contractors. The State Bonding Fund does not currently charge any premium for this coverage.

The District also pays an annual premium to BBH insurance for its general liability insurance, auto insurance, inland marine insurance coverage, and portable equipment insurance coverage. The coverage by BBH is limited to losses of $1,000,000 per occurrence for general liability, auto, and inland marine, and guaranteed replacement value for portable equipment.

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 personal injury, property damage liability, and governance liability insurance coverages. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

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.

NOTE 8 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. 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.

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 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.

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 9 SUBSEQUENT EVENTS

The District paid the note detailed in Note 4 of these financial statements in full on May 13, 2022.

No other subsequent events have occurred subsequent to the District's year end. Subsequent events have been evaluated through September 29, 2023, 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
Stanley Rural Ambulance Service District
Stanley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards 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 Stanley Rural Ambulance Service District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Stanley Rural Ambulance Service District's basic modified cash financial statements and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Stanley Rural Ambulance Service District's internal control over financial reporting (internal control) as a basis for designing 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 Stanley Rural Ambulance Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Stanley Rural Ambulance Service 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 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. 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.

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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanley 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-003. Another matter, not requiring disclosure, however, that management desired to disclose in this report, is presented as item 2021-004.

Stanley Rural Ambulance Service District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Stanley Rural Ambulance Service District's response to the findings identified in our audits and described in the accompanying Schedule of Findings and Responses. The Stanley Rural Ambulance Service District's responses were not subjected to the other 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

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

September 29, 2023

2021-001 - 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 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 audtiors 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 financial, efficiency and time constraints, it has been determined by Stanley Rural Ambulance Service District that it is in the best interest of Stanley Rural Ambulance Service 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.

2021-002 - 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 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.

2021-003 – Noncompliance with Laws and Regulations – Cash Disbursements

Criteria
According to North Dakota Century Code (NDCC) 11-28.3-11, Claim vouchers shall be authorized by the board of directors and shall bear the signature of the secretary-treasurer and the countersignature of the president.

Condition/Context
For the years ended December 31, 2021 and 2020, the District's checks were being signed by the board president with the countersignature of the board vice-president. In addition, the District's meeting minutes did not include direct evidence of expense checks being reviewed and authorized by the board of directors.

Cause
The District's controls were not designed to comply with the requirements of NDCC 11-28.3-11.

Effect
Cash disbursements were made that did not comply with the requirements of NDCC 11-28.3-11.

Recommendation
While the District had controls in place surrounding cash disbursements including requiring dual signatures on checks and review of the monthly bank statements and corresponding reconciliations by the secretary-treasurer, we would recommend the District change their cash disbursement process to comply with the requirements of NDCC 11-28.3-11.

Views of Responsible Officials and Planned Corrective Actions
Responsible officials are in agreement with this finding and corrective actions were taken subsequent to year end. See the corrective action plan.

2021-004 – Other Compliance Matter Not Requiring Disclosure – Secretary-Treasurer Bonding

NDCC 11-28.3-09 states that the secretary-treasurer of the rural ambulance service district shall be bonded in the amount of at least five thousand dollars. The District's secretary-treasurer was not bonded during the years ended December 31, 2021 and 2020. We would recommend the District obtain bonding for their secretary-treasurer to comply with these requirements.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
CORRECTIVE ACTION PLAN
DECEMBER 31, 2021 AND 2020

2021-001

Contact Person
Charlie Sorenson, Board President

Corrective Action Plan
The District will implement the plan when and if it becomes cost effective.

Completion Date
Not applicable.

2021-002

Contact Person
Charlie Sorenson, Board President

Corrective Action Plan
The District will implement the plan when and if it becomes cost effective.

Completion Date
Not applicable.

2021-003

Contact Person
Charlie Sorenson, Board President

Corrective Action Plan
The District corrected their cash disbursement process in 2022 to comply with the requirements of NDCC 11-28.3-11.

Completion Date
Not applicable.

2021-004

Contact Person
Charlie Sorenson, Board President

Corrective Action Plan
The District intends to obtain the appropriate bonding in 2023 in order to comply with the requirements of NDCC 11-28.3-09.

Completion Date
July 1, 2023