

**LIDGERWOOD RURAL AMBULANCE
SERVICE DISTRICT
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2016**

Nadine Julson, LLC

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

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December 31, 2016

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LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

OFFICIAL DIRECTORY
December 31, 2016

| | |
|------------------|------------------|
| DuWayne Irwin | President |
| Karl Fredrickson | Vice - President |
| Carie Illies | Secretary |
| Joe Smykowski | Director |
| Randy Heley | Director |
| Kathy Skroch | Director |
| Jim Prchal | Director |
| Sandy Fossum | Business Manager |



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Lidgerwood Rural Ambulance Service District as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the 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 described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Lidgerwood Rural Ambulance Service District, Lidgerwood, North Dakota, as of December 31, 2016, and the respective changes in modified cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a reported dated September 20, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lidgerwood Rural Ambulance Service District's internal control over financial reporting and compliance.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
September 20, 2017

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT

Lidgerwood, North Dakota

Management Discussion and Analysis

Year Ended December 31, 2016

As management of the Lidgerwood Rural Ambulance Service District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

Financial Highlights

Key financial highlights for the year ended December 31, 2016:

The District received \$21,210 from a rural EMS grant, \$1,200 in EMS personnel training grants, \$1,500 donations from Ottertail Power and Red River Communications Common Cents and \$12,485 in general donations.

Using this Annual Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund with all governmental funds presented in total in one column.

Reporting on the District as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Lidgerwood Rural Ambulance Service District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended December 31, 2016?"

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

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

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

The government-wide financial statements can be found on pages 9-10 of this report.

Reporting on the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lidgerwood Rural Ambulance Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one governmental fund.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management Discussion and Analysis - Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and

Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund is considered a "major fund". The District does not have any other governmental funds.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

The Lidgerwood Rural Ambulance Service District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-19 of this report.

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of December 31, 2016 and 2015. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lidgerwood Rural Ambulance Service District, net position increased by \$37,511 for the year ending December 31, 2016.

The District's net position at December 31, 2016 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management Discussion and Analysis - Continued

Table I
Net Position
December 31,

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Assets and Deferred Outflows of Resources: | | |
| Current Assets | \$ 255,155 | \$ 263,738 |
| Capital Assets (net of depreciation) | <u>260,724</u> | <u>213,957</u> |
| Total Assets and Deferred Outflows of Resources | 515,879 | 477,695 |
| Liabilities and Deferred Inflows of Resources: | | |
| Current Liabilities | <u>2,834</u> | <u>2,161</u> |
| Total Liabilities and Deferred Inflows of Resources | 2,834 | 2,161 |
| Net Position: | | |
| Net Investment in Capital Assets | 260,724 | 213,957 |
| Restricted | 180,453 | 205,509 |
| Unrestricted | <u>71,868</u> | <u>56,068</u> |
| Total Net Position | <u>\$ 513,045</u> | <u>\$ 475,534</u> |

Table II shows the changes in net position for the fiscal years ended December 31, 2016 and 2015.

Table II
Changes in Net Position
For the Years Ended December 31,

| | 2016 | 2015 |
|-------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 43,177 | \$ 59,771 |
| Operating Grants and Contributions | 41,145 | 20,267 |
| General Revenues: | | |
| Property Taxes | 82,575 | 77,743 |
| Interest and Miscellaneous Earnings | <u>306</u> | <u>1,253</u> |
| Total Revenues | <u>\$ 167,203</u> | <u>\$ 159,034</u> |
| Expenses: | | |
| Ambulance Services | <u>\$ 129,692</u> | <u>\$ 134,643</u> |
| Total Expenses | <u>129,692</u> | <u>134,643</u> |
| Change in Net Position | <u>\$ 37,511</u> | <u>\$ 24,391</u> |

Taxes made up 49%, charges for services 26% and operating grants and contributions constituted 25% of the total revenues of governmental activities of the District for the year ended December 31, 2016.

Ambulance services constituted 100% of total expenditures for governmental activities during the year.

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

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management Discussion and Analysis - Continued

Table III
Total and Net Cost of Services
For the Years Ended December 31,

| | Total Cost | | Net Cost | |
|--------------------|------------|------------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Ambulance Services | \$ 129,692 | \$ 134,643 | \$ 45,370 | \$ 54,605 |

Financial Analysis of the Government's Funds

As noted earlier, the Lidgerwood Rural Ambulance Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Lidgerwood Rural Ambulance Service District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for using the modified cash basis of accounting.

The District's governmental funds had total revenues of \$167,203 and expenditures of \$176,459 for the year ended December 31, 2016. As of December 31, 2016, the District's general fund balance was \$252,321.

General Fund Budgetary highlights

During the year ended December 31, 2016, revenues were more than budgetary estimates by \$4,900 and expenditures were more than budgetary estimates by \$47,059. Expenditures in excess of budget was from capital outlay during construction of a new building.

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

Capital Assets

As of December 31, 2016, the Lidgerwood Rural Ambulance Service District had \$260,724 invested in capital assets, Table IV shows the balances at December 31, 2016 and 2015.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
December 31,

| | 2016 | 2015 |
|--|----------------|----------------|
| Construction in Progress | - | 150,226 |
| Buildings and Improvements | 207,933 | - |
| Equipment | 52,791 | 63,731 |
| Total Capital Assets (net of accumulated depreciation) | <u>260,724</u> | <u>213,957</u> |

This total represents a net increase of \$46,767 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 of the audited financial statements that follow this analysis.

Debt Administration

As of December 31, 2016, the Lidgerwood Rural Ambulance Service District did not have any debt.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Management Discussion and Analysis - Continued

For the Future

The District was able to move into the new building in early 2016. The new building will allow better training opportunities and will enable our ambulance squad to better serve the community. We are also focusing on updating our equipment which includes a new ambulance rig. The District has set up a vehicle replacement account for this and have been honored to have received many donations for this. We hopefully will be able to reach our goal in early 2017. The District has not incurred any debt for the new building and hopes to purchase a new ambulance rig without debt issuance.

Contacting the Districts Financial Management

This financial report is designed to provide our customers, taxpayers and creditors with a general overview of the Lidgerwood Rural Ambulance Service District's finances and to show the District's accountability for the money it receives to provide the best possible service. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Sandy Fossum at 23 Wiley Ave N Lidgerwood, North Dakota, 58053, 701-538-4566.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2016

| | |
|--|-------------------|
| ASSETS | |
| Current Assets | |
| Cash and Investments | \$ 74,702 |
| Savings and Certificate of Deposit | <u>180,453</u> |
| Total Current Assets | 255,155 |
| Capital Assets | |
| Depreciable, net of accumulated depreciation | |
| Buildings | 207,933 |
| Equipment | <u>52,791</u> |
| Total Capital Assets | <u>260,724</u> |
| Total Assets | 515,879 |
| LIABILITIES | |
| Accrued Liabilities | <u>2,834</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 260,724 |
| Restricted | 180,453 |
| Unrestricted | <u>71,868</u> |
| Total Net Position | <u>\$ 513,045</u> |

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|-----------------------------------|-------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | |
| Ambulance Services | \$ 129,692 | \$ 43,177 | \$ 41,145 | \$ (45,370) |
| Total Governmental Activities | <u>\$ 129,692</u> | <u>\$ 43,177</u> | <u>\$ 41,145</u> | <u>(45,370)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Taxes Levied for General Purposes | | | | 82,575 |
| Interest and Investment Earnings | | | | 70 |
| Miscellaneous | | | | <u>236</u> |
| Total General Revenues | | | | <u>82,881</u> |
| Change in Net Position | | | | 37,511 |
| Net Position, Beginning of Year | | | | <u>475,534</u> |
| Net Position, End of Year | | | | <u>\$ 513,045</u> |

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
December 31, 2016

| | <u>Major Fund</u> |
|--|---------------------|
| | <u>General Fund</u> |
| ASSETS | |
| Cash and Investments | \$ 74,702 |
| Cash - Savings and Certificates of Deposit | <u>180,453</u> |
| Total Assets | <u>\$ 255,155</u> |
| LIABILITIES | |
| Accrued Liabilities | <u>\$ 2,834</u> |
| FUND BALANCE | |
| Committed | 180,453 |
| Unassigned | <u>71,868</u> |
| Total Fund Balance | <u>252,321</u> |
| Total Liabilities and Fund Balance | <u>\$ 255,155</u> |

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2016

| | | | |
|--|------------------|----|----------------|
| Total Fund Balances - Governmental Funds | | \$ | 252,321 |
| Total net position reported for government activities in the statement of net position is different because: | | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. | | | |
| Cost of Capital Assets | 431,222 | | |
| Less Accumulated Depreciation | <u>(170,498)</u> | | |
| Net Capital Assets | | | <u>260,724</u> |
| Net Position of Governmental Activities | | \$ | <u>513,045</u> |

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
Year Ended December 31, 2016

| | <u>Major Fund</u> |
|--|--------------------------|
| | <u>General Fund</u> |
| REVENUES | |
| Local Sources | \$ 125,752 |
| State Sources | 25,410 |
| Donations | 15,735 |
| Interest Income | 70 |
| Miscellaneous Income | <u>236</u> |
| Total Revenues | 167,203 |
| EXPENDITURES | |
| Current | |
| Salaries and Benefits | 60,287 |
| Purchased Services | 15,900 |
| Ambulance Expenses | 24,959 |
| Supplies | 2,812 |
| Capital Outlay | |
| Facilities Acquisition and Construction | <u>72,501</u> |
| Total Expenditures | <u>176,459</u> |
| Deficiency of Revenues over Expenditures | (9,256) |
| FUND BALANCE, BEGINNING OF YEAR | <u>261,577</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 252,321</u></u> |

See Notes to Financial Statements

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (9,256)

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

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

46,767

Changes in Net Position of Governmental Activities

\$ 37,511

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lidgerwood Rural Ambulance Service District Lidgerwood, North Dakota (the District) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Lidgerwood Rural Ambulance Service District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Lidgerwood Rural Ambulance Service District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Lidgerwood Rural Ambulance Service District.

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

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Lidgerwood Rural Ambulance Service District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

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

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

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT

Notes to Financial Statements - Continued

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

D. Cash and Investments

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

E. Capital Assets

Capital assets include building and equipment. Assets are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

I. Fund Balances and Net Position

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

Fund Balance Spending Policy:

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

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

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

| <u>CLASSIFICATION</u> | <u>DEFINITION</u> | <u>EXAMPLES</u> |
|-----------------------|--|--|
| Nonspendable | Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. | Inventories, prepaid amounts (expenses), long-term receivables, endowment funds. |

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT

Notes to Financial Statements - Continued

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

Committed Fund Balances

The equipment replacement, building and squad funds have been committed by the Board for equipment, building improvements and squad approved requests.

Unassigned Fund Balance

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

Net Position

Lidgerwood Rural Ambulance Service District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended December 31, 2016.

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

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

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

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – General fund expenditures exceeded appropriations for the year ended December 31, 2016 by \$47,059. Excess expenditures resulted from capital outlays for a new building.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT

Notes to Financial Statements - Continued

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end December 31, 2016, the District's carrying amounts of deposits was \$255,155 and the bank balances were \$261,524. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2016, the District held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 - PROPERTY TAXES

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

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

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

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT**Notes to Financial Statements - Continued****NOTE 5 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2016</u> |
|---|---------------------------------------|------------------|--------------------|--|
| Governmental Activities: | | | | |
| Construction in Progress | 150,226 | - | (150,226) | - |
| Total Capital Assets, not being depreciated | 150,226 | - | (150,226) | - |
| Capital Assets, being depreciated: | | | | |
| Buildings and Improvements | - | 211,816 | - | 211,816 |
| Equipment | 208,495 | 10,911 | - | 219,406 |
| Total Capital Assets, being depreciated | 208,495 | 222,727 | - | 431,222 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | - | 3,883 | - | 3,883 |
| Equipment | 144,764 | 21,851 | - | 166,615 |
| Total Accumulated Depreciation | 144,764 | 25,734 | - | 170,498 |
| Total Capital Assets Being Depreciated, Net | 63,731 | 196,993 | - | 260,724 |

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

| | |
|--------------------------|-----------|
| Governmental Activities: | |
| Ambulance Services | \$ 25,734 |

NOTE 6 - RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability and auto coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

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

The District participates in the North Dakota Worker's Compensation Bureau.

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

NOTE 7 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 20, 2017, the date on which the financial statements were available to be issued.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - GENERAL FUND
For the Year Ended December 31, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------|------------|---|
| REVENUES | | | | |
| Local Sources | \$ 140,782 | \$ 140,782 | \$ 125,752 | \$ (15,030) |
| State Sources | 17,027 | 17,027 | 25,410 | 8,383 |
| Donations | 3,990 | 3,990 | 15,735 | 11,745 |
| Interest Income | 249 | 249 | 70 | (179) |
| Miscellaneous | 255 | 255 | 236 | (19) |
| Total Revenues | 162,303 | 162,303 | 167,203 | 4,900 |
| EXPENDITURES | | | | |
| Current | | | | |
| Salaries and Benefits | 76,500 | 76,500 | 60,287 | 16,213 |
| Purchased Services | 15,000 | 15,000 | 15,900 | (900) |
| Ambulance Expenses | 35,450 | 35,450 | 24,959 | 10,491 |
| Supplies | 2,450 | 2,450 | 2,812 | (362) |
| Capital Outlay | | | | |
| Facilities Acquisition and Construction | - | - | 72,501 | (72,501) |
| Total Expenditures | 129,400 | 129,400 | 176,459 | (47,059) |
| Deficiency of Revenues over Expenditures | 32,903 | 32,903 | (9,256) | (42,159) |
| FUND BALANCE, BEGINNING OF YEAR | | | 261,577 | |
| FUND BALANCE, END OF YEAR | | | \$ 252,321 | |

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget on a modified cash basis, which is the same basis that the District prepares its financial statement for the general fund.

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

- The annual budget must be prepared and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by August 25th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities the major fund of the Lidgerwood Rural Ambulance Service District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Lidgerwood Rural Ambulance Service District's basic financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2016-001, 2016-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lidgerwood Rural Ambulance Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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.

District's Response to Findings

Lidgerwood Rural Ambulance Service District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lidgerwood Rural Ambulance Service District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Nadine Julson, LLC
Wahpeton, North Dakota
September 20, 2017

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

| | | | | |
|--|---|-----|---|---------------|
| Material weakness(es) identified? | X | Yes | | No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | | Yes | X | None Reported |
| Noncompliance material to financial statements noted? | | Yes | X | No |

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 LACK OF SEGREGATION OF DUTIES

Criteria:

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

Condition

As part of obtaining reasonable assurance about whether Lidgerwood Rural Ambulance Service District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Effect

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

Recommendation

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

Views of Responsible Officials

There is no disagreement with the audit finding.

**LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

2016-002 PREPARATION OF FINANCIAL STATEMENTS

Criteria

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

Condition

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

Effect

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

Recommendation

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

Views of Responsible Officials

There is no disagreement with the audit finding.

LIDGERWOOD RURAL AMBULANCE SERVICE DISTRICT
Lidgerwood, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2016

Prior Financial Statement Findings:

2015-001

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

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2016-001.

2015-002

A material weakness was reported for preparing financial statements.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional resources and training in financial statement presentation is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. This material weakness continues to exist under the current audit findings as finding number 2016-002.

2015-003

A material weakness was reported for IRS 1099 informational reporting.

Corrective Action Plan

This finding has been resolved by management for the current year.