AMBULANCE COMMISSION OF SHELBY COUNTY

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

AMBULANCE COMMISSION OF SHELBY COUNTY

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AMBULANCE COMMISSION OF SHELBY COUNTY
Board of Directors
June 30, 2016

Name	Title
Barry Jacobsen	Hospital CEO
Larry Miller	Hospital Board Member
David Pedersen	Harlan City Councilman
Terry Cox	Harlan City Manager
Dr. Scott Markham D.O.	Hospital Physician

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ambulance Commission of Shelby County
Harlan, Iowa

Report on the Financial Statements

We have audited the accompanying statements of cash receipts, disbursements, and changes in cash balance of the Ambulance Commission of Shelby County as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Commission'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Ambulance Commission of Shelby County as of June 30, 2016 and 2015, and the changes in its cash basis financial position for the years then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2016 on our consideration of the Ambulance Commission of Shelby County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Ambulance Commission of Shelby County's internal control over financial reporting and compliance.

Gronewald, Bell, Kyhnn + Co. P.C.
Atlantic, Iowa
August 19, 2016

AMBULANCE COMMISSION OF SHELBY COUNTY
Statements of Cash Receipts, Disbursements, and Changes in Cash Balance
Year Ended June 30,

	2016	2015
Operating Receipts:		
Myrtue Medical Center	$ 94,000	$ 75,336
City of Harlan	47,004	33,919
Total operating receipts	141,004	109,255
Operating Disbursements:		
Ambulance service subsidy	78,000	78,000
Professional fees	1,534	1,381
Shelby County EMS	9,500	9,500
Insurance and supplies	1,604	1,704
Total operating disbursements	90,638	90,585
Excess of operating receipts over disbursements	50,366	18,670
Non-operating receipts:		
Interest	58	63
Net change in cash balance	50,424	18,733
Cash balance beginning of year	55,208	36,475
Cash balance end of year	$ 105,632	$ 55,208
Cash Basis Fund Balance		
Unrestricted	$ 105,632	$ 55,208

The accompanying notes are an integral part of this statement.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Ambulance Commission of Shelby County was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to assure that ambulance service is provided to the citizens of Harlan, Iowa and Shelby County, Iowa. The Commission has contracted with Medivac Corp. (Medivac) to provide the ambulance service. The ambulances are owned by the Commission and provided to Medivac for their use. Annually the Commission provides a subsidy to Medivac ($78,000) to assist in operating costs.

The governing body of the Ambulance Commission of Shelby County is composed of:

a. CEO of Myrtue Medical Center (Hospital)
b. One Hospital Board member
c. Mayor of the City of Harlan (appoints representative)
d. Harlan City Administrator
e. Hospital Trauma Services Medical Director (licensed physician)

All five board members are entitled to vote.

2. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

3. Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Commission are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

NOTE B - DEPOSITS

The Commission's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE C - RELATED PARTIES

As participants in the Ambulance Commission of Shelby County 28E Agreement, Myrtue Medical Center and the City of Harlan are considered to be related parties. During the year ended June 30, 2016, they contributed $94,000 and $47,004, respectively to the Commission ($75,336 and $33,919 in 2015).

NOTE D - COMMITMENTS AND CONTINGENCIES

2016-17 Committed Payments

The Commission has committed to pay Medivac Corp. (the ambulance service operator) $78,000 as a subsidy for the year ending June 30, 2017.

Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the Commission's existence.

Subsequent Event

The Commission has evaluated all subsequent events through August 19, 2016, the date the financial statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

To the Board of Directors
Ambulance Commission of Shelby County
Harlan, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ambulance Commission of Shelby County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Ambulance Commission of Shelby County's basic financial statements and have issued our report thereon dated August 19, 2016. Our report expressed an unmodified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ambulance Commission of Shelby County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ambulance Commission of Shelby County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ambulance Commission of Shelby County'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 16-I-A.

To the Board of Directors
Ambulance Commission of Shelby County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ambulance Commission of Shelby County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

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

Purpose of this Report

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

Grouewold, Bell, Kyhnn + Co. P.C.

Atlantic, Iowa
August 19, 2016

AMBULANCE COMMISSION OF SHELBY COUNTY
Schedule of Findings and Responses
Year Ended June 30, 2016

PART I - SIGNIFICANT DEFICIENCIES

16-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Commission. However, this situation is common in small organizations.

Recommendation: We recognize that it may not be economically feasible for the Commission to contract for additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the directors be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The directors are aware of this lack of segregation of duties, but it is not economically feasible for the Commission to contract for additional personnel for this reason. The directors will continue to act as an oversight group.

Conclusion: Response accepted.

* * *