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April 3, 2018

Board of Directors  
Tri-Creek Ambulance Service Agency, Inc.  
1331 E. Commercial Ave.  
Lowell, IN 46356

We have reviewed the report prepared by Tri-Creek Ambulance Service Agency, Inc. and opined upon by McMahon and Associates CPAs, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Tri-Creek Ambulance Service Agency, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, McMahon and Associates CPAs, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

TRI-CREEK AMBULANCE  
SERVICE AGENCY, INC

AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Tri-Creek Ambulance Service Agency, Inc.  
Lowell, Indiana

We have audited the accompanying financial statements of the Tri-Creek Ambulance Service Agency, Inc. (a governmental entity), which comprise the statements of assets, liabilities, and net assets - cash basis as of December 31, 2016 and 2015, and the related statements of support, revenue, and expenses - cash basis, and functional expenses - cash basis for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and



the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-Creek Ambulance Services Agency Inc. as of December 31, 2016 and 2015, and the changes in its net assets for the years then ended in accordance with the cash basis of accounting as described in Note 1.

#### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of Tri-Creek Ambulance Services Agency Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-Creek Ambulance Services Agency Inc.'s internal control over financial reporting and compliance.

#### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of governmental support are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



McMahon & Associates Certified Public Accountants, P.C.  
Munster, Indiana

September 26, 2017

INDEPENDENT AUDITORS' 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*

To the Board of Directors  
Tri-Creek Ambulance Services Agency Inc.  
Lowell, Indiana

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 Tri-Creek Ambulance Services Agency Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - cash basis as of December 31, 2016 and 2015, and the related statements of support, revenue, and expenses - cash basis, and functional expenses - cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-Creek Ambulance Services Agency Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-Creek Ambulance Services Agency Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-Creek Ambulance Services Agency Inc.'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*.

## 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McMahon and Associates Certified Public Accountants, P.C.  
Munster, Indiana

September 26, 2017

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u> - Cash	\$ <u>545,037</u>	\$ <u>370,927</u>
<u>TOTAL ASSETS</u>	\$ <u><u>545,037</u></u>	\$ <u><u>370,927</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current portion of long-term debt	\$ 11,826	\$ 13,450
Payroll taxes payable	<u>2,180</u>	<u>0</u>
Total Current Liabilities:	14,006	13,450

LONG-TERM LIABILITIES

Note payable - net of current portion	<u>97,960</u>	<u>87,914</u>
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TOTAL LIABILITIES

<u>111,966</u>	<u>101,364</u>
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NET ASSETS - Unrestricted

<u>433,071</u>	<u>269,563</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ <u><u>545,037</u></u>	\$ <u><u>370,927</u></u>
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TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUES:</u>		
Governmental support	\$ 731,259	\$ 512,208
Patient billings	396,574	410,745
Fundraising and donations	77,891	29,109
	<u>1,205,724</u>	<u>952,062</u>
<u>EXPENSES:</u>		
Ambulatory services	1,022,105	976,414
Fundraising	5,540	3,728
Management and general expenses	37,513	40,274
	<u>1,065,158</u>	<u>1,020,416</u>
<u>OTHER INCOME (EXPENSES):</u>		
Gain on sale of assets	250	4,500
Interest income	165	139
Interest expense	(4,371)	(4,987)
Miscellaneous income	26,898	6,130
	<u>22,942</u>	<u>5,782</u>
INCREASE IN NET ASSETS	163,508	(62,572)
NET ASSETS - BEGINNING OF YEAR - UNRESTRICTED	<u>269,563</u>	<u>332,135</u>
<u>NET ASSETS - END OF YEAR - UNRESTRICTED</u>	<u>\$ 433,071</u>	<u>\$ 269,563</u>

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>			
	<u>Ambulatory Services</u>	<u>Fundraising Expense</u>	<u>Management and General Expenses</u>	<u>Total</u>
Salaries and Related Expenses				
Salaries	\$ 559,995	\$ 0	\$ 31,769	\$ 591,764
Retirement expense	20,724	0	0	20,724
Insurance - health	128,672	0	0	128,672
Insurance - workers compensation	30,054	0	0	30,054
Payroll taxes	42,340	0	2,398	44,738
Holiday and education	3,702	0	0	3,702
Total salaries and related expenses	<u>785,487</u>	<u>0</u>	<u>34,167</u>	<u>819,654</u>
Operating Expenses				
Accounting	951	0	779	1,730
Auto repair and maintenance	7,948	0	0	7,948
Billing expense	2,037	0	0	2,037
Insurance - general	13,605	0	0	13,605
Legal	2,881	0	0	2,881
Medical equipment and supplies	25,302	0	0	25,302
Miscellaneous expense	476	0	0	476
Office	1,320	5,540	1,320	8,180
Postage	640	0	641	1,281
Purchase of ambulance	148,395	0	0	148,395
Radio equipment	570	0	0	570
Rent	0	0	0	0
Repairs and maintenance	22,876	0	0	22,876
Service charges	211	0	0	211
Telephone	5,450	0	606	6,056
Travel and entertainment	0	0	0	0
Uniforms	3,956	0	0	3,956
Total operating expenses	<u>236,618</u>	<u>5,540</u>	<u>3,346</u>	<u>245,504</u>
TOTAL EXPENSES	<u>\$ 1,022,105</u>	<u>\$ 5,540</u>	<u>\$ 37,513</u>	<u>\$ 1,065,158</u>

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>			
	<u>Ambulatory Services</u>	<u>Fundraising Expense</u>	<u>Management and General Expenses</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 525,850	\$ 0	\$ 32,858	\$ 558,708
Retirement expense	19,480	0	2,711	22,191
Insurance - health	134,102	0	0	134,102
Insurance - workers compensation	25,392	0	0	25,392
Payroll taxes	42,475	0	1,463	43,938
Holiday and education	3,804	0	0	3,804
Total salaries and related expenses	<u>751,103</u>	<u>0</u>	<u>37,032</u>	<u>788,135</u>
Operating expenses				
Accounting	929	0	761	1,690
Auto repair and maintenance	8,404	0	0	8,404
Billing expense	2,925	0	0	2,925
Insurance - general	16,773	0	0	16,773
Legal	920	0	0	920
Medical equipment and supplies	16,335	0	0	16,335
Miscellaneous expense	9,509	0	0	9,509
Office supplies	1,237	3,728	1,238	6,203
Postage	824	0	825	1,649
Purchase of ambulance	146,295	0	0	146,295
Radio equipment	1,032	0	0	1,032
Rent	4,400	0	0	4,400
Repairs and maintenance	8,687	0	0	8,687
Service charges	522	0	0	522
Telephone	3,765	0	418	4,183
Travel and entertainment	54	0	0	54
Uniforms	2,700	0	0	2,700
Total operating expenses	<u>225,311</u>	<u>3,728</u>	<u>3,242</u>	<u>232,281</u>
TOTAL EXPENSES	<u>\$ 976,414</u>	<u>\$ 3,728</u>	<u>\$ 40,274</u>	<u>\$ 1,020,416</u>

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Tri-Creek Ambulance Service Agency, Inc. (the Agency) originally was created in March of 1974 as an agency by the Trustees and Advisory Boards of Cedar Creek Township, West Creek Township, and Eagle Creek Township, located in Lake County, Indiana. The Agency's sole purpose is to provide ambulance service to the community of the three Townships. On January 14, 2005, the Agency was incorporated as a non-profit corporation. A determination letter issued by the Internal Revenue Service dated December 15, 2010, concluded that the Agency is an affiliate of a governmental unit. The purpose of the Agency is to own and operate an emergency medical and ambulance services in the three Townships, and to administer emergency medical treatments, to transfer medical patients, to perform emergency rescue operations, to perform mutual assistance operations for emergency medical and fire services in nearby communities.

Basis of Accounting - The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation - The Agency has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205, which provided guidance to reporting on not-for-profit Agencies. Under ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently restricted or temporarily restricted net assets at December 31, 2016 and 2015.

Cash - Cash as presented on the accompanying statements of assets, liabilities, and net assets includes cash on hand and deposits in interest bearing and non-interest-bearing accounts in financial institutions.

Concentration of Risk - The Agency routinely has balances in financial institutions over \$250,000, the insured amount by the Federal Deposit Insurance Corporation. At December 31, 2016 and 2015, the Agency had \$119,755 and \$294,743, respectively, over the insured amount.

The Agency has a concentration of risk in support. As of December 31, 2016 and 2015, over 60% and 54% of revenue, respectively, is provided by the Townships. The remaining revenue is derived from third-party payors and the general public.

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Revenue Recognition - The Agency received support from three Townships: Cedar Creek, Eagle Creek, and West Creek Townships. The revenue is recorded when received. The support provided by the Townships is based on an annual budget as prepared by the Agency and approved by the Board of Directors and Trustees. Budgeted amount to cover all the expenses, less projected cash inflows from third-party payors and general public, is prorated between the three Townships based on each Township's net assessed value as assessed by the Lake County Assessor.

The Agency has agreements with third-party payors: Medicare and Medicaid. Medicare and Medicaid program beneficiaries are paid based on prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Agency does not have payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These entities pay for services based on the Agency's regular service rates. The Agency recognizes the revenue from third-party payors when it is received.

The Agency also receives payments for services from the general public in cases when an individual does not participate in Medicare and Medicaid programs, or does not have a coverage with any third-party payors.

Risk Management - The Agency is insured for protection against liability claims resulting from professional services provided or which should have been provided through liability insurance contracts. Management believes that the insurance coverage is adequate to cover all asserted and any unasserted claims. The Agency is exposed to various other common business risks for which it is covered by commercial insurance. Settlements from these risks have not exceeded insurance coverage during the entity's existence.

Income Taxes - The Agency is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service (IRS) determination letter dated December 15, 2010, states that the Agency meets the criteria required for classification as an affiliate of a government unit, as described in Revenue Procedure 95-48, IRB 1995-47, 13 (November 20, 1995). Therefore, the Agency is exempt from filing any tax returns with the IRS. The Agency maintains an exempt status with the IRS under section 501(c) (3) of the Code.

Subsequent Events - In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through September 26, 2017, the date the financial statements were available to be issued.

NOTE 2 - FUND DRIVE

The Agency has one fundraiser every year to raise money for support. In 2016, the Agency raised \$27,335 with \$5,540 in expenses. In 2015, the Agency raised \$25,681 with \$3,728 in corresponding expenses. The Agency considers these unrestricted contributions.

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 3 - PENSION PLAN

Due to the affiliation with governmental units, the three Townships, the Agency participates in the Indiana Public Retirement System (INPRS). Under the Plan, a full-time employee becomes the Plan member upon the first day of employment. Employees are required by the state law to contribute three percent of their gross wages. The Agency matches the employees' contribution at 11.2 percent. The employee must have 10 or more years of creditable service in order to be vested in benefits. As of December 31, 2016 and 2015, the Pension expense was \$20,724 and \$22,191, respectively.

NOTE 4 - NOTES PAYABLE

At December 31, 2016 and 2015, long term debt consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable, Demotte State Bank, due November 2022, interest 4.250%, annual payments of \$20,500 principal and interest, secured by all assets.	\$ 0	\$ 101,364
Note payable, Demotte State Bank, due November 2023, interest 3.750%, annual payments of \$18,500 principal and interest, secured by all assets.	<u>109,786</u>	<u>0</u>
Less: current portion	<u>11,826</u>	<u>13,450</u>
Total non-current portion	<u>\$ 97,960</u>	<u>\$ 87,914</u>

The following are maturities of debt for each of the next five years and thereafter:

2017	\$ 11,826
2018	13,289
2019	13,797
2020	14,323
2021 and thereafter	<u>56,551</u>
Total	<u>\$ 109,786</u>

NOTE 5 - ALLOCATION OF FUNCTIONAL EXPENSES

The Agency has allocated certain expenses by function based on actual expenses as they relate to ambulance services, fundraising and management and general expenses. Some expenses are allocated based on a formula.

SUPPLEMENTARY INFORMATION

TRI-CREEK AMBULANCE SERVICE AGENCY, INC.

SCHEDULES OF GOVERNMENTAL SUPPORT  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>		<u>2015</u>
Governmental support:			
Cedar Creek Township	\$ 325,557	\$	300,000
Eagle Creek Township	87,750		105,747
West Creek Township	<u>317,952</u>		<u>106,460</u>
Total governmental support	<u>\$ 731,259</u>	\$	<u>512,207</u>