

BILLINGS COUNTY RURAL FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
December 31, 2017 and 2016
With Independent Auditor's Report

**Billings County Rural Fire Protection District
Medora, North Dakota**

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For the Years Ended December 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Billings County Rural Fire Protection District
Medora, North Dakota

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of the Billings County Rural Fire Protection District, Medora, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Billings County Rural Fire Protection 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 accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, except for the other matter discussed below, for the respective financial position of the governmental activities and each major fund of the Billings County Rural Fire Protection District, as of December 31, 2017 and 2016, and the respective changes in financial position, and the respective budgetary comparisons for the general fund.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the budgetary comparison 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2018, on our consideration of the Billings County Rural Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 and in considering the Fire District's internal control over financial reporting and compliance.



Galleon Financial Services LLC

December 12, 2018

**Billings County Rural Fire Protection District
Medora, North Dakota**

**STATEMENTS OF NET POSITION
December 31, 2017 and 2016**

	2017		2016	
	Governmental Activities	Total	Governmental Activities	Total
ASSETS				
Cash and investments	\$ 414,605	\$ 414,605	\$ 389,670	\$ 389,670
Due from County Treasurer	-	-	-	-
Taxes Receivable	728	728	1,033	1,033
Inventory	11,495	11,495	11,495	11,495
Capital Assets:				
Equipment	1,934,209	1,934,209	1,899,632	1,899,632
Accumulated depreciation	1,211,692	1,211,692	1,113,030	1,113,030
Total Capital Assets	<u>722,517</u>	<u>722,517</u>	<u>786,602</u>	<u>786,602</u>
		-		-
Total Assets	<u>\$ 1,149,345</u>	<u>\$ 1,149,345</u>	<u>\$ 1,188,800</u>	<u>\$ 1,188,800</u>
LIABILITIES				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		-		-
NET POSITION				
Net investment in capital assets	722,517	722,517	786,602	786,602
Restricted for public safety	11,495	11,495	11,495	11,495
Unrestricted	415,333	415,333	390,703	390,703
		-		-
Total Net Position	<u>\$ 1,149,345</u>	<u>\$ 1,149,345</u>	<u>\$ 1,188,800</u>	<u>\$ 1,188,800</u>

The Notes to Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District
Medora, North Dakota**

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016**

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Expenses:		
Public safety - fire protection and emergency services		
Salaries and Benefits	33,352	40,763
Insurance	13,589	9,476
Utilities	11,192	9,404
Training	1,711	3,332
Office	1,640	9,084
Travel/ Miscellaneous	10,846	4,569
Incident stipends	15,580	15,365
Supplies	4,681	18,531
Repairs and maintenance	19,050	17,193
Small equipment	7,861	7,719
Depreciation	<u>117,570</u>	<u>108,761</u>
Total program expenses	<u>237,072</u>	<u>244,197</u>
Program revenues:		
Charges for services	<u>-</u>	<u>-</u>
Total program revenues	<u>-</u>	<u>-</u>
Net program expenses	<u>237,072</u>	<u>244,197</u>
General revenues:		
Taxes	134,586	132,898
Interest Income	856	490
Donations	25,287	64,523
Grants	23,510	241,230
Other revenue	<u>13,378</u>	<u>36</u>
Total general revenues	<u>197,617</u>	<u>439,177</u>
Change in net position	(39,455)	194,980
Net position - beginning	<u>1,188,800</u>	<u>993,820</u>
Net position - ending	<u><u>1,149,345</u></u>	<u><u>1,188,800</u></u>

The Notes to the Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District
Medora, North Dakota**

**BALANCE SHEETS - GOVERNMENTAL FUNDS
December 31, 2017 and 2016**

	2017		2016	
	General Fund	Total	General Fund	Total
Assets:				
Cash	\$ 414,605	\$ 414,605	\$ 389,670	\$ 389,670
Due from County Treasurer	-	-	-	-
Taxes Receivable	728	728	1,033	1,033
Inventory	11,495	11,495	11,495	11,495
Total Assets	\$ 426,828	\$426,828	\$402,198	\$402,198
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Deferred Inflows of resources:				
Unavailable revenue - property taxes	728	728	1,033	1,033
Total deferred inflows of resources	728	728	1,033	1,033
Fund Balance:				
Restricted - Public Safety	11,495	11,495	11,495	11,495
Unassigned	414,605	414,605	389,670	389,670
Total Fund Balance	426,100	426,100	401,165	401,165
Total Liabilities, deferred inflows of resources, and fund balance	\$ 426,828	\$ 426,828	\$ 402,198	\$ 402,198

The Notes to the Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District
Medora, North Dakota**

**RECONCILIATION OF THE BALANCE SHEETS
OF GOVERNMENTAL FUND TO THE STATEMENTS OF NET POSITION
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Total governmental fund balance	\$ 426,100	\$ 401,165
Amounts reported for governmental activities in the statements of net position are different because:		
Property taxes receivable that are not available to pay current period expenditures and therefore are deferred in the fund balance sheet	\$ 728	\$ 1,033
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay for the year.	<u>722,517</u>	<u>\$ 786,602</u>
Change in Net Position of Governmental Activities	<u>\$ 1,149,345</u>	<u>\$ 1,188,800</u>

The Notes to Financial Statements are an integral part of these statements.

Billings County Rural Fire Protection District

Medora, North Dakota

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Years Ended December 31, 2017 and 2016

	2017		2016	
	General	Total Governmental Funds	General	Total Governmental Funds
Revenues:				
Taxes	\$ 134,891	\$ 134,891	\$ 132,296	\$ 132,296
Donations and grants	48,797	48,797	305,753	305,753
Charges for Service	-	-	-	-
Interest Income	856	856	490	490
Other revenue	13,378	13,378	36	36
Total Revenues	197,922	197,922	438,575	438,575
Expenditures:				
Current:				
Salaries and benefits	33,352	33,352	40,763	40,763
Insurance	13,589	13,589	9,476	9,476
Office Expenses	1,640	1,640	9,084	9,084
Repairs	19,050	19,050	17,193	17,193
Supplies	4,681	4,681	18,531	18,531
Training, travel, and miscellaneous	28,137	28,137	23,266	23,266
Utilities	11,192	11,192	9,404	9,404
Capital outlay	61,346	61,346	259,289	259,289
Total Expenditures	172,987	172,987	387,006	387,006
Excess(Deficiency) of Revenues Over Expenditures	24,935	24,935	51,569	51,569
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balances	24,935	24,935	51,569	51,569
Fund Balance - Beginning of Year	401,165	401,165	349,596	349,596
Fund Balance - End of Year	\$ 426,100	\$ 426,100	\$ 401,165	\$ 401,165

The Notes to Financial Statements are an integral part of these statements.

Billings County Rural Fire Protection District
Medora, North Dakota

RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statements of activities are different because:		
Net change in <i>Fund Balances</i> - Total Governmental Funds	\$ 24,935	\$ 51,569
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay for the year.	\$ (64,085)	\$ 142,809
Revenues on the statements of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - taxes.	<u>\$ (305)</u>	<u>\$ 602</u>
 Change in Net Position of Governmental Activities	 <u>\$ (39,455)</u>	 <u>\$ 194,980</u>

The Notes to Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District
Medora, North Dakota**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND - BUDGET AND ACTUAL**

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 109,000	\$ 109,000	\$ 134,891	\$ 25,891	\$ 168,823	\$ 168,823	\$ 132,296	\$ (36,527)
Interest Income	400	400	856	456	300	300	490	190
Donations	35,944	35,944	25,287	(10,657)	1,000	1,000	64,523	63,523
Grants	-	-	23,510	23,510	-	-	241,230	241,230
Charges for services and other revenue	-	-	13,378	13,378	-	-	36	36
Total Revenues	\$ 145,344	\$ 145,344	\$ 197,922	\$ 52,578	\$ 170,123	\$ 170,123	\$ 438,575	\$ 268,452
Expenditures:								
Current:								
Salaries and Benefits	46,612	46,612	33,352	(13,260)	45,623	45,623	40,763	(4,860)
Insurance	11,000	11,000	13,589	2,589	9,000	9,000	9,476	476
Utilities	14,500	14,500	11,192	(3,308)	21,000	21,000	9,404	(11,596)
Training	2,500	2,500	1,711	(789)	4,000	4,000	3,332	(668)
Office	3,500	3,500	1,640	(1,860)	2,500	2,500	9,084	6,584
Travel/ Miscellaneous	3,000	3,000	10,846	7,846	8,000	8,000	4,569	(3,431)
Incident stipends	-	-	15,580	15,580	-	-	15,365	15,365
Supplies	10,000	10,000	4,681	(5,319)	10,000	10,000	18,531	8,531
Repairs and maintenance	27,232	27,232	19,050	(8,182)	25,000	25,000	17,193	(7,807)
Capital Outlay	27,000	27,000	61,346	34,346	45,000	45,000	259,289	214,289
Total Expenditures	\$ 145,344	\$ 145,344	\$ 172,987	\$ 27,643	\$ 170,123	\$ 170,123	\$ 387,006	\$ 216,883
Excess (Deficiency) of Revenues								
Over Expenditures	\$ -	\$ -	\$ 24,935	\$ 24,935	\$ -	\$ -	\$ 51,569	\$ 51,569
Other Financing Sources (Uses):								
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ 24,935	\$ 24,935	\$ -	\$ -	\$ 51,569	\$ 51,569
Fund Balance - Beginning of Year	\$ 401,165	\$ 401,165	\$ 401,165	\$ -	\$ 349,596	\$ 349,596	\$ 349,596	\$ -
Fund Balance - End of Year	\$ 401,165	\$ 401,165	\$ 426,100	\$ 24,935	\$ 349,596	\$ 349,596	\$ 401,165	\$ 51,569

The Notes to Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District
Medora, North Dakota**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of government-wide financial statements

The government-wide financial statements (i.e. the statements of net position and the statements of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported on in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially responsible.

Reporting Entity

Billings County Rural Fire Protection District was organized pursuant to the North Dakota Century Code, which sets forth the legal framework for a fire district. The District is located in Billings County, North Dakota, and is established to provide fire services to the citizens of Billings County and part of Stark County. The District is governed by a board of directors that is elected by the residents of the district. The terms of the directors are staggered and each director serves for four years. The District has three fire stations to serve the residents of the District and also out-of-district fires. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

Basis of Presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of presentation - fund financial statements

The fund financial statements provide information about the district's funds. The emphasis of district's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the district has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government.

The district reports the following major governmental fund:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Billings County Rural Fire Protection District**Notes to the Financial Statements - Continued**

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are legally collectible. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are considered to be susceptible to accrual as so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***Cash, cash equivalents and investments***

Cash includes cash on hand and demand deposits with banks. The District's policy allows for investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. The District's inventory of materials and supplies related to firefighting supplies is recorded at cost. The District maintains substantially the same inventory from year to year with the cost unchanged.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets include land, buildings, improvements, vehicles, equipment, and furniture and fixtures, and are reported in the governmental activities column in the statements of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Billings County Rural Fire Protection District
Notes to the Financial Statements - Continued

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles and equipment	5 - 10 years
Furniture and fixtures	7 - 10 years

Deferred outflows/inflows of resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (expense/expenditure) until then. The government currently has no type of item which qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund balance flow assumptions

Sometimes the district will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance flow assumptions

Sometimes the district will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Governmental accounting principles provide that fund balance is reported in five components - nonspendable, restricted, committed, assigned, and unassigned. The District's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances are spent.

Nonspendable - This component includes amount that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The District does not have a nonspendable fund balance.

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the district's highest level of decision-making authority which includes ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts. The District does not have any resources that meet this component of fund balance.

Assigned - This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, or their designee as established by the District's fund balance policy.

Unassigned - This classification represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on 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 assessment are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and statement of net position:

The financial statements include a reconciliation between total governmental fund balances and net position of governmental activities as reported in the statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be using in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

	<u>2017</u>	<u>2016</u>
Cost of capital assets	\$ 1,934,209	\$ 1,899,632
Accumulated depreciation	<u>1,211,692</u>	<u>1,113,030</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 722,517</u>	<u>\$ 786,602</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balances and the statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total government funds and changes in net position of governmental activities as reported in the statement of activities. The first element of this reconciliation states capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

	<u>2017</u>	<u>2016</u>
Capital outlay	\$ 54,656	\$ 251,570
Depreciation expense	(117,570)	(108,761)
Equipment disposed	<u>(1,171)</u>	<u>-</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (64,085)</u>	<u>\$ 142,809</u>

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary process: State law requires that on or before August 7 of each fiscal year the board must adopt a tentative budget and submit to the county auditor, subject to a public hearing by Sept 7.

Final Budget Adoption: State law specifies that by October 7th of each year, the board must adopt the final budget for the fiscal year. 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. The adoption of the final budget may take place through a simple motion approved by the Board.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the years ended December 31, 2017 and 2016. Billings County Commissioners have appropriated general fund distributions to cover over appropriations of the District.

NOTE 4: DEPOSITS AND INVESTMENTS

Demand deposits of the District are solely at First State Bank of Golva, and were as follows at December 31: 2017 - \$298,625; 2016 - \$290,847.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. None of the District's bank balances were exposed to custodial credit risk because they were uninsured or uncollateralized.

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insurance depositories and other investments allowed by state statutes. Eligible depositories as defined by state statutes are any financial institution with its principal place of business in the state of North Dakota, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had \$100,000 in time certificates of deposit as December 31, 2017 and 2016, solely at Choice Financial.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

Billings County Rural Fire Protection District
Notes to the Financial Statements - Continued

NOTE 5: CAPITAL ASSETS

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

Governmental Activities:	Balance 1-1-2017	Additions	Deletions	12/31/2017
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ 1,899,632	\$ 54,656	\$ 20,079	\$ 1,934,209
Total Capital Assets, being depreciated	\$ 1,899,632	\$ 54,656	\$ 20,079	\$ 1,934,209
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 1,113,030	\$ 117,570	\$ 18,908	\$ 1,211,692
Total Accumulated Depreciation	\$ 1,113,030	\$ 117,570	\$ 18,908	\$ 1,211,692
Total Capital Assets Being Depreciated, Net	\$ 786,602	\$ (62,914)	\$ 1,171	\$ 722,517
Governmental Activities Capital Assets, Net	\$ 786,602	\$ (62,914)	\$ 1,171	\$ 722,517

Governmental Activities:	Balance 1-1-2016	Additions	Deletions	12/31/2016
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ 1,648,062	\$ 251,570	\$ -	\$ 1,899,632
Total Capital Assets, being depreciated	\$ 1,648,062	\$ 251,570	\$ -	\$ 1,899,632
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 1,004,269	\$ 108,761	\$ -	\$ 1,113,030
Total Accumulated Depreciation	\$ 1,004,269	\$ 108,761	\$ -	\$ 1,113,030
Total Capital Assets Being Depreciated, Net	\$ 643,793	\$ 142,809	\$ -	\$ 786,602
Governmental Activities Capital Assets, Net	\$ 643,793	\$ 142,809	\$ -	\$ 786,602

Depreciation expense was charged to the public safety function of the district as follows:

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
Fire Protection	<u>\$ 117,570</u>	<u>\$ 108,761</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of asset and natural disasters. The District has insurance protection and the limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the last two years and no settlements exceeded insurance coverage during any of the past seven years.

The State Bonding Fund provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. Billings County Rural Fire Protection District continues to carry commercial insurance for all other risks of loss, including workers' compensation.

NOTE 7: CONTINGENCIES

The District may be involved with various matters of litigation from year to year. It is the opinion of the District that there are no cases involving the District's insurance carrier or that would have a material effect on the District's financial condition.

NOTE 8: SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 12, 2018, the date which these financial statements were available to be issued.

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GALLEON FINANCIAL SERVICES LLC
PO Box 1205 - 3721 114th Avenue SW
Dickinson, ND 58602-1205

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

Board of Directors
Billings County Rural Fire Protection District
Medora, North Dakota

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Billings County Rural Fire Protection District as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the fire district's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Billings County Rural Fire Protection District'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 fire district's internal control. Accordingly, we do not express an opinion on the effectiveness of the fire district's internal control.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement to the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control.

Our consideration of the 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 material weaknesses but one significant deficiencies in internal control. However, other material weakness and significant deficiencies may exist that have not been identified. We consider the finding described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. [2005-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings County Rural Fire Protection District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2005-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of the 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.



Galleon Financial Services

December 12, 2018

Billings County Rural Fire District
Medora, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2017 and 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities

Qualified

Each Major Governmental Funds

Qualified

Internal Control over financial reporting:

material weaknesses?

_____ Yes

___X___ No

Reportable conditions identified not considered to be material weaknesses?

___X___ Yes

_____ No

Noncompliance material to financial statements noted?

_____ Yes

___X___ No

Section II - Financial Statement Findings

2005-01 - SEGREGATION OF DUTIES

Condition:

The Billings County Rural Fire Protection District has one person responsible for most accounting functions. This one person takes full responsibilities for this function. The Fire Chief and board members are not well experienced in accounting and bookkeeping.

Criteria:

Sufficient accounting personnel should allow duties of employees to be segregated. The segregation of duties would provide better control over the assets of the fire district.

Effect:

No segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the district's financial condition.

Recommendation:

Due to the size of the district staff, it is not feasible to pursue proper separation of duties and no recommendation will be made. The members should continue to review bills.

Client response:

No response is considered necessary. In 2017 a bookkeeper was hired.

GALLEON FINANCIAL SERVICES LLC
PO Box 1205 - 3721 114th Avenue SW
Dickinson, ND 58602-1205

Board of Directors
Billings County Rural Fire Protection District
Medora, North Dakota 58645

My audit of the financial records of Billings County Rural Fire Protection District, for the years ended December 31, 2017 and 2016, has disclosed opportunities for improvements in the operations of the District. Items which I believe should be brought to your attention are set forth below:

Segregation of Duties

Due to the limited number of staff, it is not possible to have full segregation of duties. Because of the size of the District, it is not cost feasible to employ additional staff. However, with both a bookkeeper and a fire chief, duties can be segregated to better ensure internal controls. Duties should be assigned to prevent one person from processing any transaction from beginning to end without the other staff member or a board member

District should amend its budget when expenditures exceed the budgeted amounts.

District should set up chart of accounts in Quickbooks to match with the Budget accounts, using subaccounts for additional detail accounts.

Board minutes should include more details such as dollar amounts of approvals of expenditures and grant applications/approvals.

This report is intended for the information and use of the District, management, and others within the administration.



Galleon Financial Services LLC
December 12, 2018