

JAMESTOWN RURAL FIRE DISTRICT

JAMESTOWN, NORTH DAKOTA

Basic Financial Statements
As of
December 31, 2018
And
Independent Auditor's Report



DEMPSEY ACCOUNTING AND TAX SERVICES P.C.

Trusted Accounting Professionals

Beth A. Dempsey, CPA

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Jamestown Rural Fire District
Jamestown, North Dakota

List of Officials

Officials	Office
Richard Klose	President
Terry Schwartz	Vice-President
Shirly Krapp	Secretary / Treasurer
Richard Brown	Director
Russell Carlson	Director
Casey Aldinger	Director
Kenneth Daus	Director
Richard Huebner	Director
Ryan Huebner	Director
Roger Jung	Director
Jack Lueck	Director
Robert Lulay	Director
LaRell Peckham	Director
Wendell Perleberg	Director
George Quigley	Director
Allan Allmaras	Director
Darrel Roorda	Director
Keith Struble	Director
Bob Sjostrom	Director
Tracey Trapp	Director
Ben Maulding	Chief
Joel Guthmiller	Assistant Chief

As of December 31, 2018



DEMPSEY ACCOUNTING AND TAX SERVICES P.C.

Trusted Accounting Professionals

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jamestown Rural Fire District
Jamestown, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Jamestown Rural Fire District, North Dakota, as of and for the year ended December 31, 2018, 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 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 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.

MEMBER OF
American Institute of Certified Public Accountants
North Dakota Society of Certified Public Accountants
AICPA Division for CPA Firm

Jamestown Rural Fire District, North Dakota
INDEPENDENT AUDITOR'S REPORT (Continued)

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 of Jamestown Rural Fire District, as of December 31, 2018 and the respective changes in modified cash basis financial position thereof, for the year ended in accordance with the modified 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 the 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 be presented to supplement the basic financial statements. The budgetary comparison information on page 20, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 assurance.

Jamestown Rural Fire District, North Dakota, has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement the basic financial statements.

Jamestown Rural Fire District, North Dakota
INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019, on our consideration of Jamestown Rural Fire 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 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 Jamestown Rural Fire District's internal control over financial reporting and compliance.

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services P.C.
Jamestown, North Dakota
February 28, 2019

Jamestown Rural Fire District
Jamestown, North Dakota

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
As of December 31, 2018

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and investments	<u>6,139.71</u>
LIABILITIES & NET POSITION	
Liabilities	
Long-term Liabilities	
Due within one year	
Loan payable	\$ 27,041.30
Due in more than one year	
Loan payable	<u>\$ 419,758.83</u>
Total Liabilities	\$ 446,800.13
Net Position unrestricted	\$(440,660.42)
Total Liabilities & Net Position	<u>\$ 6,139.71</u>

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

STATEMENT OF NET ACTIVITIES – MODIFIED CASH BASIS

For the Year Ended December 31, 2018

FUNCTION / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
		Changes for Services	Operating Grants / Contribution	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Governing Board	\$ 35,987.00	\$ -	\$ -	\$ (35,987.00)
Clerk/secretary	7,000.00	-	-	(7,000.00)
Jamestown rural fire dept.	35,000.00	-	-	(35,000.00)
Building, equip. & tools	72,259.90	-	-	(72,259.90)
Insurance	5,843.00	-	-	(5,843.00)
Utilities	8,053.00	-	-	(8,053.00)
Repairs & maintenance	18,469.38	-	66,260.00	(47,790.62)
Fuel	3,410.67	-	-	(3,410.67)
Physicals & training	4,148.87	-	-	(4,148.87)
Office expense, dues & fees	2,480.61	-	-	(2,480.61)
Property taxes	198.25	-	-	(198.25)
Retirement	38,287.10	-	-	(38,287.10)
Audit fees	3,925.00	-	-	(3,925.00)
Miscellaneous expense	140,377.39	-	-	(140,377.39)
Total Governmental Activities	375,440.17	\$ -	\$ 66,260.00	\$ (309,180.17)
Total Primary Government	375,440.17	\$ -	\$ 66,260.00	\$ (309,180.17)
<u>General Revenues</u>				
Taxes:				
Property taxes - levied for general purposes				168,599.64
State aid				9,286.36
State insurance				77,287.39
Earnings on investments				29.00
Miscellaneous revenue				1,872.67
Total General Revenues				\$ 257,075.06
Changes in Net Position				(52,105.11)
Net Position - January 1				\$ (388,555.31)
Net Position - December 31				\$ (440,660.42)

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
As of December 31, 2018

	Major Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Funds</u>
ASSETS		
Cash and investments	<u>\$ 6,139.71</u>	<u>\$ 6,139.71</u>
 LIABILITIES & FUND BALANCES		
Deferred Inflows of Resources		
Liabilities	<u>\$-</u>	<u>\$-</u>
 Total Liabilities		
Fund Balances unassigned	\$ 6,139.71	\$6,139.71
 Total Liabilities & Fund Balances	 <u>\$ 6,139.71</u>	 <u>\$ 6,139.71</u>

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITES AND FUND BALANCE
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
As of December 31, 2018**

Total Fund Balances - Governmental Funds	\$ 6,139.71
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Loan Payable	(446,800.13)
Total Net Position of Governmental Activities	<u>\$ (440,660.42)</u>

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2018

	Major Funds	Total
REVENUES	General Fund	Governmental Funds
Taxes	\$ 168,599.64	\$ 168,599.64
State aid	9,286.36	9,286.36
Intergovernmental	77,287.39	77,287.39
Interest income	29.00	29.00
Grants	66,260.00	66,260.00
Miscellaneous	1,872.67	1,872.67
 Total Revenues	 \$ 323,335.06	 \$ 323,335.06
 EXPENDITURES		
Current:		
General government	\$ 169,980.49	\$ 169,980.49
Capital outlay	259,542.28	259,542.28
 Total Expenditures	 \$ 429,522.77	 429,522.77
 Excess (Deficiency) of Revenues Over Expenditures	 \$(106,187.71)	 \$(106,187.71)
 Net Change in Fund Balances	 \$(106,187.71)	 \$(106,187.71)
Fund Balance - January 1	112,327.42	112,327.42
 Fund Balance - December 31	 \$6,139.71	 \$ 6,139.71

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS**
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (106,187.71)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	54,082.60
Change in Net Position of Governmental Activities	<u>\$ (52,105.11)</u>

The notes to the financial statements are an integral part of this statement.

Jamestown Rural Fire District
Jamestown, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

Note 1 Summary of Significant Accounting Policies

The accounting policies of Jamestown Rural Fire District, Jamestown, North Dakota, are to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The district operates the rural fire department for 24 townships and cities. The following is a summary of the significant accounting policies used by Jamestown Rural Fire District.

Financial Reporting Entity

The accompanying financial statements present the activities of the Jamestown Rural Fire 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 are such that exclusion would cause the district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria, includes appointing a voting majority of an organization's governing body and (1) the ability of the Jamestown Rural Fire District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Jamestown Rural Fire District.

Based on these criteria, there are no component units as defined in Governmental Accounting Standards Board Statement 14 to include within the district's reporting entity.

There are no fiduciary funds included within the district's reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities normally are supported by taxes and intergovernmental revenues. All of the District's government-wide activities are considered governmental activities.

The statement of net position presents the financial condition of the governmental activities of the District at year end.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Governmental funds are utilized to account for Jamestown Rural Fire District's government functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities.

The district reports the following major governmental funds:

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

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Generally only current financial assets and liabilities are included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenditures and Changes in Fund Balance, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and the related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and the 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, while all government-wide financials would be presented using the accrual basis of accounting.

Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents consist of highly liquid investments with an original maturity of three months or less. 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 secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the district to invest in:

- 1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality’s or organizations created by an act of Congress.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

- 2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- 3) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
- 4) Obligations of the state.

Fund Equity

Fund equity at governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Non-spendable*** - Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** - Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through adoption of a resolution. The Board also may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board has authorized the District’s President to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position – Net position represent the difference between assets and liabilities. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on Jamestown Rural Fire District. External restrictions may be imposed through state or local laws, and grant or contract provisions. All other net position is reported as unrestricted. When both restricted and unrestricted amounts are available for use for expenditures incurred, it is the District’s policy to use restricted amounts first and then unrestricted amounts as needed.

Note 2 Legal Compliance - Budgets

The district’s governing board did not amend the budget for year ending December 31, 2018. Expenditures were over the budget in the general fund by \$75,390.17.

Note 3 Deposits

At December 31, 2018, the deposits of the district were entirely covered by federal depository insurance or by collateral held by the District’s custodial bank in the District’s name. During the year ended December 31, 2018, the only investments of the District were certificates of deposit and were also redeemed in 2018. For the purpose of risk analysis, certificates of deposit are classified as deposits. Additional information regarding deposits is included in Note 1.

State statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance. During the year ended December 31, 2018, district deposits were adequately protected by insurance or collateral in accordance with state law at Unison Bank and First Community Credit Union.

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, 2018, the district had no investment in certificates of deposit that would not be considered deposits.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Note 5 Risk Management

Jamestown Rural Fire District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Jamestown Rural Fire District participates in the North Dakota Fire and Tornado Fund. The district pays an annual premium to cover property damage to building, personal property and general liability. 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 \$125 million per occurrence during a 12 month period.

North Dakota law provides that properly organized fire districts receive financial assistance in the form of annual payment administered by the Insurance Department. This payment reflects a portion of the insurance premium tax collected from the sale of certain insurance products sold within each fire district.

The 65th Legislative Assembly appropriated \$14,235,562 for the purpose of making payments to fire districts for the biennium beginning July 1, 2017 and ending June 30, 2019. The \$14,235,562 (7,117,781 per year) is allocated based on the relationship of gross premium reported in the previous year, for each fire district, to the total gross premium reported in the previous year statewide. The formula used to determine this annual allocation for Fire District X is as follows:

$(\text{Gross Premium reported for Fire District X} / \text{Statewide Gross Premium}) \times \$7,117,781.$

The Gross premium reported for Jamestown Rural Fire District in 2017 was \$5,531,047. This premium amount accounted for .0296% of the total statewide gross premium of \$537,183,536. The payment received by Jamestown Rural Fire District in 2017 is then .0296% of the \$7,117,781.00 or \$73,287.39.

Settled claims resulting from these risks have not exceeded insurance coverage in the past year.

Jamestown Rural Fire District, North Dakota
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6 Long-term Liabilities

The Fire District requested a loan from Unison Bank in the amount of \$498,981.00. The purpose of the loan is the purchase of a building to be used as the fire hall. The total purchase price of the building is \$625,000.00. The term of the agreement dated December 5, 2017 will continue for a five (5) year period with fixed interest at the rate of four percent (4%) simple interest annum. Repayment is in monthly installments of \$3,813.18 on the twentieth of each month beginning on January 20, 2018 and continuing for 5 years.

Jamestown Rural Fire District
Jamestown, North Dakota

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following is a summary of loan transactions for the year ended December 31, 2018:

Loans payable at January 1, 2018	\$471,939.70
Loans taken	-
Loan payments	25,139.57
Loans payable at December 31, 2018	\$446,800.13
Loan payment in one year	\$27,041.30

The annual requirements to amortize all debts outstanding as of December 31, 2018 are as follows:

Year Ending	Principle	Interest	Total
2019	27,041.30	18,716.86	45,758.16
2020	28,107.94	17,650.22	45,758.16
2021	29,319.96	16,438.20	45,758.16
2022	362,330.93	16,058.41	378,389.34
	\$ 446,800.13	\$ 68,863.69	\$ 515,663.82

Jamestown Rural Fire District
Jamestown, North Dakota

**BUDGETARY COMPARISON – MODIFIED CASH BASIS
GENERAL FUND**

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 163,575.43	\$ 163,575.43	\$ 168,599.64	\$ 5,024.21
State aid	9,000.00	9,000.00	9,286.36	286.36
Homestead credit	-	-	-	-
Intergovernmental	50,000.00	50,000.00	77,287.39	27,289.39
Interest Income	600.00	600.00	29.00	(571.00)
Grants	-	-	66,260.00	66,260.00
Miscellaneous	10,963.21	10,963.21	1,872.67	(9,090.54)
Total Revenues	<u>\$ 234,138.64</u>	<u>\$ 234,138.64</u>	<u>\$ 323,335.06</u>	<u>\$ 89,196.42</u>
EXPENDITURES				
Current:				
General government	\$ 195,050.00	\$ 195,050.00	\$ 303,180.27	\$(108,130.27)
Capital outlay	<u>105,000.00</u>	<u>105,000.00</u>	<u>72,259.90</u>	<u>32,740.10</u>
Total Expenditures	<u>\$ 300,050.00</u>	<u>\$ 284,450.00</u>	<u>\$ 375,440.17</u>	<u>\$(75,390.17)</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ (65,911.36)	\$ (65,911.36)	\$ (52,105.11)	\$ 13,806.25
Net Change in Fund Balance	\$ (65,911.36)	\$ (65,911.36)	\$ (52,105.11)	\$ 13,806.25
Fund Balance - January 1	<u>\$(388,555.31)</u>	<u>\$(388,555.31)</u>	<u>\$(388,555.31)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ (454,466.67)</u>	<u>\$ (454,466.67)</u>	<u>\$(440,660.42)</u>	<u>\$ 13,806.25</u>

The accompanying supplementary information notes are an integral part of this schedule.

Jamestown Rural Fire District
Jamestown North, Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

Note 1 Budgets

The district adopts a budget on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The budget is prepared for the general fund. The district is required to present the adopted and final amended budgeted receipts and disbursements for the fund.

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

1. The governing board makes a preliminary budget annually on or before September 10th. The budget includes proposed expenditures and a means of financing them.
2. On or before October 7th, the board adopts the final budget. The final budget must be filed with the county auditor by October 10th.
3. No disbursements shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any receipts and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
4. All annual appropriations lapse at year-end.

Note 2 Actual Budget

Income for 2018 was over the budget amount by \$89,196.42 and expenditures were over the budget amount by \$75,390.17.

Jamestown Rural Fire District
Jamestown, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2018

Primary Government:
General Fund

Balance		
01/01/2018		\$(388,555.31)
Receipts		323,335.06
Disbursements		<u>375,440.17</u>
Balance		
12/31/2018		<u><u>\$(440,660.42)</u></u>

The accompanying supplementary information is an integral part of this schedule.



DEMPSEY ACCOUNTING AND TAX SERVICES P.C.

Trusted Accounting Professionals

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

To the Board of Directors
Jamestown Rural Fire District
Jamestown, 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 government activities and the major fund of Jamestown Rural Fire District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Jamestown Rural Fire District's basic financial statements, and have issued our report thereon dated February 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jamestown Rural Fire 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jamestown Rural Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jamestown Rural Fire District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies to be a material weakness.

MEMBER OF
American Institute of Certified Public Accountants
North Dakota Society of Certified Public Accountants
AICPA Division for CPA Firm

Preparing Financial Statements – Design Deficiency:

Condition: Management has not identified risks to the preparation of reliable financial statements. Dempsey Accounting and Tax Services P.C. assists the District's management in preparing financial statements that are presented, including note disclosures, in accordance with general accounting principles.

Criteria: Risks should be identified that impact the presentation of reliable financial statements. The COSO framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the financial statements and the management of those risks. As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: Jamestown Rural Fire District does not analyze the risk of material misstatements and has not determined how identified risks should be managed. The District Board feels it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect: Lack of identification of possible risks provides an opportunity for fraud to occur and could increase errors and misstatements. This increases the risk of misstatement of the District's financial condition. Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendations: Design of effective controls and management of those controls over the preparation of the financial statements will aid in prevention and detection of material misstatements, including footnote disclosure. We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

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. We consider the following to be a significant deficiency.

Lack of Segregation – Design Deficiency:

Condition: One employee collects monies, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements.

Criteria: There should be sufficient accounting personnel so duties of employees are segregated. COSO states that controls and the monitoring of those controls are important components of risk management.

Cause: Jamestown Rural Fire District has one person responsible for most accounting functions making complete segregation of duties difficult.

Effect: A lack of internal controls provides an opportunity for fraud to occur and for increased errors and misstatements. This increases the risk of misstatement of the District's financial condition.

Recommendation: Segregation of duties would provide better control over the assets of the District. These functions should be monitored by the Board.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jamestown Rural Fire District's financial statements are free from material misstatement, we performed tests of 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*.

Views of Responsible Officials

Jamestown Rural Fire District's realizes it is extremely hard to have the ultimate of internal controls and segregation of duties with a staff of two people and believes that the controls presently in place do a good job of mitigating the risk that the financial statements are misstated. They feel it is not economically feasible to have enough employees hired to provide for the necessary segregation of duties. They believe providing policies and procedures for the accounting function and strong board oversight is adequate. The District will continue to request that Dempsey Accounting and Tax Services P.C assist with the preparation of financial statements; however, the Board will continue to instruct the District Administration to provide all the requested schedules.

Jamestown Rural Fire District's response was not subject 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.

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services
Jamestown, North Dakota
February 28, 2019



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February 28, 2019

To the Chairman and Board of Directors
Jamestown Rural Fire District
Jamestown, North Dakota

MANAGEMENT LETTER JAMESTOWN RURAL FIRE DISTRICT

During completion of our audit of Jamestown Rural Fire District for the year ended December 31, 2018, certain observations were made of various policies of the district.

The matters included herein are presented as a matter of record and for your further consideration. This letter is presented to identify areas which should be subjected to your review. You will determine the final course of action to pursue.

1. Accounting Personnel – The District has one business manager. She handles the accounting fund areas (i.e. General). She collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledgers and prepares respective financial reports and statements. Due to the size of the entity, it is not feasible to obtain any more separation of duties and therefore the degree of effective internal controls is severely limited. The chairman should review her work.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the governing board, is a matter of public record.

Dempsey Accounting & Tax Services P.C.

Beth Dempsey, CPA



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February 28, 2019

To the Board of Directors
Jamestown Rural Fire District
Jamestown, North Dakota

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Jamestown Rural Fire District, North Dakota, for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, Government Auditing Standards), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jamestown Rural Fire District, North Dakota, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2018 year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements for management to correct.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated February 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in Documents Containing Audited Financial Statements

We have applied certain limited procedures to the Budgetary Comparison Schedule, which is Required Supplementary Information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Fund Activity, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and method of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Jamestown Rural Fire District, North Dakota, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services