

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION  
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION  
LIST OF OFFICERS  
DECEMBER 31, 2018**

Jason Babinchak	President
Paul Laskowski	Vice President
Jacob Filkins	Secretary
Devin Walter	Treasurer
Brent Weber	Trustee
Chris Aberle	Trustee

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Minot Fire Department Relief Association  
Minot, North Dakota 58701

We have audited the accompanying financial statements of the governmental activities, the general fund and the special pension trust fund of the Minot Fire Department Relief Association, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Association'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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions and qualified audit opinion on the pension trust fund.

## **Basis for Qualified Opinion on the Pension Trust Fund**

As more fully described in Note 1 to the financial statements, the Association has elected not to implement the reporting model required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67 as of and for the year ended December 31, 2018 for the pension trust fund. The effect of this departure from accounting principles generally accepted in the United States of America has not been determined.

## **Qualified Opinion**

In our opinion, except for the effects, if any, of not implementing GASB No. 67, as discussed in the “Basis for Qualified Opinion on the Pension Trust Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the pension trust fund of the Minot Fire Department Relief Association, as of December 31, 2018 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Minot Fire Department Relief Association as of December 31, 2018 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The Minot Fire Department Relief Association has omitted management’s discussion and analysis and the supplemental pension schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020 on our consideration of Minot Fire Department Relief Association'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 solely 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 effectiveness of the Association's 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 Minot Fire Department Relief Association's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
MINOT, NORTH DAKOTA**

January 17, 2020

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET - GENERAL FUND**  
**DECEMBER 31, 2018**

ASSETS:		
Cash		<u>\$ 7,916</u>
Total Assets		<u><u>\$ 7,916</u></u>
NET POSITION / FUND BALANCE		
Unrestricted / Unassigned		<u>\$ 7,916</u>
Total Net Position / Fund Balance		<u><u>\$ 7,916</u></u>

SEE THE NOTES TO THE FINANCIAL STATEMENTS

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND**  
**GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

REVENUES	
Dues, fees, and miscellaneous	\$ 537
Interest income	1
Total Revenues	<u>538</u>
EXPENSES / EXPENDITURES	
Flowers and memorials	<u>565</u>
Total Expenses / Expenditures	<u>565</u>
Change in Net Position / Fund Balance	(27)
Net Position / Fund Balance, Beginning of Year	<u>7,943</u>
Net Position / Fund Balance, End of Year	<u>\$ 7,916</u>

SEE THE NOTES TO THE FINANCIAL STATEMENTS



**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**STATEMENT OF FIDUCIARY NET POSITION -**  
**SPECIAL PENSION TRUST FUND**  
**DECEMBER 31, 2018**

<b>ASSETS:</b>	
Cash	\$ 241,508
Investment securities	
Mutual funds - bonds	763,388
Mutual funds - equity	600,310
REITS	29,859
Alternative securities	222,444
Mutual funds - international	<u>182,706</u>
 Total Assets	 <u>\$ 2,040,215</u>
 <b>NET POSITION:</b>	
Restricted for pension benefits	<u><u>\$ 2,040,215</u></u>

SEE THE NOTES TO THE FINANCIAL STATEMENTS

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -**  
**SPECIAL PENSION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

ADDITIONS:	
Contributions	
State fire aid	<u>\$ 150,608</u>
Investment income:	
Interest and dividends	50,469
Less investment manager fees	<u>(13,698)</u>
Total investment income	<u>36,771</u>
TOTAL ADDITIONS	<u>187,379</u>
DEDUCTIONS:	
Pension benefits	209,041
Miscellaneous	4,585
Unrealized loss on investments	<u>139,327</u>
TOTAL DEDUCTIONS	<u>352,953</u>
NET DECREASE	(165,574)
NET POSITION, BEGINNING OF YEAR	<u>2,205,789</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,040,215</u></u>

SEE THE NOTES TO THE FINANCIAL STATEMENTS

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Minot Fire Department Relief Association is a municipal corporation created by State statute. The fund was established to provide benefits for retired and injured firemen, benefits to surviving spouses and minor children, and benefits to firemen who have met the membership and service requirements of the Association.

**Reporting Entity**

Component units are legally separate organizations for which the Association is financially accountable. The Association is financially accountable for an organization if the Association appoints a voting majority of an organization's governing body and (1) the Association is able to significantly influence the programs or services performed or provided by the organization; or (2) the Association is legally entitled to or can otherwise access the organizations resources. Component units may also include organizations that are fiscally dependent on the Association. Fiscal dependence can include the Association's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on the above criteria, there are no component units included in the Association's reporting entity.

**Basis of Presentation**

The Association's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detail level of financial information.

**Fund Accounting**

In order to aid financial management and to demonstrate legal compliance, the Association 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 Association's funds consist of the following:

Special Pension Trust Fund – This fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency and disability annuity payments of appropriate amounts and at appropriate times in the future. Resources are provided solely by the State of North Dakota each year from fire insurance tax collections. Members are not required to make contributions to the fund. The state fund is regulated by the State of North Dakota as evidenced in North Dakota Century Code Section 18-05.

General Fund – This fund is a governmental fund, which accounts for the resources not accounted for in the Special Fund. It is used for the good and benefit of the Association as determined by the Association's bylaws. Its resources consist of dues, fundraising proceeds, investment earnings and miscellaneous sources.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Government-wide Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Association as a whole.

The statement of net assets presents the financial condition of the governmental activities of the Association at year-end.

Financial statements are provided for the General Fund. However, as this fund is the only governmental activity of the Association and because no reconciling items exist between the two different bases of accounting described below, this fund's statements are combined with the government-wide statements for presentation. Also, the Associations' General Fund does not adopt a formal budget so no budget or actual comparison is shown either in the basic financial statement or as required supplemental information.

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The governmental fund financial statements are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**GASB 67**

GASB Statement No. 67, *Financial Reporting for Pension Plans*, established new reporting standards for state and local governmental pension plans and was effective for the Association's December 31, 2014 financial statements. GASB Statement No. 67 requires changes in the presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of the total pension liability, the net pension asset or liability, the sensitivity of the net pension asset or liability to the discount rate, and increased investment activity disclosures.

The Association has elected not to implement GASB Statement No. 67. The effects of this departure from accounting principles generally accepted in the United States of America have not been determined.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Cash and Cash Equivalents**

The Association considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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

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

**Investments**

Investments are stated at their fair value as determined by quoted market prices. Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Association's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. The following is a description of the methodologies used for instruments measured at fair value.

Common stocks, corporate bonds, and money market: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the association at year end.

Limited partnerships: Valued at externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Certificates of deposit: Cost approximates market.

The Association 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 agreement to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type above,
- (c) Certificates of deposits fully insured by the federal deposit insurance corporation,
- (d) Obligations of the state.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

The board of the Association may also invest all or part of the monies in these funds in other investments by selecting a funding agent or agents and establishing an investment agreement contract regarding such funds. The investment portfolio presented is administered by First International Bank and Trust, Minot, North Dakota. Representatives of First International Bank make the investment decisions and the trust department accounts for the income and expenses of the Association.

**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 imposed specific restrictions on the Association. External restrictions may be imposed through state or local laws, and grant or contract provisions.

**Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Association.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Association's intended use. These constraints are established by the Association.

*Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the Association's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the Association's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

**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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**NOTE 2 INVESTMENTS**

All investments held at December 31, 2018 were acquired or registered in securities held by the Minot Fire Department Relief Association or its agent in the Association's name.

The Trust invests in various securities including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

The investments as of December 31, 2018 are as follows:

	<u>Cost Amount</u>	<u>Market Value</u>
Mutual funds - bonds	\$ 795,735	\$ 763,388
Mutual funds - equity	474,448	600,310
REITs	27,794	29,859
Alternative Securities	211,559	222,444
Mutual funds - international	191,883	182,706
Total investments	<u>\$ 1,701,418</u>	<u>\$ 1,798,707</u>

**Interest Rate Risk**

The Association does not currently have a policy regarding interest rate risk.

**Custodial Credit Risk**

This is the risk that in the event of a bank or counterparty failure, the Association's deposits and investments may not be returned to it. The Association does not have a policy for custodial credit risk. At December 31, 2018, about \$15,000 of the Association's bank deposits were exposed to custodial credit risk.

**Concentration of Credit Risk**

At December 31, 2018, the Association did not have a policy for concentration of credit risk. None of the Association's investments represent 5 percent or more of total investments excluding investments in mutual funds or investments issued or explicitly guaranteed by the U.S. government.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association does not have an investment policy that specifically addresses this risk.

The following table represents the Association's ratings as of December 31, 2018:

<u>Credit Rating</u>	<u>Fair Value</u>
AAA	\$ 308,291
AA	229,604
BB	37,453
NR	188,040
Total credit risk debt securities	<u>763,388</u>
Investments not subject to categorization:	
REITs	29,859
Alternative Securities	222,444
Equities and mutual funds	<u>783,016</u>
	<u><u>\$ 1,798,707</u></u>

**Fair Value Measurements**

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.



**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2018.

	<u>Total</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
<b>ASSETS</b>				
Fixed Income Securities	\$ 763,388	\$ 763,388	\$ -	\$ -
Alternative Securities	222,444	222,444	-	-
Equity Securities	29,859	29,859	-	-
Total	<u>\$ 1,015,691</u>	<u>\$ 1,015,691</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to fair value measurement:				
Equity Mutual Funds	\$ 600,310			
International Mutual Funds	182,706			
	<u>\$ 1,798,707</u>			

Deposits and investments are presented in the December 31, 2018 basic financial statements as follows:

	<u>Cash</u>	<u>Investments</u>
Statement of Net Position - Balance Sheet		
General Fund	\$ 7,916	\$ -
Statement of Fiduciary Net Position		
Total	<u>\$ 249,424</u>	<u>\$ 1,798,707</u>

**NOTE 3 PENSION PLAN**

Funding is provided solely by the State of North Dakota each year from fire insurance tax collections. Members are not required to make contributions to the fund. The state fund is regulated by the State of North Dakota as evidenced in North Dakota Century Code Section 18-05. Benefits have been established by the bylaws of the association and at the present time are \$250 per month to qualified beneficiaries and shall not be reduced while the amount of the State fund exceeds \$1,000,000. Benefit payments are not guaranteed.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Plan Description**

Firefighters of the City are members of the Association. The Minot Firefighters' Relief Association Retirement Plan is a single employer defined benefit pension plan available to firefighters of the City of Minot, North Dakota and operates under the provision of Section 18-11 of the North Dakota State Century Code. The Association's board consists of six members elected by the members of the Association.

**Benefit Provisions**

Benefits have been established by the bylaws of the Association and at the present time are \$250, per month to qualified beneficiaries and shall not be reduced while the amount of the pension fund exceeds \$1,000,000.

**NOTE 4 RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association currently has no insurance to mitigate any potential losses, as the majority of assets held are managed by First International Bank & Trust, Minot, North Dakota.

**NOTE 5 NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

**NOTE 6 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Association's year end. Subsequent events have been evaluated through January 17, 2020, which is the date these financial statements were available to be issued.

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

To the Board of Trustees  
Minot Fire Department Relief Association  
Minot, 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 general fund and the pension trust fund of the Minot Fire Department Relief Association as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Minot Fire Department Relief Association's basic financial statements, and have issued our report thereon dated January 17, 2020. We expressed a qualified opinion on the Pension Trust Fund due to the Association not implementing Governmental Accounting Standards Board (GASB) Statement No. 67.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Minot Fire Department Relief Association'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 Minot Fire Department Relief Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Minot Fire Department Relief Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minot Fire Department Relief Association'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 are described in the accompanying schedule of findings and responses as items 2018-003 and 2018-004.

### **Minot Fire Department Relief Association's Responses to Findings**

The Minot Fire Department Relief Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Minot Fire Department Relief Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES P. C.**  
**MINOT, NORTH DAKOTA**

January 17, 2020

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2018-001:**

Condition/Context: The financial statements as of December 31, 2018 were prepared by the Association's auditors.

Criteria: An appropriate system of internal controls requires that the Association must make a determination that the financial statements are properly stated in compliance with the generally accepted accounting principles. This requires that the Association maintain knowledge of current accounting principles and required financial statement disclosures.

Cause: The Association has determined that it is not cost effective to prepare its own external financial statements and required disclosures.

Effect: The Association's current internal control structure does not provide for the internal preparation of the Association's financial statements.

Recommendation: Compensating controls over financial statement and disclosure requirements could be provided by the internal preparation of the financial statements and the use of a current disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions:  
At this time, it is not cost effective for the Association to prepare its own financial statements.

Indication of Repeat Finding: This is a repeat finding. Prior year finding 2017-001.

**2018-002:**

Condition/Context: The Association's board is responsible for essentially all of the Association's accounting functions.

Criteria: An appropriate system of internal controls provides for an adequate segregation of duties.

Cause: The Association has determined that it is currently not cost effective for the Association to hire additional accounting personnel.

Effect: While the Association has implemented some monitoring controls to help mitigate risks associated with this control deficiency, the limited number of accounting personnel still results in a lack of segregation of duties.

Recommendation: The Association should continue to explore expanding and improving monitoring procedures over the accounting function.

Views of Responsible Officials and Planned Corrective Actions:  
The Association will continue to explore opportunities to improve its current monitoring functions.

Indication of Repeat Finding: This is a repeat finding. Prior year finding 2017-002.

**MINOT FIRE DEPARTMENT RELIEF ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2018-003:**

Condition/Context: The Association is not in compliance with the requirements of North Dakota Century Code 18-05-12 by failing to file reports with the City of Minot and the Office of Management and Budget.

Criteria: An appropriate system of internal controls provides for compliance with laws and regulations.

Cause: The Association was unaware of the requirement to file reports with the City of Minot and the Office of Management and Budget.

Effect: The Association's current internal control structure does not provide for the internal preparation of the Association's financial statements.

Recommendation: The Association should file the required reports with the City of Minot and the Office of Management and Budget in order to be in compliance with the North Dakota Century Code.

Views of Responsible Officials and Planned Corrective Actions:

The Association is aware of the requirement and will file the reports to the respective locations in order to be in compliance with all requirements of the North Dakota Century Code.

Indication of Repeat Finding: This is a repeat finding. Prior year finding 2017-003.

**2018-004:**

Condition/Context: The Association is not in compliance with the requirements of North Dakota Century Code 18-05-03 by failing to have the treasurer of the relief association give a good and sufficient bond to the association conditioned for the faithful discharge of the duties of treasurer, and for the safekeeping and paying over, according to law, of all moneys that come into the treasurer's hands while acting as treasurer.

Criteria: An appropriate system of internal controls provides for compliance with laws and regulations.

Cause: The Association was unaware of the requirement of the treasurer obtaining a bond.

Effect: The Association's current internal control structure does not provide for the internal preparation of the Association's financial statements.

Recommendation: The Association's treasurer should obtain a good and sufficient bond to be in compliance with the North Dakota Century Code.

Views of Responsible Officials and Planned Corrective Actions:

The Association is aware of the requirement and will obtain a bond to be in compliance with all requirements of the North Dakota Century Code.