

# **AUDIT REPORT**

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

For the Years Ended December 31, 2018 and 2017

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

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For the Years Ended December 31, 2018 and 2017

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WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

BOARD OF DIRECTORS

Rick Regeth	President
Joe Schettler	Vice-President
Brien Dennis	Secretary/Treasurer
Levi Bang	Director
Kevin Benz	Director
Austin Buehner	Director
Bob Dolezal	Director
Ethan Harris	Director
Rodney Hendricks	Director
Richard Jambor	Director
Thomas Knopik	Director
Larry Knudsvig	Director
Leslie Knudsvig	Director
Dean Knutson	Director
Mark Kovash	Director
Walter Kukla	Director
Shawn Lambert	Director
Alex Lazorenko	Director
John Lemieux	Director
Tim Loh	Director
Larry Lundberg	Director
Steve Pletan	Director
Jaime Reese	Director
Delry Schwalbe	Director
Daryl Semerad	Director
Greg Steckler	Director
Tim Steffan	Director
Wendall Vigen	Director
Ryan Hauck	Fire Chief
Cori Kilber	District Clerk

# Rath & Mehler

Certified Public Accountants

*Specializing in Governmental Auditing*

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Jayson Rath, CPA  
Ken Mehler, CPA

425 North Fifth Street  
Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
West Dunn Fire Protection District  
Killdeer, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the fire 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 audits 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 judgement, 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 fire district'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 fire district'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, the respective financial position of the governmental activities and the major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgeting comparison information on pages 4 through 9 and 29 through 31 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, 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. 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 audits 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 March 22, 2019 on our consideration of the 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 the fire district's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 22, 2019

WEST DUNN FIRE PROTECTION DISTRICT  
Management's Discussion and Analysis

December 31, 2018 and 2017

The Management's Discussion and Analysis (MD&A) of the West Dunn Fire Protection District's financial performance provides an overall review of the fire district's financial activities for the fiscal years ended December 31, 2018 and 2017. The intent of the MD&A is to look at the fire district's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal years and the prior year are required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2018 are as follows:

- \* Net position of the fire district increased \$359,012 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$3,417,213.
- \* Total revenues from all sources were \$785,904.
- \* Total expenses were \$426,892.
- \* The fire district's general fund had \$785,892 in total revenues and \$926,261 in total expenditures. Overall, the general fund balance decreased by \$140,369 for the year ended December 31, 2018.

Key financial highlights for the year ended December 31, 2017 are as follows:

- \* Net position of the fire district increased \$364,182 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$3,058,201.
- \* Total revenues from all sources were \$779,361.
- \* Total expenses were \$415,179.
- \* The fire district's general fund had \$771,857 in total revenues and \$503,574 in total expenditures. Overall, the general fund balance increased by \$268,283 for the year ended December 31, 2017.

## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the fire district as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole fire district, presenting both an aggregate view of the fire district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the fire district's general fund.

## REPORTING ON THE FIRE DISTRICT AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the fire district to provide programs and activities and attempt to answer the question "How did the fire district do financially during the years ended December 31, 2018 and 2017?"

The Statement of Net Position presents information on all the district's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the fire district is improving or deteriorating.

The Statement of Activities presents information on how the fire district's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the fire district's net position and changes in that position. This change in net position is important because it tells the reader whether, for the fire district as a whole, the financial position of the fire district has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the fire district reports governmental activities. Governmental activities are the activities where most of the fire district's programs and services are reported including, but not limited to, public safety.

**REPORTING ON THE FIRE DISTRICT'S MOST SIGNIFICANT FUNDS**

Balance Sheet - Governmental Funds

The fire district uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the fire district to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the fire district's major funds. Using the criteria established by GASB Statement No. 34, the fire district's general fund is considered a "major fund".

**FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE**

Table I provides a summary of the fire district's net position as of December 31, 2018 and 2017. A comparative analysis of district-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the fire district's net position increased by \$359,012 and \$364,182 for the years ended December 31, 2018 and 2017, respectively. Changes in net position may serve over time as a useful indicator of the fire district's financial position.

The fire district's net position of \$3,417,213, as of December 31, 2018 is segregated into two separate categories. Net investment in capital assets represents 75% of the fire district's total net position. It should be noted that these assets are not available for future spending. The remaining unrestricted component of net position represents 25% of the fire district's net position and is available to meet the fire district's ongoing obligations.

The fire district's net position of \$3,058,201, as of December 31, 2017 is segregated into two separate categories. Net investment in capital assets represents 66% of the fire district's total net position. It should be noted that these assets are not available for future spending. The remaining unrestricted component of net position represents 34% of the fire district's net position and is available to meet the fire district's ongoing obligations.

Table I  
Net Position  
As of December 31, 2018 and 2017  
(With comparative totals for December 31, 2016)

	2018	2017	2016
<u>Assets</u>			
Current Assets	909,195	1,045,074	764,301
Capital Assets ( net of accumulated depreciation)	2,576,808	2,077,439	1,983,544
Total Assets	<u>3,486,003</u>	<u>3,122,513</u>	<u>2,747,845</u>
<u>Liabilities</u>			
Current Liabilities	1,010	1,118	1,073
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue	67,781	63,194	52,754
<u>Net Position</u>			
Net Investment in Capital Assets	2,576,808	2,077,439	1,983,544
Unrestricted	840,405	980,762	710,475
Total Net Position	<u>3,417,213</u>	<u>3,058,201</u>	<u>2,694,019</u>



Table II shows the changes in net position for the fiscal years ended December 31, 2018 and 2017. A comparative analysis of district-wide data is presented for both current years and prior year.

Table II  
Changes in Net Position  
As of December 31, 2018 and 2017  
(With comparative totals for December 31, 2016)

	2018	2017	2016
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	34,493	33,804	38,289
Operating Grants and Contributions	252,199	228,349	308,754
<u>General Revenues:</u>			
Property Taxes	489,804	468,229	415,623
Interest Earnings and Other Revenue	9,407	43,479	8,983
Gain on Sale/Trade-in of Capital Assets		5,500	5,321
<b>Total Revenues</b>	785,904	779,361	776,969
<b>Expenses</b>			
Public Safety	426,892	415,179	259,920
<b>Net Change in Position</b>	359,012	364,182	517,049

Property taxes constituted 62%, operating grants and contributions 32% and charges for services made up 4% of the total revenues of governmental activities of the fire district for the fiscal year ended December 31, 2018.

Public safety constituted 100% of total expenses for governmental activities during the fiscal year ended December 31, 2018.

Property taxes constituted 60%, operating grants and contributions 29% and charges for services made up 4% of the total revenues of governmental activities of the fire district for the fiscal year ended December 31, 2017.

Public safety constituted 100% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2018

	Total Cost Year Ended December 31, <u>2018</u>	Net Cost Year Ended December 31, <u>2018</u>
Public Safety	426,892	140,200
	=====	=====

Total and Net Cost of Services  
As of December 31, 2017

	Total Cost Year Ended December 31, <u>2017</u>	Net Cost Year Ended December 31, <u>2017</u>
Public Safety	415,179	153,025
	=====	=====

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the fire district's governmental fund is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the fire district's net resources available for spending as of the end of the fiscal year. This fund is accounted for using the modified accrual basis of accounting. The fire district's governmental fund had total revenue of \$785,892 and expenditures of \$926,261 for the year ended December 31, 2018. For the year ended December 31, 2017, the fire district's governmental fund had total revenue of \$771,857 and expenditures of \$503,574. As of December 31, 2018, the unassigned fund balance of the fire district's general fund was \$742,321. As of December 31, 2017, the unassigned fund balance of the fire district's general fund was \$892,867.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2018 and 2017, the fire district did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2018 was \$249,707 more than budgeted. This budget variance is due to the district not including estimated revenues for intergovernmental and miscellaneous revenue sources. Actual expenditures for the year ended December 31, 2018 were over budget by \$421,722. This budget variance is due to the district underestimating total appropriations for capital outlay.

Actual revenue for the year ended December 31, 2017 was \$328,466 more than budgeted. This budget variance is due to the district not including estimated revenues for intergovernmental and miscellaneous revenue sources. Actual expenditures for the year ended December 31, 2017 were under budget by \$54,426. This budget variance is due to the district overestimating total appropriations for capital outlay.

**CAPITAL ASSETS**

As of December 31, 2018 and 2017, the fire district had \$2,576,808 and \$2,077,439, respectively, invested in capital assets. Table IV shows the balance as of December 31, 2018 and 2017.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2018 and 2017  
(With comparative totals for December 31, 2016)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Buildings	1,044,372	957,428	929,700
Vehicles	1,532,436	1,120,011	1,053,844
Total (net of depreciation)	<u>2,576,808</u>	<u>2,077,439</u>	<u>1,983,544</u>
	=====	=====	=====

The December 31, 2018 total represents an increase of \$499,369 in capital assets from January 1, 2018. The December 31, 2017 total represents an increase of \$93,895 from January 1, 2017. The increase in buildings and vehicles is due to improvements to the fire hall in Killdeer and purchase of several vehicles. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2018 and 2017, the fire district had no outstanding debt.

**CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, creditors and other interested parties with a general overview of the fire district's finances and to show the fire district's accountability for the money it receives to provide fire protection for local residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Cori Kilber, District Clerk, West Dunn Fire Protection District, Killdeer, ND 58640.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Net Position  
December 31, 2018

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash	726,289.94
Investments	111,119.52
Taxes Receivable	3,440.29
Due from County Treasurer	68,345.74
Capital Assets (net of accumulated depreciation):	
Buildings	1,044,372.00
Vehicles	1,532,436.00
Total Capital Assets	2,576,808.00
 Total Assets	 3,486,003.49
 <b><u>LIABILITIES:</u></b>	
Payroll Liabilities Payable	1,009.50
 <b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Unavailable Revenue	67,780.84
 <b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	2,576,808.00
Unrestricted	840,405.15
 Total Net Position	 3,417,213.15

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Net Position  
December 31, 2017

	Governmental Activities
<u>ASSETS:</u>	
Cash	877,007.41
Investments	100,917.86
Taxes Receivable	3,427.88
Due from County Treasurer	63,720.70
Capital Assets (net of accumulated depreciation):	
Buildings	957,428.00
Vehicles	1,120,011.00
Total Capital Assets	2,077,439.00
 Total Assets	 3,122,512.85
 <u>LIABILITIES:</u>	
Payroll Liabilities Payable	1,117.82
 <u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	63,194.03
 <u>NET POSITION:</u>	
Net Investment in Capital Assets	2,077,439.00
Unrestricted	980,762.00
 Total Net Position	 3,058,201.00

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Activities  
For the Year Ended December 31, 2018

	Program Revenues		Net (Expense)
	Expenses	Charges for Services	Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>			
Public Safety	426,892.14	34,493.45	252,199.00
			(140,199.69)
-----			
<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			489,804.46
Earnings on investments and other revenue			9,407.38
Total General Revenues			499,211.84
Change in Net Position			359,012.15
Net Position - January 1			3,058,201.00
Net Position - December 31			3,417,213.15
			=====

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Activities  
For the Year Ended December 31, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Public Safety	415,178.52	33,804.33	228,349.00	(153,025.19)
=====				
<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes				468,228.66
Earnings on investments and other revenue				43,478.96
Gain on trade-in of capital assets				5,500.00
Total General Revenues				517,207.62
Change in Net Position				364,182.43
Net Position - January 1				2,694,018.57
Net Position - December 31				3,058,201.00
=====				

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2018

	General
<u>ASSETS:</u>	
Cash	726,289.94
Investments	111,119.52
Taxes Receivable	3,440.29
Due from County Treasurer	68,345.74
Total Assets	909,195.49
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Payroll Liabilities Payable	1,009.50
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	71,221.13
Total Liabilities and Deferred Inflows of Resources	72,230.63
 <u>Fund Balance:</u>	
Assigned to:	
Equipment	94,643.71
Unassigned	742,321.15
Total Fund Balance	836,964.86
Total Liabilities, Deferred Inflows of Resources and Fund Balance	909,195.49

The accompanying notes are an integral part of these financial statements.



WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2017

	General
<u>ASSETS:</u>	
Cash	877,007.41
Investments	100,917.86
Taxes Receivable	3,427.88
Due from County Treasurer	63,720.70
Total Assets	1,045,073.85 =====
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Payroll Liabilities Payable	1,117.82
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	66,621.91
Total Liabilities and Deferred Inflows of Resources	67,739.73
 <u>Fund Balance:</u>	
Assigned to:	
Equipment	84,466.73
Unassigned	892,867.39
Total Fund Balance	977,334.12
Total Liabilities, Deferred Inflows of Resources and Fund Balance	1,045,073.85 =====

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds		836,964.86
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	3,294,767.00	
Less Accumulated Depreciation	(717,959.00)	
Net Capital Assets	<hr/>	2,576,808.00
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		<hr/> 3,440.29
Total Net Position of Governmental Activities		<hr/> 3,417,213.15 =====

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds		977,334.12
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	2,735,045.00	
Less Accumulated Depreciation	(657,606.00)	
Net Capital Assets	<u>2,077,439.00</u>	
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		<u>3,427.88</u>
Total Net Position of Governmental Activities		<u>3,058,201.00</u> =====

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2018

	General
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	489,792.05
<u>Intergovernmental</u>	
Dunn County Contributions	182,749.00
Insurance Premium Tax Distribution	34,493.45
Total Intergovernmental	217,242.45
<u>Miscellaneous</u>	
Interest and Dividends	650.10
Donations/Contributions	69,450.00
Fundraising	4,893.75
Miscellaneous	3,863.53
Total Miscellaneous	78,857.38
Total Revenues	785,891.88
<u>Expenditures:</u>	
<u>Public Safety</u>	
Cell Phone Reimbursements	8,160.00
Repairs and Maintenance	36,030.26
Supplies and Equipment	107,284.88
Fireman's Account Supplies	13,320.42
Payroll	29,287.86
Gas and Fuel	5,500.62
Insurance	12,597.71
Office Supplies	1,845.51
Training	3,484.51
Utilities	10,449.31
Vehicle Expenses	7,232.57
Public Education	1,394.24
Retirement Contribution	1,000.00
Miscellaneous	6,951.25
Total Public Safety	244,539.14
<u>Capital Outlay</u>	
Building Improvements	107,159.00
Vehicles	574,563.00
Total Capital Outlay	681,722.00
Total Expenditures	926,261.14
Net Change in Fund Balances	(140,369.26)
Fund Balance - January 1	977,334.12
Fund Balance - December 31	836,964.86

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2017

	General
<b>Revenues:</b>	
<u>Taxes</u>	
General Property Taxes	466,224.45
<u>Intergovernmental</u>	
Dunn County Contributions	182,749.00
Insurance Premium Tax Distribution	33,804.33
Total Intergovernmental	216,553.33
<u>Miscellaneous</u>	
Interest and Dividends	617.75
Donations/Contributions	45,600.00
Fundraising	39,320.00
Miscellaneous	3,541.21
Total Miscellaneous	89,078.96
Total Revenues	771,856.74
<b>Expenditures:</b>	
<u>Public Safety</u>	
Communications	17,062.74
Cell Phone Reimbursements	6,120.00
Repairs and Maintenance	76,643.23
Supplies and Equipment	81,148.66
Payroll	32,289.36
Gas and Fuel	7,876.99
Insurance	13,868.18
Office Supplies	5,648.96
Training	4,569.67
Utilities	13,998.42
Vehicle Expenses	11,269.32
Public Education	597.25
Retirement Contribution	2,000.00
Miscellaneous	3,147.74
Total Public Safety	276,240.52
<u>Capital Outlay</u>	
Building Improvements	40,900.00
Vehicles	186,433.00
Total Capital Outlay	227,333.00
Total Expenditures	503,573.52
Net Change in Fund Balances	268,283.22
Fund Balance - January 1	709,050.90
Fund Balance - December 31	977,334.12

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Reconciliation of Government Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2018

Net Change in Fund Balance	(140,369.26)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	681,722.00	
Current Year Depreciation Expense	(182,353.00)	499,369.00

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable		12.41

Change in Net Position of Governmental Activities	359,012.15
	=====

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Reconciliation of Government Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2017

Net Change in Fund Balance 268,283.22

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	227,333.00	
Current Year Depreciation Expense	(138,938.00)	88,395.00

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable		2,004.21
----------------------------------	--	----------

In the statement of activities, only the gain on the trade-in of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position.

		5,500.00

Change in Net Position of Governmental Activities		364,182.43

The accompanying notes are an integral part of these financial statements.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Notes to the Financial Statements  
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Dunn Fire Protection District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the fire district. The fire district has considered all potential component units for which the fire district is financially accountable and other organizations for which the nature and significance of their relationships with the fire district are such that exclusion would cause the fire district's financial statements to be misleading or incomplete. The Government 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 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 fire district.

Based on these criteria, there are no component units to be included within the fire district as a reporting entity.

B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, West Dunn Fire Protection District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the fire district's governmental activities. Direct expenses are those that are specifically associated with program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



*Fund Financial Statements:* The fund financial statements provide information about the fire district's fund. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column.

The fire district reports the following major governmental fund:

*General Fund.* This is the fire 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.

C. Measurement Focus, Basis of Accounting  
and Financial Statement Presentation

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the fire district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The fire district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the fire district funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the fire district's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

### E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the fire district as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	75 years
Vehicles	7 to 20 years

### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

### G. Fund Equity

Fund equity at the 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 fire 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:

**Nonspendable** - Fund balances are reported as nonspendable 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 such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the fire district or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**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 governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the fire district's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The fire district reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the fire district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the fire district's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the fire district has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### H. 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 certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the fire district maintains deposits at the 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.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2018 the fire district's carrying amount of deposits was \$837,409 and the bank balance was \$844,955. Of the bank balance, \$266,476 was covered by Federal Depository Insurance. The remaining balance of \$578,479 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017 the fire district's carrying amount of deposits was \$977,925 and the bank balance was \$990,245. Of the bank balance, \$266,451 was covered by Federal Depository Insurance. The remaining balance of \$723,794 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

The fire district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (1) 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.
- (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.
- (4) Obligations of the State.

At December 31, 2018, the fire protection district held certificates of deposit in the amount of \$111,120, which are all considered deposits.

At December 31, 2017, the fire protection district held certificates of deposit in the amount of \$100,918, which are all considered deposits.

#### Concentration of Credit Risk

The fire district does not have a limit on the amount the fire district may invest in any one issuer.

#### Note 3 TAXES RECEIVABLE

Taxes receivable represents the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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 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 4 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the fire district at December 31.

Note 5 CAPITAL ASSETS

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

	<u>2018</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities: <i>Capital assets being depreciated:</i>				
Buildings	1,028,772	107,159		1,135,931
Vehicles	1,706,273	574,563	122,000	2,158,836
Total	<u>2,735,045</u>	<u>681,722</u>	<u>122,000</u>	<u>3,294,767</u>
<i>Less accumulated depreciation for:</i>				
Buildings	71,344	20,215		91,559
Vehicles	586,262	162,138	122,000	626,400
Total	<u>657,606</u>	<u>182,353</u>	<u>122,000</u>	<u>717,959</u>
Governmental Activities Capital Assets, Net	<u>2,077,439</u>	<u>499,369</u>	-0-	<u>2,576,808</u>

	<u>2017</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities: <i>Capital assets being depreciated:</i>				
Buildings	987,872	40,900		1,028,772
Vehicles	1,534,340	191,933	20,000	1,706,273
Total	<u>2,522,212</u>	<u>232,833</u>	<u>20,000</u>	<u>2,735,045</u>
<i>Less accumulated depreciation for:</i>				
Buildings	58,172	13,172		71,344
Vehicles	480,496	125,766	20,000	586,262
Total	<u>538,668</u>	<u>138,938</u>	<u>20,000</u>	<u>657,606</u>
Governmental Activities Capital Assets, Net	<u>1,983,544</u>	<u>93,895</u>	-0-	<u>2,077,439</u>

Depreciation expense was charged to functions/programs of the fire protection district as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Public Safety	<u>182,353</u>	<u>138,938</u>

Note 6 PAYROLL LIABILITIES PAYABLE

Payroll taxes payable consists of payroll taxes owed to federal and state agencies for amounts withheld from employees wages as of December 31, but not yet remitted.

Note 7 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Unavailable revenue on the government-wide statements consists of the current years taxes, included in the amount due from county treasurer.

Note 8 RISK MANAGEMENT

The West Dunn Fire Protection District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The fire protection district pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile and \$515,000 for public assets.

The fire protection district also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The fire protection district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the fire protection district with a blanket fidelity bond coverage in the amount of \$248,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The fire protection district has worker's compensation with the Department of Workforce Safety and Insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Budgetary Comparison Schedule  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
<u>Taxes</u>				
General Property Taxes	536,185.00	536,185.00	489,792.05	(46,392.95)
<u>Intergovernmental</u>				
Dunn County Contributions			182,749.00	182,749.00
Insurance Premium Tax Distribution			34,493.45	34,493.45
Total Intergovernmental			217,242.45	217,242.45
<u>Miscellaneous</u>				
Interest and Dividends			650.10	650.10
Donations/Contributions			69,450.00	69,450.00
Fundraising			4,893.75	4,893.75
Miscellaneous			3,863.53	3,863.53
Total Miscellaneous			78,857.38	78,857.38
Total Revenues	536,185.00	536,185.00	785,891.88	249,706.88
<u>Expenditures:</u>				
<u>Public Safety</u>				
Cell Phone Reimbursements	10,000.00	10,000.00	8,160.00	1,840.00
Repairs and Maintenance	100,000.00	100,000.00	36,030.26	63,969.74
Supplies and Equipment	12,000.00	12,000.00	107,284.88	(95,284.88)
Fireman's Account Supplies			13,320.42	(13,320.42)
Payroll	35,000.00	35,000.00	29,287.86	5,712.14
Gas and Fuel	5,000.00	5,000.00	5,500.62	(500.62)
Insurance	15,000.00	15,000.00	12,597.71	2,402.29
Office Supplies	1,500.00	1,500.00	1,845.51	(345.51)
Training	5,000.00	5,000.00	3,484.51	1,515.49
Utilities	10,000.00	10,000.00	10,449.31	(449.31)
Vehicle Expenses			7,232.57	(7,232.57)
Public Education			1,394.24	(1,394.24)
Retirement Contribution	1,000.00	1,000.00	1,000.00	
Miscellaneous	2,000.00	2,000.00	6,951.25	(4,951.25)
Total Public Safety	196,500.00	196,500.00	244,539.14	(48,039.14)
<u>Capital Outlay</u>				
Building Improvements			107,159.00	(107,159.00)
Vehicles	260,000.00	260,000.00	574,563.00	(314,563.00)
Total Capital	260,000.00	260,000.00	681,722.00	(421,722.00)
Total Expenditures	456,500.00	456,500.00	926,261.14	(469,761.14)
Net Change in Fund Balance	79,685.00	79,685.00	(140,369.26)	(220,054.26)
Fund Balance - January 1	977,334.12	977,334.12	977,334.12	
Fund Balance - December 31	1,057,019.12	1,057,019.12	836,964.86	(220,054.26)

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Budgetary Comparison Schedule  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
<u>Taxes</u>				
General Property Taxes	443,391.00	443,391.00	466,224.45	22,833.45
<u>Intergovernmental</u>				
Dunn County Contributions			182,749.00	182,749.00
Insurance Premium Tax Distribution			33,804.33	33,804.33
Total Intergovernmental			216,553.33	216,553.33
<u>Miscellaneous</u>				
Interest and Dividends			617.75	617.75
Donations/Contributions			45,600.00	45,600.00
Fundraising			39,320.00	39,320.00
Miscellaneous			3,541.21	3,541.21
Total Miscellaneous			89,078.96	89,078.96
Total Revenues	443,391.00	443,391.00	771,856.74	328,465.74
<u>Expenditures:</u>				
<u>Public Safety</u>				
Communications			17,062.74	(17,062.74)
Cell Phone Reimbursements	10,000.00	10,000.00	6,120.00	3,880.00
Repairs and Maintenance	150,000.00	150,000.00	76,643.23	73,356.77
Supplies and Equipment	20,000.00	20,000.00	81,148.66	(61,148.66)
Payroll	30,000.00	30,000.00	32,289.36	(2,289.36)
Gas and Fuel	5,000.00	5,000.00	7,876.99	(2,876.99)
Insurance	15,000.00	15,000.00	13,868.18	1,131.82
Office Supplies	1,000.00	1,000.00	5,648.96	(4,648.96)
Training	14,000.00	14,000.00	4,569.67	9,430.33
Utilities	10,000.00	10,000.00	13,998.42	(3,998.42)
Vehicle Expenses			11,269.32	(11,269.32)
Public Education			597.25	(597.25)
Retirement Contribution	1,000.00	1,000.00	2,000.00	(1,000.00)
Miscellaneous	2,000.00	2,000.00	3,147.74	(1,147.74)
Total Public Safety	258,000.00	258,000.00	276,240.52	(18,240.52)
<u>Capital Outlay</u>				
Building Improvements			40,900.00	(40,900.00)
Vehicles	300,000.00	300,000.00	186,433.00	113,567.00
Total Capital	300,000.00	300,000.00	227,333.00	72,667.00
Total Expenditures	558,000.00	558,000.00	503,573.52	54,426.48
Net Change in Fund Balance	(114,609.00)	(114,609.00)	268,283.22	382,892.22
Fund Balance - January 1	709,050.90	709,050.90	709,050.90	
Fund Balance - December 31	594,441.90	594,441.90	977,334.12	382,892.22



WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Notes to the Budgetary Comparison Schedule  
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the treasurer prepares the fire district budget. Budgets are prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing, the board adopts the final budget. The final budget must be filed with the county auditor by June 30. The governing board may amend the budget during the year for any revenue 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 official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets for the years ending ended December 31, 2018 and 2017.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$469,761.14 for the year ended December 31, 2018. No remedial action is anticipated or required by the fire protection district regarding these excess expenditures.

# Rath & Mehrer

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Specializing in Governmental Auditing

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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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
West Dunn Fire Protection District  
Killdeer, 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 and each major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of and for the years ended December 31, 2018 and 2017, 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 March 22, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fire district'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the fire 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 audits, 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*.

### **Fire District's Response to Findings**

The fire district's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The fire district's response was not subjected to the auditing procedures applied in the audits 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 fire district's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the fire district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 22, 2019

WEST DUNN FIRE PROTECTION DISTRICT  
Killdeer, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2018 and 2017

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Fund	Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
* Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Noncompliance Material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. Segregation of Duties

*Condition:* The district has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the district.

*Effect:* There is no segregation of duties 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, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

## 2. Financial Statement Preparation

*Condition:* The district's financial statements as of December 31, 2018 and 2017 are prepared by the district's external auditors.

*Criteria:* A good system of internal controls requires the district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the district must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend the district obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the district to prepare its own financial statements.