

**JAMESTOWN RURAL FIRE DISTRICT**

**Jamestown, North Dakota**

***REPORT ON FINANCIAL STATEMENTS***

***(with supplementary information)***

***Year Ended December 31, 2019***

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
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**Year Ended December 31, 2019**

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# Schauer & Associates, P.C.

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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
**Jamestown Rural Fire District**  
Jamestown, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **JAMESTOWN RURAL FIRE DISTRICT**, Jamestown, North Dakota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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.

### Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## INDEPENDENT AUDITORS' REPORT – continued

### 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 **JAMESTOWN RURAL FIRE DISTRICT**, Jamestown, North Dakota, as of December 31, 2019 and the respective changes in financial position thereof for the year 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 budgetary comparison information on page 18 through 19 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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*

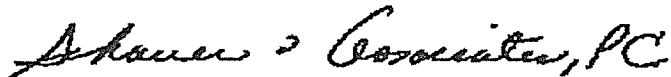
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **JAMESTOWN RURAL FIRE DISTRICT's** basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**INDEPENDENT AUDITORS' REPORT – continued**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the **JAMESTOWN RURAL FIRE DISTRICT**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 **JAMESTOWN RURAL FIRE DISTRICT**'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 **JAMESTOWN RURAL FIRE DISTRICT**'s internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
December 16, 2020

# JAMESTOWN RURAL FIRE DISTRICT

Jamestown, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 60,197
Due from other governmental agencies	263,203
Capital assets	
Land	62,500
Building	562,500
Equipment	884,219
Vehicles	1,151,792
Construction in progress	2,188,170
Less: accumulated depreciation	<u>(1,346,118)</u>
Total Capital Assets	<u>3,503,063</u>
Total Assets	<u>\$ 3,826,463</u>
<b>LIABILITIES</b>	
Long-term liabilities	
Due within one year	\$ 69,472
Due in more than one year	<u>2,367,241</u>
Total Liabilities	<u>2,436,713</u>
<b>Deferred Inflows of Resources</b>	
Deferred revenues in custody of other governments	<u>51,054</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,066,350
Unrestricted	<u>272,346</u>
Total Net Position	<u>1,338,696</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,826,463</u>

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

# JAMESTOWN RURAL FIRE DISTRICT

Jamestown, North Dakota

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government	\$ 344,958	\$	\$	\$ (344,958)
Public Safety	\$ 344,958	\$	\$	\$ (344,958)
Total Governmental Activities				
<b>General revenues:</b>				
Property taxes				449,053
Insurance premium reimbursement				86,150
State aid				10,500
Unrestricted investment earnings				63
Miscellaneous				2,010
Total general revenues				547,776
Change in net position				202,818
Net position:				
Beginning of year				(440,660)
Prior period adjustment				1,576,538
Net position - ending				1,338,696

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



# JAMESTOWN RURAL FIRE DISTRICT

## Jamestown, North Dakota BALANCE SHEET Governmental Funds December 31, 2019

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 60,197
Taxes receivable, net	130,524
Receivable from other governments	<u>132,679</u>
Total Assets	<u>\$ 323,400</u>
 <b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Deferred inflows of resources:	
Unavailable revenue	<u>\$ 51,054</u>
Fund balances:	
Unassigned	<u>272,346</u>
Total Fund Balances	<u>272,346</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 323,400</u>

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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

Total fund balance, governmental funds	\$ 272,346
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	3,503,062
Some liabilities (such as Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(2,436,713)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 1,338,696</u>

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

# JAMESTOWN RURAL FIRE DISTRICT

Jamestown, North Dakota

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

Year Ended December 31, 2019

	<u>General Fund</u>
<b>REVENUES</b>	
Property taxes	\$ 449,053
Insurance premium reimbursement	86,150
State aid	10,500
Investment earnings	63
Miscellaneous	2,010
Total Revenues	<u>547,776</u>
<b>EXPENDITURES</b>	
Public Safety	
Compensation	47,949
Fire department	43,076
Building, equipment, tools	27,722
Insurance	7,336
Fuel	3,458
Repair and maintenance	43,165
Utilities	6,846
Training	4,762
Office expense, dues and fees	1,643
Retention	43,075
Professional fees	4,280
Property taxes	2,831
Miscellaneous	1,185
Debt Service:	
Principal	2,453,926
Interest and other charges	72,235
Capital Outlay	2,056,115
Total Expenditures	<u>4,819,604</u>
Excess of revenues over (under) expenditures	(4,271,828)
Other financing sources	
Loan proceeds	<u>4,416,796</u>
Net change in fund balance	144,968
Fund balance - beginning	6,140
Prior period adjustment	<u>121,238</u>
Fund balance - ending	<u>\$ 272,346</u>

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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**ACTIVITIES**  
**Year Ended December 31, 2019**

Net change in fund balances - total governmental funds: \$ 144,968

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay \$2,074,047 exceeded depreciation \$53,327 in the current period. 2,020,720

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The liability is accrued in the Statement of Net Position. This is the amount by which repayments exceeded proceeds. (1,962,870)

Change in net position of governmental activities \$ 202,818

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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**1. Summary of Significant Accounting Policies**

The financial statements of the **Jamestown Rural Fire District** have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental 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. Reporting Entity**

The **JAMESTOWN RURAL FIRE DISTRICT** operates the rural fire department for 24 townships and cities.

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 its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing board 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 Statements:** The statement of net position and statement of activities display information about the 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 non-exchange 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 a program or function and, therefore, are clearly identifiable to a particular function. Program revenues included 1) fees and charges paid by the recipients of goods or services offered by the programs and 2) 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, interest and non-restricted grants and contributions are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the district's funds. A separate statement for the fund category- governmental is presented.

Funds are organized as major funds or non-major funds within the governmental statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Following is a list of the major funds:

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**B. Basis of Presentation – continued**

*Governmental Funds*

*General Fund:* The General Fund is the general operating fund. It is used to account 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**

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

Governmental fund financial statements 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. All revenues are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement 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 District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

All revenues are considered to be susceptible to accrual and so have been recorded as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**D. 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. Accordingly, actual results could differ from those estimates.

**E. Deposits and Investments**

*Custodial credit risk.* Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of outside parties. The District does not have a formal policy regarding deposits that limit the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**E. Deposits and Investments - continued**

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 investment 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 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 any other state of the United States or such other securities approved by the banking board.

At December 31, 2019, the District's carrying amount of deposits was \$60,197 and the bank balances were \$67,481, all of which is covered by Federal Depository Insurance.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

As authorized in North Dakota Statutes, idle funds may be invested 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 a type listed above.
3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.
5. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

The District has no cash and cash equivalents other than demand and time deposits.

**F. Capital Assets**

Capital assets include buildings and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements but are not reported as assets in the fund financial statements. Capital assets are defined by the District as assets and are capitalized if total cost exceeds \$2,500. All capital assets are recorded at cost or estimated historical cost if purchased or constructed. 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 the construction phase of capital assets is not capitalized.

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**F. Capital Assets - continued**

The District's construction in progress is capitalized but not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Building and improvements	50 years
Equipment and vehicles	10 - 25 years

**G. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**H. Long-Term Obligations**

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**I. Equity Classifications**

*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets.
2. Restricted net position - consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
3. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

*Fund Balances*

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:



**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**I. Equity Classifications - continued**

*Nonspendable* - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as inventories 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 amounts that are constrained for specific purposes that are internally imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board.

*Assigned* - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

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

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**2. Taxes Receivable**

The taxes receivable consists of uncollected and collected but not remitted property taxes as of December 31. No allowance has been established for estimated uncollectible taxes since amounts are considered unavailable and therefore have not met revenue recognition requirements and an offsetting deferred revenue account has been established for uncollected taxes.

Property taxes attach as an enforceable lien on property on January 1 of the following year. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 unless the first half of the taxes has been paid. Additional penalties are added October 15 if not paid. Taxes are collected by the county and remitted monthly to the entity.

**3. Capital Assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

<i>Governmental Activities</i>	Balance 12/31/19	Additions	Deletions	Balance 12/31/19
Capital assets not being depreciated				
Land	\$ 62,500	\$	\$	\$ 62,500
Building not in service	562,500			562,500
Construction in progress	139,123	2,049,047		2,188,170
Total Capital Assets, Not Being Depreciated	<u>764,123</u>	<u>2,049,047</u>		<u>2,813,170</u>

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**3. Capital Assets - continued**

	Balance 12/31/19	Additions	Deletions	Balance 12/31/19
Capital Assets Being Depreciated				
Equipment	859,219	25,000		884,219
Vehicles	1,151,792			1,151,792
Total Capital Assets Being Depreciated	<u>2,011,011</u>	<u>25,000</u>		<u>2,036,011</u>
Less Accumulated Depreciation for				
Equipment	770,761	16,086		786,847
Vehicles	522,030	37,241		559,271
Total Accumulated Depreciation	<u>1,292,791</u>	<u>53,327</u>		<u>1,346,118</u>
Total Capital Assets Being Depreciated, Net	<u>718,220</u>	<u>(28,327)</u>		<u>689,893</u>
Net Capital Assets	<u>\$ 1,482,343</u>	<u>\$ 2,020,720</u>	<u>\$</u>	<u>\$ 3,503,063</u>

Depreciation was charged to functions as follows:

Public Safety	<u>\$ 53,327</u>
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**4. Long-Term Obligations**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Amounts Due Within One Year
Bank loans	\$ 473,843	\$ 1,980,083	\$2,453,926	\$	\$
USDA		2,436,713		2,436,713	69,472
Total Long-Term Debt	<u>\$ 473,843</u>	<u>\$ 4,416,796</u>	<u>\$ 2,453,926</u>	<u>\$ 2,436,713</u>	<u>\$ 69,472</u>

3% real estate mortgage dated December 17, 2019, due in monthly installments of \$11,816 (including principal and interest) to December 20, 2049, secured by Lot 7, Block 1, Dunstan's Second Addition to Jamestown, Stutsman County, North Dakota, together with the east half of the vacated alley lying adjacent thereto. It is also secured by all of the revenue and income, all present and future contract rights, rents, accounts receivables, general intangibles whatsoever in nature, inventory, equipment, supplies, goods, furniture and fixtures and appliances, now owned or hereafter acquired, together with all replacements, substitutions, and addition thereto.

Debt service requirements on long-term debt is as follows:

Year Ending	Principal	Interest
2020	\$ 69,472	\$ 72,320
2021	71,590	70,202
2022	73,773	68,019

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**4. Long-Term Obligations - continued**

2023	76,022	65,770
2024	78,340	63,452
2025 - 2029	429,016	279,944
2030 - 2034	498,526	210,433
2035 - 2039	579,299	129,661
2040 - 2044	560,675	36,970
	<u>\$ 2,436,713</u>	<u>\$ 996,771</u>

**5. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 District pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$250 million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund. The 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 one million dollars per occurrence during a 12-month period.

The District participates in the North Dakota Workforce Safety and Insurance.

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

**6. Prior Period Adjustments**

The Fire District recorded prior period adjustments to the December 31, 2018 financial statements for the following:

Property taxes receivable were adjusted to include taxes collected in December of 2018. This increased property taxes receivable and increased fund balance by \$121,238.

Construction in progress, equipment, vehicles and accumulated depreciation were recorded as of December 31, 2018. This increased the total assets of the District and increased the net position by \$1,482,343.

Long-term liabilities were corrected as of December 31, 2018. This increased the debt and decreased the net position by \$27,043.

The net effect of the prior period adjustment to fund balance and net position is as follows:

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended December 31, 2019**

**6. Prior Period Adjustments - continued**

	<u>Fund Balance</u>	<u>Net Position</u>
Property taxes	\$ 121,238	\$ 121,238
Capital assets		1,482,343
Long-term debt		<u>(27,043)</u>
	<u>\$ 121,238</u>	<u>\$ 1,576,538</u>

**7. Construction Commitments**

As of December 31, 2019, the Jamestown Rural Fire District had construction commitments in the amount of \$240,864 for the completion of the new fire hall.

**8. Subsequent Events**

As of December 31, 2019, the USDA loan had \$363,287 in funds left to advance. The new fire hall was completed in 2020 and placed in service March 14, 2020. The old fire hall was sold September 1, 2020 for \$295,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JAMESTOWN RURAL FIRE DISTRICT**  
 Jamestown, North Dakota  
**BUDGET AND ACTUAL (With Variances)**  
 General Fund  
 Year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 372,899	\$ 372,899	\$ 449,053	\$ 76,154
State aid	9,000	9,000	10,500	1,500
Insurance premium reimbursement	55,000	55,000	86,150	31,150
Investment earnings	600	600	63	(537)
Miscellaneous	380	380	2,010	1,630
Total Revenues	<u>437,879</u>	<u>437,879</u>	<u>547,776</u>	<u>109,897</u>
<b>EXPENDITURES</b>				
Public Safety				
Compensation	57,600	57,600	47,949	9,651
Fire department	25,000	25,000	43,076	(18,076)
Building, equipment, tools	55,000	55,000	27,722	27,278
Insurance	9,000	9,000	7,336	1,664
Fuel	10,000	10,000	3,458	6,542
Repair and maintenance	23,000	23,000	43,165	(20,165)
Utilities	9,000	9,000	6,846	2,154
Training	10,000	10,000	4,762	5,238
Office expense, dues and fees	2,950	2,950	1,643	1,307
Retention	35,000	35,000	43,075	(8,075)
Professional fees	9,000	9,000	4,280	4,720
Property taxes	1,500	1,500	2,831	(1,331)
Miscellaneous	5,000	5,000	1,185	3,815
Debt service				
Principal			2,453,926	(2,453,926)
Interest and other charges	120,000	120,000	72,235	47,765
Capital outlay	61,707	61,707	2,056,115	(1,994,408)
Total Expenditures	<u>433,757</u>	<u>433,757</u>	<u>4,819,604</u>	<u>(4,385,847)</u>
Excess of revenues over (under) expenditures	4,122	4,122	(4,271,828)	(4,275,949)
Other financing sources				
Loan proceeds			4,416,796	(4,416,796)
Fund balances - beginning		6,140	6,140	
Prior period adjustment			121,238	
Fund balances - ending	\$ 10,262	\$ 10,262	\$ 272,346	\$ (4,275,949)

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Budget and Actual (with variances)**  
**Note to RSI - General Fund**  
**Year Ended December 31, 2019**

**Note A – Budgets and Budgetary Accounting**

1. The governing board prepares a preliminary budget annually on or before September 10<sup>th</sup>. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the cash basis of accounting.
2. On or before October 7<sup>th</sup>, the Board adopts the final budget. The final budget must be filed with the county auditor by October 10<sup>th</sup>.
3. No disbursements shall be made or liability incurred in excess of the total appropriations by the fund. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year.

OTHER SUPPLEMENTARY INFORMATION



**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**OFFICIALS**  
**December 31, 2019**

**Officials**

Richard Klose  
Bob Lulay  
Shirly Krapp  
Richard Brown  
Russell Carlson  
Casey Aldinger  
Kenneth Daugs  
Richard Huebner  
Ryan Huebner  
Roger Jung  
Jack Lueck  
Michael Schwartz  
LaRell Peckham  
Wendell Perleberg  
George Quigley  
Allan Allmaras  
Darrel Roorda  
Keith Struble  
Tyler Michel  
Tracey Trapp  
Brian Paulson  
Rick Woehl

**Office**

President  
Vice-president  
Secretary/Treasurer  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Chief  
Assistant Chief

As of December 31, 2019

# Schauer & Associates, P.C.

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Certified Public Accountants

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

Board of Directors  
**JAMESTOWN RURAL FIRE DISTRICT**  
Jamestown, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of **JAMESTOWN RURAL FIRE DISTRICT**, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the **JAMESTOWN RURAL FIRE DISTRICT's** basic financial statements and have issued our report thereon dated December 16, 2020.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **JAMESTOWN RURAL FIRE DISTRICT's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **JAMESTOWN RURAL FIRE DISTRICT's** internal control. Accordingly, we do not express an opinion on the effectiveness of **JAMESTOWN RURAL FIRE DISTRICT's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **JAMESTOWN RURAL FIRE DISTRICT's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – continued 2**

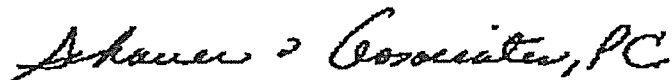
direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**JAMESTOWN RURAL FIRE DISTRICT's Response to Findings**

**JAMESTOWN RURAL FIRE DISTRICT's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **JAMESTOWN RURAL FIRE DISTRICT's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
December 16, 2020

# Schauer & Associates, P.C.

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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Jamestown Rural Fire District  
Jamestown, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited JAMESTOWN RURAL FIRE DISTRICT's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of JAMESTOWN RURAL FIRE DISTRICT's major federal programs for the year ended December 31, 2019. Jamestown Rural Fire District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of JAMESTOWN RURAL FIRE DISTRICT's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JAMESTOWN RURAL FIRE DISTRICT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JAMESTOWN RURAL FIRE DISTRICT's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE – continued - 2**

**Opinion on Each Major Federal Program**

In our opinion, **JAMESTOWN RURAL FIRE DISTRICT**, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

**Report on Internal Control over Compliance**

Management of **JAMESTOWN RURAL FIRE DISTRICT** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **JAMESTOWN RURAL FIRE DISTRICT's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **JAMESTOWN RURAL FIRE DISTRICT's** internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
December 16, 2020

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2019**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass-Through Grantor Program Grant Title	Federal CFDA #	Pass-through Grantor Numbers	Expenditures
Department of Agriculture			
Direct Programs			
Community Facilities Loans and Grants (1)	10.766		\$ 2,436,713
Community Facilities Loans and Grants Cluster			\$ 2,436,713
 Total Federal Funds			 \$ 2,436,713
 (1) MAJOR PROGRAM			

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2019**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **JAMESTOWN RURAL FIRE DISTRICT** under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the **JAMESTOWN RURAL FIRE DISTRICT**, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the **JAMESTOWN RURAL FIRE DISTRICT**.

**B. Basis of Accounting**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. **JAMESTOWN RURAL FIRE DISTRICT** has elected not to use the 10-percent de minimis indirect cost rate as allotted under the Uniform Guidance.

**C. Loan Balances at year end**

<b>USDA Community Facilities Loan</b>	<b>\$2,436,713</b>
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**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2019**

**A. Summary of Auditors' Results**

Financial Statements

Type of Auditors' Report - Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u>	None reported

Noncompliance material to financial statements noted?	<u>      </u>	Yes	<u>  X  </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u>      </u>	Yes	<u>  X  </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u>	None reported

Type of auditors' report issued on compliance for major programs – Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u>      </u>	Yes	<u>  X  </u>	No
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Identification of major programs

CFDA Number 10.766

Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u>      </u>	Yes	<u>  X  </u>	No
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**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued**  
**Year Ended December 31, 2019**

**B. Financial Statement Findings**

**2019-001 Preparation of Financial Statements – Material Weakness**

**Criteria:** A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements and accompanying notes to the financial statements.

**Condition:** The Fire District does not have an internal control system designed to provide for the complete preparation of the financial statements and accompanying notes to the financial statements. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Cause:** Due to cost and other considerations, the Fire District has requested that we draft the financial statements and related footnotes.

**Effect:** This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

**Recommendation:** The circumstance is not unusual for a district of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**View of Responsible Officials and Planned Corrective Actions:** The District does not agree. When the funding for the Jamestown Rural Fire District was below the state level that required an Audit to be done by a certified accountant, and the report was done by Shirly Krapp as secretary treasurer since 2004, the District had no findings from the State Auditor. Every year the report was approved with no findings. Due to the amount of dollars that we have started to receive from tax monies based on Mill levy allowances, we were required to contract with a certified CPA to do a regular audit. Thus, we retained Dempsey Accounting and Associates. In 2019 with the USDA loan requirements, we were required to do a Single Audit, thus Schauer & Associates, P.C. was retained for this purpose. Richard Klose, the Board President states that the District has operated in this fashion for a long period of time and has taken the responsibility to accept the degree of risk associated with this condition because of cost. The District feels that all documents requested as well as the financial information for the District recorded into a Quicken program was provided for 2019. This practice will be continued in the future unless otherwise directed by the Board of Directors.

**Indication of Repeat Finding:** This is a repeat finding of 2018-001.

**2019-002 Segregation of Duties – Material Weakness**

**Criteria:** A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

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

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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued**  
**Year Ended December 31, 2019**

**Effect:** Inadequate segregation of duties provides an opportunity for fraud to occur and for increased errors and misstatements. It would affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period.

**Recommendation:** While we recognize that the staff of the District may not be large enough to permit complete segregation of duties, the involvement of the officers and board in reviewing and approving transactions would help mitigate some of the risks.

**View of Responsible Officials and Planned Corrective Actions:** The District does not agree. The District has deposits done electronically with only receiving maybe 3 checks a year to deposit in the bank. At each of our meetings held, a treasurer's report is given based on the checking balances and savings accounts and the reports that are made available from the assistant clerk. Invoices are reviewed by the Board President before payment is made. The District has a second person on the payroll, so that the secretary treasurer is not the only person responsible for all transactions. The assistant clerk reviews the monthly bank statements and verifies invoices against checks issued. The assistant clerk enters the information into a Quicken program and prints out statements/balance sheets to use to prepare the reports given to the District Board at the meetings. This is also used for the year end balances and to categorize expenses for the year. Based on the size of the District, and the office of secretary treasurer is not a full-time position, the Board president feels that the bookkeeping/financial practices that are in practice are sufficient. All checks require 2 signatures for payments to be allowed. The Board has discussed this in the past and at each yearly meeting, a motion is made to allow the officers, consisting of the president, vice-president and secretary treasurer to handle all invoices and payments needed to ensure the District can continue to operate without calling a monthly meeting to authorize payments for invoices. The Board does not feel this is a wise use of time, and based on the Century code, the District is to hold at least 4 meetings a year, trying to hold one each quarter to discuss the needs of the District and major expenditures that are needed to keep the District operational.

**Indication of Repeat Finding:** This is a repeat finding of 2018-002.

**C. Federal Award Findings and Questioned Costs**

There were no findings which are required to be reported under this section.

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
**Year Ended December 31, 2019**

**2018-001 Preparing Financial Statements – Design Deficiency**

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

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

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

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

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

**View of Responsible Officials and Planned Corrective Actions:** Jamestown Rural Fire District realizes it is extremely hard to have the ultimate of internal controls with a staff of two people and believes that the controls presently in place do a good job of mitigating the risk that the financial statements are misstated. They believe providing policies and procedures for the accounting function and strong board oversight is adequate. The District will continue to request that Dempsey Accounting and Tax Services P.C. assist with the preparation of financial statements; however, the Board will continue to instruct the District administration to provide all the requested schedules.

**Current Status:** This finding is repeated as finding 2019-001 in the current year.

**2018-002 Lack of Segregation – Design Deficiency**

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

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

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

**JAMESTOWN RURAL FIRE DISTRICT**  
**Jamestown, North Dakota**  
**SUMMARY OF PRIOR YEAR FINDINGS - continued**  
**Year Ended December 31, 2019**

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

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

**View of Responsible Officials and Planned Corrective Actions:** Jamestown Rural Fire District realizes it is extremely hard to have adequate segregation of duties with a staff of two people. They feel it is not economically feasible to have enough employees hired to provide for the necessary segregation of duties. They believe providing policies and procedures for the accounting function and strong board oversight is adequate.

**Current Status:** This finding is repeated as finding of 2019-002 in the current year.

Jamestown Rural Fire District  
PO Box 785  
Jamestown, ND 58402-0785

**Corrective Action Plan – December 31, 2019**

**2019-001**

Contact Person

Shirly Krapp, Secretary/Treasurer

Corrective Action Plan: No changes planned

Completion Date: N/A

**2019-002**

Contact Person

Shirly Krapp, Secretary/Treasurer

Corrective Action Plan: No changes planned

Completion Date: N/A



# Schauer & Associates, P.C.

Certified Public Accountants

December 16, 2020

Board of Directors  
Jamestown Rural Fire District  
Jamestown, ND 58401

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jamestown Rural Fire District for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jamestown Rural Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Jamestown Rural Fire District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 16, 2020.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

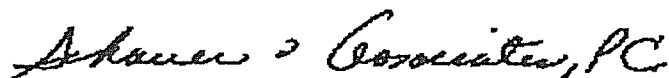
*Other Matters*

We applied certain limited procedures to the budgetary comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

*Restriction on Use*

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



Schauer & Associates, P.C.  
Certified Public Accountants