

**MANDAN RURAL FIRE PROTECTION DISTRICT
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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MANDAN RURAL FIRE PROTECTION DISTRICT
LISTING OF OFFICIALS
DECEMBER 31, 2019 AND 2018

Chief	Lynn Gustin
Assistant Chief	Tim Sheldon
President	Ron Gangl
Vice President	Dennis Gustin
Secretary/Treasurer	Dale Kraft
Director	Kevin Nelson
Director	Anton Kalvoda
Director	Lee Rebenitsch
Director	Gerald Rebenitsch
Director	John Steckler
Director	Mike Gartner
Director	William Klesalek
Director	Ron Leingang

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Mandan Rural Fire Protection District
Mandan, North Dakota 58554

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Mandan Rural Fire Protection District as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the District as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2022, on our consideration of the Mandan Rural Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Mandan Rural Fire Protection 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 the Mandan Rural Fire Protection District's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 14, 2022

MANDAN RURAL FIRE PROTECTION DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	Governmental Activities	
	2019	2018
Assets		
Cash and cash equivalents	\$ 213,700	\$ 241,980
Investments	100,000	-
Capital assets (net of accumulated depreciation)	872,457	918,117
Total assets	1,186,157	1,160,097
Net Position		
Net investment in capital assets	872,457	918,117
Unrestricted	313,700	241,980
Total net position	\$ 1,186,157	\$ 1,160,097

See Notes to the Financial Statements

MANDAN RURAL FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities:				
Fire Protection	\$ 303,503	\$ -	\$ 11,521	\$ (291,982)
Total governmental activities	<u>\$ 303,503</u>	<u>\$ -</u>	<u>\$ 11,521</u>	(291,982)
	<u>General Revenues:</u>			
				250,658
				64,486
				2,898
				<u>318,042</u>
				26,060
				<u>1,160,097</u>
				<u>\$ 1,186,157</u>
				Net (Expenses) Revenue and Changes in Net Position
2018	Program Revenues			Governmental Activities
Function / Program	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities:				
Fire protection	\$ 412,479	\$ -	\$ 57,289	\$ (355,190)
Total governmental activities	<u>\$ 412,479</u>	<u>\$ -</u>	<u>\$ 57,289</u>	(355,190)
	<u>General Revenues:</u>			
				232,627
				60,643
				25,500
				2,964
				<u>321,734</u>
				(33,456)
				<u>1,193,553</u>
				<u>\$ 1,160,097</u>

See Notes to the Financial Statements

MANDAN RURAL FIRE PROTECTION DISTRICT
BALANCE SHEETS – GOVERNMENTAL FUND – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018</u>	
	<u>General</u>	<u>Total Governmental Funds</u>	<u>General</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 213,700	\$ 213,700	\$ 241,980	\$ 241,980
Investments	100,000	100,000	-	-
Total assets	<u>\$ 313,700</u>	<u>\$ 313,700</u>	<u>\$ 241,980</u>	<u>\$ 241,980</u>
Fund Balance				
Committed	\$ 135,485	\$ 135,485	\$ 126,066	\$ 126,066
Unassigned	178,215	178,215	115,914	115,914
Total fund balance	<u>\$ 313,700</u>	<u>\$ 313,700</u>	<u>\$ 241,980</u>	<u>\$ 241,980</u>

**Reconciliation of the Balance Sheets to the
Statements of Net Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Total fund balance	\$ 313,700	\$ 241,980
Capital assets	<u>872,457</u>	<u>918,117</u>
	<u>\$ 1,186,157</u>	<u>\$ 1,160,097</u>

See Notes to the Financial Statements

MANDAN RURAL FIRE PROTECTION DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		2018	
	General	Total	General	Total
		Funds		Governmental
Revenues				
Taxes	\$ 250,658	\$ 250,658	\$ 232,627	\$ 232,627
Intergovernmental	64,486	64,486	60,643	60,643
Grants and donations	11,521	11,521	57,289	57,289
Interest income	49	49	108	108
Rental income	2,000	2,000	2,000	2,000
Miscellaneous revenue	849	849	856	856
Total revenues	<u>329,563</u>	<u>329,563</u>	<u>353,523</u>	<u>353,523</u>
Expenditures				
Fire Protection				
Stipend	30,000	30,000	30,000	30,000
Car allowance	28,130	28,130	25,648	25,648
Insurance	73,913	73,913	67,509	67,509
Office supplies	5,114	5,114	11,179	11,179
Repairs and maintenance	13,654	13,654	152,242	152,242
Utilities	10,877	10,877	10,460	10,460
Housing	25,039	25,039	4,676	4,676
Capital outlay	71,116	71,116	-	-
Total expenditures	<u>257,843</u>	<u>257,843</u>	<u>301,714</u>	<u>301,714</u>
Excess (deficiency) of revenues Over expenditures	<u>71,720</u>	<u>71,720</u>	<u>51,809</u>	<u>51,809</u>
Other Financing Sources				
Proceeds from sale of capital assets	-	-	25,500	25,500
Net change in fund balance	71,720	71,720	77,309	77,309
Fund balance - January 1	<u>241,980</u>	<u>241,980</u>	<u>164,671</u>	<u>164,671</u>
Fund balance - December 31	<u>\$ 313,700</u>	<u>\$ 313,700</u>	<u>\$ 241,980</u>	<u>\$ 241,980</u>

**Reconciliation of Statement of Revenues, Expenses and Changes in Fund Balances of
Governmental Funds to the Statements of Activities
For the Years Ended December 31, 2019 and 2018**

	2019	2018
Net changes in fund balances	\$ 71,720	\$ 77,309
Purchase of capital assets	71,116	-
Depreciation expense on capital assets	(116,776)	(110,765)
Change in net position of governmental activities	<u>\$ 26,060</u>	<u>\$ (33,456)</u>

See Notes to the Financial Statements

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mandan Rural Fire Protection District have been prepared in conformity with the modified cash basis of accounting. 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.

Measurement Focus / Basis of Accounting

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when they are paid. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized when they are received. In addition, capital assets acquired prior to January 1, 2018 are recorded at insured value.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when received. Expenditures are recorded when payment is made, except for principal and interest on general long-term debt, and claims and judgments, 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 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Financial Reporting Entity

The accompanying financial statements present the activities of the Mandan Rural Fire Protection District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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 District.

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

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

Basis of Presentation

Government-wide statements: The statements of net position – modified cash basis and the statements of activities – modified cash basis display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements describe the *governmental activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statements of activities – modified cash basis presents a comparison between direct expenses and program revenues for each function of the 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 include (a) fees, fines 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 District’s funds. The emphasis of fund financial statements is on major governmental funds.

The District reports the following major governmental fund:

General Fund: This is the District’s primary operating fund. It accounts for all financial resources of the general government.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts.

Investments

Investments consists entirely of certificates of deposit.

Capital Assets

Capital assets include all buildings, vehicles, and equipment of the District. All capital assets acquired prior to January 1, 2018 are recorded at insured value. Capital assets which are used for general governmental purposes are not available for expenditure, are accounted for and reported in the government-wide financial statements. Donated capital assets are recorded at estimated acquisition value. Depreciation is calculated over the estimated useful lives of the capital assets using the methods as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Buildings	Straight-line	30 years
Vehicles	Straight-line	10 years
Equipment	Straight-line	10 years

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized but shown in the financial statements as repairs and maintenance expense.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District’s Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes but are neither restricted nor committed. The District has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The District does not have a minimum fund balance policy.

Net Position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

Custodial Credit Risk

In accordance with North Dakota Statutes, the 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 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 another state of the United States or such other securities approved by the banking board.

The District maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2019, the District's carrying amount of deposits and bank balance was \$313,700, of which \$250,000 was covered by FDIC and the remaining balance was covered by securities pledged in the District's name. At December 31, 2018, the District's carrying amount of deposits and bank balance was \$241,980, of which the entire balance was covered by FDIC and the remaining balance was covered by securities pledged in the District's name.

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

	Balance 12/31/2018	Additions	(Disposals)	Balance 12/31/2019
Capital assets being depreciated				
Building	\$ 1,152,400	\$ -	\$ -	\$ 1,152,400
Equipment	254,754	15,008	-	269,762
Vehicles	1,301,094	56,108	-	1,357,202
Total capital assets being depreciated	<u>2,708,248</u>	<u>71,116</u>	<u>-</u>	<u>2,779,364</u>
Less accumulated depreciation				
Building and improvements	(1,152,400)	-	-	(1,152,400)
Equipment	(101,137)	(25,929)	-	(127,066)
Vehicles	(536,594)	(90,846)	-	(627,440)
Total accumulated depreciation	<u>(1,790,131)</u>	<u>(116,775)</u>	<u>-</u>	<u>(1,906,906)</u>
Governmental capital assets, net	<u>\$ 918,117</u>	<u>\$ (45,659)</u>	<u>\$ -</u>	<u>\$ 872,458</u>
	12/31/2017	Additions	(Disposals)	12/31/2018
Capital assets being depreciated				
Building	\$ 1,152,400	\$ -	\$ -	\$ 1,152,400
Equipment	254,754	-	-	254,754
Vehicles	1,343,094	-	(42,000)	1,301,094
Total capital assets being depreciated	<u>2,750,248</u>	<u>-</u>	<u>(42,000)</u>	<u>2,708,248</u>
Less accumulated depreciation				
Building	(1,152,400)	-	-	(1,152,400)
Equipment	(75,872)	(25,265)	-	(101,137)
Vehicles	(493,094)	(85,500)	42,000	(536,594)
Total accumulated depreciation	<u>(1,721,366)</u>	<u>(110,765)</u>	<u>42,000</u>	<u>(1,790,131)</u>
Governmental capital assets, net	<u>\$ 1,028,882</u>	<u>\$ (110,765)</u>	<u>\$ -</u>	<u>\$ 918,117</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$116,776 and \$110,765, respectively and was charged to fire protection on the statements of activities.

MANDAN RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 4 PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 percent 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 5 percent discount on the property taxes.

NOTE 5 RISK MANAGEMENT

The District is exposed to various risk 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 District pays an annual premium to NDIRF for its general liability, buildings and equipment insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$124,000 for its secretary. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 6 GRANT PROGRAMS

The District participates in grant programs, which are governed by various rules and regulations of the grantor agencies. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 7 SUBSEQUENT EVENTS

Subsequent to year end, the District received approximately \$591,285 in grant awards.

Subsequent events have been evaluated through January 14, 2022, which is the date these financial statements were available to be issued.

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

To the Board of Directors
Mandan Rural Fire Protection District
Mandan, North Dakota

We have audited, 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, the modified cash basis financial statements of the governmental activities and the major fund of Mandan Rural Fire Protection District, as of and for the years ended December 31, 2019, and 2018 and the related notes to the modified cash basis financial statements, which collectively comprise Mandan Rural Fire Protection District's basic financial statements, and have issued our report thereon dated January 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Rural Fire Protection District's internal control over financial reporting (internal control) as a basis for designing 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 Mandan Rural Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mandan Rural Fire Protection District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandan Rural Fire Protection 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 direct and material effect on the financial statements. 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*.

District's Responses to Findings

Mandan Rural Fire Protection District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Mandan Rural Fire Protection District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 14, 2022

MANDAN RURAL FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-001: Material Adjusting Journal Entries

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, adjusting entries were proposed in order to properly reflect capital assets on the financial statements in accordance with GAAP, as applied under the modified cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP, as applied under the modified cash basis of accounting.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

The material adjusting entries were to record capital assets. The board will determine a capitalization threshold to ensure that capital assets are recorded properly.

MANDAN RURAL FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-002: Preparation of Financial Statements

Criteria

An appropriate system of internal control requires the organization to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the small size of the District, it is not cost effective for the Mandan Rural Fire Protection District to properly address this material weakness.

MANDAN RURAL FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-003: Segregation of Duties

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The District has a limited number of office personnel performing the accounting functions. The board president or vice president will open the bank statement and approve before giving it to the Treasurer to reconcile to the accounting records. It is not monetarily feasible for the District to hire a third party to assist in the segregation of duties.