

AUDIT REPORT

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

For the Years Ended December 31, 2020 and 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2020 and 2019

	<u>Page (s)</u>
Board of Directors	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4, 5
Statement of Activities	6, 7
Balance Sheet – Governmental Fund	8, 9
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	10, 11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	12, 13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14, 15
Notes to the Financial Statements	16 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule General Fund	23, 24
Notes to the Budgetary Comparison Schedules	25
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	26 - 27
Schedule of Findings and Responses	28 - 29

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Board of Directors

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

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
West Dunn Fire Protection District
Killdeer, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the fire protection district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of December 31, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information on pages 23 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the fire protection district's internal control over financial reporting and compliance.


Rath and Mehrer, P.C.

Bismarck, North Dakota

January 21, 2022

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Net Position
December 31, 2020

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	817,330.57
Investments	136,609.59
Taxes Receivable	1,181.64
Due from County Treasurer	31,821.91
Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	1,003,942.00
Machinery and Vehicles	<u>1,559,396.00</u>
Total Capital Assets	<u>2,563,338.00</u>
Total Assets	<u>3,550,281.71</u>
<u>LIABILITIES:</u>	
Payroll Liabilities Payable	<u>2,042.54</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>31,558.89</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	2,563,338.00
Unrestricted	<u>953,342.28</u>
Total Net Position	<u><u>3,516,680.28</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	891,911.19
Investments	123,771.23
Taxes Receivable	1,343.84
Due from County Treasurer	27,590.37
Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	1,024,157.00
Machinery and Vehicles	<u>1,695,941.00</u>
Total Capital Assets	<u>2,720,098.00</u>
Total Assets	<u>3,764,714.63</u>
<u>LIABILITIES:</u>	
Payroll Liabilities Payable	<u>1,377.20</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>27,362.33</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	2,720,098.00
Unrestricted	<u>1,015,877.10</u>
Total Net Position	<u><u>3,735,975.10</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Activities
For the Year Ended December 31, 2020

	<u>Program Revenues</u>		Net (Expense)
	Charges for	Operating Grants	Revenue and
	Services	and Contributions	Changes in
<u>Expenses</u>	<u>Services</u>	<u>and Contributions</u>	<u>Net Position</u>
			<u>Governmental</u>
			<u>Activities</u>
<u>Governmental Activities:</u>			
Public Safety	579,391.34	46,310.30	27,598.00
			<u>(505,483.04)</u>
 <u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			234,710.02
Earnings on investments and other revenue			4,469.87
Raffle Proceeds			47,008.33
			<u>286,188.22</u>
Total General Revenues			
			<u>(219,294.82)</u>
Change in Net Position			
Net Position - January 1			<u>3,735,975.10</u>
Net Position - December 31			<u>3,516,680.28</u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues		Net (Expense)
	Charges for	Operating Grants	Revenue and
Expenses	Services	and Contributions	Changes in
			Net Position
			Governmental
			Activities
Governmental Activities:			
Public Safety	471,909.64	42,874.57	111,788.23
			(317,246.84)
General Revenues:			
Taxes:			
Property taxes; levied for general purposes			566,689.18
Earnings on investments and other revenue			29,709.61
Gain on sale of capital assets			39,610.00
Total General Revenues			636,008.79
Change in Net Position			318,761.95
Net Position - January 1			3,417,213.15
Net Position - December 31			3,735,975.10

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Balance Sheet
Governmental Fund
December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	817,330.57
Investments	136,609.59
Taxes Receivable	1,181.64
Due from County Treasurer	<u>31,821.91</u>
Total Assets	<u><u>986,943.71</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Payroll Liabilities Payable	<u>2,042.54</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>32,740.53</u>
Total Liabilities and Deferred Inflows of Resources	<u>34,783.07</u>
 <u>Fund Balance:</u>	
Assigned to:	
Equipment	119,902.46
Unassigned	<u>832,258.18</u>
Total Fund Balance	<u>952,160.64</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>986,943.71</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Balance Sheet
Governmental Fund
December 31, 2019

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	891,911.19
Investments	123,771.23
Taxes Receivable	1,343.84
Due from County Treasurer	<u>27,590.37</u>
Total Assets	<u><u>1,044,616.63</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Payroll Liabilities Payable	<u>1,377.20</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>28,706.17</u>
Total Liabilities and Deferred Inflows of Resources	<u>30,083.37</u>
 <u>Fund Balance:</u>	
Assigned to:	
Equipment	107,229.52
Unassigned	<u>907,303.74</u>
Total Fund Balance	<u>1,014,533.26</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>1,044,616.63</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2020

Total Fund Balance for Governmental Fund		952,160.64
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	3,565,766.00	
Less Accumulated Depreciation	<u>(1,002,428.00)</u>	
Net Capital Assets		2,563,338.00
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.		
		<u>1,181.64</u>
Total Net Position of Governmental Activities		<u><u>3,516,680.28</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2019

Total Fund Balance for Governmental Fund		1,014,533.26
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	3,512,635.00	
Less Accumulated Depreciation	<u>(792,537.00)</u>	
Net Capital Assets		2,720,098.00
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.		
		<u>1,343.84</u>
Total Net Position of Governmental Activities		<u><u>3,735,975.10</u></u>

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	234,872.22
<u>Intergovernmental</u>	
Insurance Premium Tax Distribution	46,310.30
<u>Miscellaneous</u>	
Interest	1,157.11
Contributions/Donations	27,598.00
Raffle Proceeds	47,008.33
Insurance Claims	1,870.00
Miscellaneous	1,442.76
Total Miscellaneous	79,076.20
Total Revenues	360,258.72
<u>Expenditures:</u>	
<u>Public Safety</u>	
Repairs and Maintenance	24,223.30
Supplies and Equipment	114,081.23
Fireman's Account Supplies	18,611.86
Payroll	47,338.10
Gas and Fuel	3,917.07
Insurance	13,459.41
Office Supplies	1,531.43
Training	5,398.00
Utilities	9,564.49
Vehicle Expenses	29,865.73
Building Repairs	73,771.75
Public Education	1,975.65
Retirement Contribution	23,000.00
Miscellaneous	2,762.32
Total Public Safety	369,500.34
<u>Capital Outlay</u>	
Vehicles	53,131.00
Total Expenditures	422,631.34
Net Change in Fund Balance	(62,372.62)
Fund Balance - January 1	1,014,533.26
Fund Balance - December 31	952,160.64

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2019

	Major Fund
	General
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	568,785.63
<u>Intergovernmental</u>	
Insurance Premium Tax Distribution	42,874.57
<u>Miscellaneous</u>	
Interest	1,176.24
Contributions/Donations	111,788.23
Sale of Assets	59,110.00
Reimbursements	1,000.00
Insurance Claims	13,183.72
Miscellaneous	14,349.65
Total Miscellaneous	200,607.84
Total Revenues	812,268.04
<u>Expenditures:</u>	
<u>Public Safety</u>	
Cell Phone Reimbursements	4,910.00
Repairs and Maintenance	28,203.20
Supplies and Equipment	72,710.83
Fireman's Account Supplies	2,364.18
Payroll	49,909.60
Gas and Fuel	4,385.13
Insurance	14,059.55
Office Supplies	6,432.09
Training	5,278.76
Utilities	9,304.88
Vehicle Expenses	62,206.55
Public Education	458.75
Retirement Contribution	1,000.00
Miscellaneous	5,608.12
Total Public Safety	266,831.64
<u>Capital Outlay</u>	
Vehicles	367,868.00
Total Expenditures	634,699.64
Net Change in Fund Balance	177,568.40
Fund Balance - January 1	836,964.86
Fund Balance - December 31	1,014,533.26

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balance - Total Governmental Fund (62,372.62)

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

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

Current Year Capital Outlay	53,131.00	
Current Year Depreciation Expense	<u>(209,891.00)</u>	(156,760.00)

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

Net Decrease in Taxes Receivable		<u>(162.20)</u>
----------------------------------	--	-----------------

Change in Net Position of Governmental Activities		<u><u>(219,294.82)</u></u>
---	--	----------------------------

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Fund 177,568.40

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

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

Current Year Capital Outlay	367,868.00	
Current Year Depreciation Expense	<u>(205,078.00)</u>	162,790.00

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

Net Decrease in Taxes Receivable		(2,096.45)
----------------------------------	--	------------

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the amount of the capital assets sold.

	<u>(19,500.00)</u>
--	--------------------

Change in Net Position of Governmental Activities	<u>318,761.95</u>
---	-------------------

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

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the fire protection 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 and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the fire protection district's fund. The emphasis of fund financial statements is on the major governmental fund.

The fire protection district reports the following major governmental fund:

General Fund. This is the fire protection district's primary operating fund. It accounts for all financial resources of the general government.

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposits stated at cost.

E. Capital Assets

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

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

Buildings and Improvements	15 to 75 years
Machinery and Vehicles	7 to 20 Years

F. Compensated Absences

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

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

G. Fund Equity

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

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

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

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

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

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

- Committed
- Assigned
- Unassigned

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the fire protection 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2020 the fire protection district's carrying amount of deposits was \$953,940 and the bank balance was \$967,391. Of the bank balance, \$386,610 was covered by Federal Depository Insurance. The remaining balance of \$580,781 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the fire protection district's carrying amount of deposits was \$1,015,682 and the bank balance was \$1,026,435. Of the bank balance, \$373,771 was covered by Federal Depository Insurance. The remaining balance of \$652,664 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2020, the fire protection district held certificates of deposit in the amount of \$136,610, which are all considered deposits.

At December 31, 2019, the fire protection district held certificates of deposit in the amount of \$123,771, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 TAXES RECEIVABLE

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 4 DUE FROM COUNTY TREASURER

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

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2020 and 2019:

	<u>2020</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,135,931			1,135,931
Machinery and Vehicles	2,376,704	53,131		2,429,835
Total	<u>3,512,635</u>	<u>53,131</u>	-	<u>3,565,766</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	111,774	20,215		131,989
Machinery and Vehicles	680,763	189,676		870,439
Total	<u>792,537</u>	<u>209,891</u>	-	<u>1,002,428</u>
Governmental Activities Capital Assets, Net	<u>2,720,098</u>	<u>(156,760)</u>	-	<u>2,563,338</u>
	<u>2019</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,135,931			1,135,931
Machinery and Vehicles	2,158,836	367,868	150,000	2,376,704
Total	<u>3,294,767</u>	<u>367,868</u>	<u>150,000</u>	<u>3,512,635</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	91,559	20,215		111,774
Machinery and Vehicles	626,400	184,863	130,500	680,763
Total	<u>717,959</u>	<u>205,078</u>	<u>130,500</u>	<u>792,537</u>
Governmental Activities Capital Assets, Net	<u>2,576,808</u>	<u>162,790</u>	<u>19,500</u>	<u>2,720,098</u>

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

	<u>2020</u>	<u>2019</u>
Public Safety	<u>209,891</u>	<u>205,078</u>

Note 6 UNAVAILABLE REVENUE

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

Unavailable revenue on the government-wide financial statement consists of prepaid property taxes.

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 fire protection district pays an annual premium to NDRF for its general liability and automobile insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$515,000 for public assets.

The fire protection district also participates in the North Dakota Fire and Tornado Fund. The fire protection district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period.

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

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

Note 8 TAX ABATEMENTS

The fire protection district has not entered into any tax abatement agreements that would reduce the district's tax revenues for the years ended December 31, 2020 and 2019.

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
<u>Taxes</u>				
General Property Taxes	210,006.20	210,006.20	234,872.22	24,866.02
<u>Intergovernmental</u>				
Insurance Premium Tax Distribution			46,310.30	46,310.30
<u>Miscellaneous</u>				
Interest			1,157.11	1,157.11
Contributions/Donations			27,598.00	27,598.00
Raffle Proceeds			47,008.33	47,008.33
Insurance Claims			1,870.00	1,870.00
Miscellaneous			1,442.76	1,442.76
Total Miscellaneous	-	-	79,076.20	79,076.20
Total Revenues	210,006.20	210,006.20	360,258.72	150,252.52
<u>Expenditures:</u>				
<u>Public Safety</u>				
Repairs and Maintenance	10,080.00	10,080.00	24,223.30	(14,143.30)
Supplies and Equipment	49,280.00	49,280.00	114,081.23	(64,801.23)
Fireman's Account Supplies	7,840.00	7,840.00	18,611.86	(10,771.86)
Payroll	55,000.00	55,000.00	47,338.10	7,661.90
Gas and Fuel	5,000.00	5,000.00	3,917.07	1,082.93
Insurance	16,000.00	16,000.00	13,459.41	2,540.59
Office Supplies	5,000.00	5,000.00	1,531.43	3,468.57
Training	10,000.00	10,000.00	5,398.00	4,602.00
Utilities	12,000.00	12,000.00	9,564.49	2,435.51
Vehicle Expenses	12,320.00	12,320.00	29,865.73	(17,545.73)
Building Repairs	32,480.00	32,480.00	73,771.75	(41,291.75)
Public Education			1,975.65	(1,975.65)
Retirement Contribution	1,000.00	1,000.00	23,000.00	(22,000.00)
Miscellaneous	7,000.00	7,000.00	2,762.32	4,237.68
Total Public Safety	223,000.00	223,000.00	369,500.34	(146,500.34)
<u>Capital Outlay</u>				
Vehicles	120,000.00	120,000.00	53,131.00	66,869.00
Total Expenditures	343,000.00	343,000.00	422,631.34	(79,631.34)
Net Change in Fund Balance	(132,993.80)	(132,993.80)	(62,372.62)	70,621.18
Fund Balance - January 1	1,014,533.26	1,014,533.26	1,014,533.26	
Fund Balance - December 31	881,539.46	881,539.46	952,160.64	70,621.18

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
<u>Taxes</u>				
General Property Taxes	528,516.43	528,516.43	568,785.63	40,269.20
<u>Intergovernmental</u>				
Insurance Premium Tax Distribution			42,874.57	42,874.57
<u>Miscellaneous</u>				
Interest			1,176.24	1,176.24
Contributions/Donations			111,788.23	111,788.23
Sale of Assets			59,110.00	59,110.00
Reimbursements			1,000.00	1,000.00
Insurance Claims			13,183.72	13,183.72
Miscellaneous			14,349.65	14,349.65
Total Miscellaneous	-	-	200,607.84	200,607.84
Total Revenues	528,516.43	528,516.43	812,268.04	283,751.61
<u>Expenditures:</u>				
<u>Public Safety</u>				
Cell Phone Reimbursements	10,000.00	10,000.00	4,910.00	5,090.00
Repairs and Maintenance	35,500.00	35,500.00	28,203.20	7,296.80
Supplies and Equipment	71,500.00	71,500.00	72,710.83	(1,210.83)
Fireman's Account Supplies	5,000.00	5,000.00	2,364.18	2,635.82
Payroll	35,000.00	35,000.00	49,909.60	(14,909.60)
Gas and Fuel	5,000.00	5,000.00	4,385.13	614.87
Insurance	15,000.00	15,000.00	14,059.55	940.45
Office Supplies	5,000.00	5,000.00	6,432.09	(1,432.09)
Training	10,000.00	10,000.00	5,278.76	4,721.24
Utilities	12,000.00	12,000.00	9,304.88	2,695.12
Vehicle Expenses			62,206.55	(62,206.55)
Public Education			458.75	(458.75)
Retirement Contribution	1,000.00	1,000.00	1,000.00	-
Miscellaneous	5,000.00	5,000.00	5,608.12	(608.12)
Total Public Safety	210,000.00	210,000.00	266,831.64	(56,831.64)
<u>Capital Outlay</u>				
Vehicles	360,000.00	360,000.00	367,868.00	(7,868.00)
Total Expenditures	570,000.00	570,000.00	634,699.64	(64,699.64)
Net Change in Fund Balance	(41,483.57)	(41,483.57)	177,568.40	219,051.97
Fund Balance - January 1	836,964.86	836,964.86	836,964.86	
Fund Balance - December 31	795,481.29	795,481.29	1,014,533.26	219,051.97

WEST DUNN FIRE PROTECTION DISTRICT
Killdeer, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing, the board adopts the final budget. The final budget must be filed with the county auditor by June 30. The governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the district's budgets during the years ended December 31, 2020 and 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$79,631.34 and \$64,699.64 for the years ended December 31, 2020 and 2019, respectively. No remedial action is anticipated or required by the fire protection district regarding these excess expenditures.

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
West Dunn Fire Protection District
Killdeer, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the West Dunn Fire Protection District, Killdeer, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the fire protection district's basic financial statements, and have issued our report thereon dated January 21, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002 and 2020-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the fire protection district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fire Protection District's Response to Findings

The fire protection district's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The fire protection district's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

January 21, 2022

2. 2020-002- Financial Statement Preparation

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

Condition: The fire protection district's financial statements, including the accompanying note disclosures, are prepared by the fire protection district's external auditors.

Cause: The fire protection district feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: 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; and review and approve them prior to distribution.

Views of Responsible Officials: The fire protection district will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

3. 2020-003- Employee Bond Coverage

Criteria: North Dakota Century Code #18-10-07 (2) requires the secretary-treasurer of the rural fire protection district to have a surety bond in the amount of at least five thousand dollars.

Condition: The fire protection district has not had a surety bond in any amount since January 1, 2020.

Cause: The fire protection district clerk failed to renew the commercial blanket bond coverage when due.

Effect: West Dunn Fire Protection District had not obtained the required surety bond and therefore was not in compliance with North Dakota Century Code #18-10-07 (02)

Recommendation: We recommend that management be aware of this condition and submit the application for bond coverage with the North Dakota Insurance Department every two years as required.

Views of Responsible Officials: The fire protection district clerk has contacted the North Dakota Insurance Department and has submitted an application to obtain blanket bond coverage on behalf of the West Dunn Fire Protection District.