

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**LISTING OF OFFICIALS**  
**DECEMBER 31, 2021 AND 2020**

Chief	Lynn Gustin
Assistant Chief	Tim Sheldon
President	Duane Ell
Vice President	Dennis Gustin
Secretary/Treasurer	Dale L. Kraft
Director	Kevin Nelson
Director	Anton Kalvoda
Director	Lee Rebenitsch
Director	Gerald Rebenitsch
Director	John Steckler
Director	Mike Gartner
Director	William Klesalek
Director	Kyle Kirchmeier

## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Mandan Rural Fire Protection District's basic financial statements as listed in the table of contents.

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 Mandan Rural Fire Protection District, as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mandan Rural Fire Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter—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.

## **Responsibilities of Management 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 described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mandan Rural Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mandan Rural Fire Protection District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Other Matters**

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the listing of officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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**

December 19, 2022

**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021 AND 2020**

	Governmental Activities	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 478,418	\$ 355,700
Investments	103,570	103,054
Capital assets (net of accumulated depreciation)	779,545	926,471
Total assets	1,361,533	1,385,225
<b>Net Position</b>		
Net investment in capital assets	779,545	926,471
Unrestricted	581,988	458,754
Total net position	\$ 1,361,533	\$ 1,385,225

See Notes to the Financial Statements

**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

2021	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Fire Protection	\$ 427,143	\$ -	\$ 70,286	\$ (356,857)
Total governmental activities	<u>\$ 427,143</u>	<u>\$ -</u>	<u>\$ 70,286</u>	(356,857)
<u>General Revenues:</u>				
				257,340
				69,398
				720
				5,707
				<u>333,165</u>
				(23,692)
				<u>1,385,225</u>
				<u>\$ 1,361,533</u>
2020	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Fire protection	\$ 697,857	\$ -	\$ 558,393	\$ (139,464)
Total governmental activities	<u>\$ 697,857</u>	<u>\$ -</u>	<u>\$ 558,393</u>	(139,464)
<u>General Revenues:</u>				
				255,046
				76,136
				200
				7,149
				<u>338,531</u>
				199,068
				<u>1,186,157</u>
				<u>\$ 1,385,225</u>

See Notes to the Financial Statements



**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**BALANCE SHEETS – GOVERNMENTAL FUND – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>		<u>2020</u>	
	<u>General</u>	<u>Total Governmental Funds</u>	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$478,418	\$ 478,418	\$355,700	\$ 355,700
Investments	103,570	103,570	103,054	103,054
<b>Total assets</b>	<b><u>\$581,988</u></b>	<b><u>\$ 581,988</u></b>	<b><u>\$458,754</u></b>	<b><u>\$ 458,754</u></b>
<b>Fund Balance</b>				
Committed	\$ 154,967	\$ 154,967	\$ 47,502	\$ 47,502
Unassigned	427,021	427,021	411,252	411,252
<b>Total fund balance</b>	<b><u>\$581,988</u></b>	<b><u>\$ 581,988</u></b>	<b><u>\$458,754</u></b>	<b><u>\$ 458,754</u></b>

**Reconciliation of the Balance Sheets to the  
Statements of Net Position  
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Total fund balance	\$ 581,988	\$ 458,754
Capital assets	<u>779,545</u>	<u>926,471</u>
	<b><u>\$ 1,361,533</u></b>	<b><u>\$ 1,385,225</u></b>

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, 2021 AND 2020**

	2021		2020	
	Total		Total	
	General	Governmental Funds	General	Governmental Funds
<b>Revenues</b>				
Taxes	\$ 257,340	\$ 257,340	\$ 255,046	\$ 255,046
Intergovernmental	69,398	69,398	76,136	76,136
Grants and donations	70,286	70,286	558,393	558,393
Interest income	552	552	3,085	3,085
Rental income	2,000	2,000	2,000	2,000
Miscellaneous revenue	3,154	3,154	2,064	2,064
Total revenues	402,730	402,730	896,724	896,724
<b>Expenditures</b>				
Fire Protection				
Stipend	-	-	30,000	30,000
Car allowance	32,023	32,023	27,610	27,610
Fire Dept. Fund	30,000	30,000	-	-
Insurance	76,543	76,543	85,169	85,169
Office supplies	26,973	26,973	5,508	5,508
Repairs and maintenance	84,701	84,701	415,216	415,216
Utilities	12,589	12,589	10,473	10,473
Housing	6,607	6,607	4,856	4,856
Capital outlay	10,780	10,780	173,038	173,038
Total expenditures	280,216	280,216	751,870	751,870
Excess (deficiency) of revenues				
Over expenditures	122,514	122,514	144,854	144,854
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	720	720	200	200
Net change in fund balance	123,234	123,234	145,054	145,054
Fund balance - January 1	458,754	458,754	313,700	313,700
Fund balance - December 31	\$ 581,988	\$ 581,988	\$ 458,754	\$ 458,754

**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, 2021 and 2020**

	2021	2020
Net changes in fund balances	\$ 123,234	\$ 145,054
Purchase of capital assets	10,780	173,038
Depreciation expense on capital assets	(157,706)	(119,024)
Change in net position of governmental activities	\$ (23,692)	\$ 199,068

See Notes to the Financial Statements

**MANDAN RURAL PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 PROTECTION DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021 AND 2020

**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 PROTECTION DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021 AND 2020

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 PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

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, 2021, the District's carrying amount of deposits and bank balance was \$581,988, 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, 2020, the District's carrying amount of deposits and bank balance was \$458,754, of which \$250,000 was covered by FDIC and the remaining balance was covered by securities pledged in the District's name.

**MANDAN RURAL PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

	Balance 1/1/21	Additions	(Disposals)	Balance 12/31/21
Capital assets being depreciated				
Building	\$ 1,152,400	\$ -	\$ -	\$ 1,152,400
Equipment	440,700	10,780	(74,768)	376,712
Vehicles	1,357,202	-	-	1,357,202
Total capital assets being depreciated	<u>2,950,302</u>	<u>10,780</u>	<u>(74,768)</u>	<u>2,886,314</u>
Less accumulated depreciation				
Building and improvements	(1,152,400)	-	-	(1,152,400)
Equipment	(153,078)	(40,624)	48,599	(145,103)
Vehicles	(718,351)	(90,915)	-	(809,266)
Total accumulated depreciation	<u>(2,023,829)</u>	<u>(131,539)</u>	<u>48,599</u>	<u>(2,106,769)</u>
Governmental capital assets, net	<u>\$ 926,473</u>	<u>\$ (120,759)</u>	<u>\$ (26,169)</u>	<u>\$ 779,545</u>
	1/1/20	Additions	(Disposals)	12/31/20
Capital assets being depreciated				
Building	\$ 1,152,400	\$ -	\$ -	\$ 1,152,400
Equipment	269,762	173,038	(2,100)	440,700
Vehicles	1,357,202	-	-	1,357,202
Total capital assets being depreciated	<u>2,779,364</u>	<u>173,038</u>	<u>(2,100)</u>	<u>2,950,302</u>
Less accumulated depreciation				
Building	(1,152,400)	-	-	(1,152,400)
Equipment	(127,066)	(28,112)	2,100	(153,078)
Vehicles	(627,440)	(90,911)	-	(718,351)
Total accumulated depreciation	<u>(1,906,906)</u>	<u>(119,023)</u>	<u>2,100</u>	<u>(2,023,829)</u>
Governmental capital assets, net	<u>\$ 872,458</u>	<u>\$ 54,015</u>	<u>\$ -</u>	<u>\$ 926,473</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$131,539 and \$119,022, respectively and was charged to fire protection on the statements of activities.

**MANDAN RURAL PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**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 (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, buildings and equipment insurance coverage. The coverage by NDRF 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 \$155,253 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 expended \$275,000 for a down payment for a new firetruck as well as expended \$91,577 on new radios for the firetrucks. The District also received a state grant in the amount of \$60,000. Subsequent events have been evaluated through December 19, 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 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 modified cash basis financial statements of the governmental activities and the major fund, and the aggregate remaining fund information of Mandan Rural Fire Protection District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Mandan Rural Fire Protection District's basic financial statements and have issued our report thereon dated December 19, 2022.

### **Report on 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 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified 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 2021-001 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 accompanying schedule of findings and responses as items 2021-002 2021-003 to be significant deficiencies.

## **Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Mandan Rural Fire Protection District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Mandan Rural Fire Protection District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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**

December 19, 2022

**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**2021-001: Proposition of 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, 2021 AND 2020**

**2021-002: 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.

**MANDAN RURAL FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**2021-003: 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.