

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Minot Rural Fire Protection District
Minot, North Dakota 58701

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Minot 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 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 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 as described in Note 1.

Basis for Opinions

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. 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 Minot 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.

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 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 Minot 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 Minot 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, on our consideration of the Minot 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 Minot 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 Minot Rural Fire Protection District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA**

January 24, 2023

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

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,330	\$ 267,526
Certificates of deposit	37,841	37,765
Total current assets	349,171	305,291
CAPITAL ASSETS, NET		
Total assets	1,866,837	1,239,871
LIABILITIES		
Current liabilities		
Employee withholdings	3,696	11,693
Current portion of notes payable	61,421	50,072
Total current liabilities	65,117	61,765
LONG-TERM LIABILITIES		
Notes payable, net of current portion	588,579	-
Total liabilities	653,696	61,765
NET POSITION		
Net investment in capital assets	867,666	884,508
Unrestricted	345,475	293,598
Total net position	\$ 1,213,141	\$ 1,178,106

See Notes to the Financial Statements

MINOT 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	Operating or Capital	Governmental Activities
Governmental Activities:				
Fire Protection	\$ 802,736	\$ 83,776	\$ 93,424	\$ (625,536)
Total governmental activities	<u>\$ 802,736</u>	<u>\$ 83,776</u>	<u>\$ 93,424</u>	(625,536)
<u>General Revenues:</u>				
				559,286
Property taxes, levied for fire protection				94,537
Intergovernmental				6,748
Miscellaneous revenues				<u>660,571</u>
Total general revenues				
Change in net position				35,035
Net Position - January 1, 2021				<u>1,178,106</u>
Net Position - December 31, 2021				<u>\$ 1,213,141</u>
2020	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Charges for Services	Operating or Capital	Governmental Activities
Governmental Activities:				
Fire protection	\$ 530,462	\$ -	\$ 45,309	\$ (485,153)
Total governmental activities	<u>\$ 530,462</u>	<u>\$ -</u>	<u>\$ 45,309</u>	(485,153)
<u>General Revenues:</u>				
				544,256
Property taxes, levied for fire protection				86,680
Intergovernmental				2,099
Gain on sale of capital assets				8,512
Miscellaneous revenues				<u>641,547</u>
Total general revenues				
Change in net position				156,394
Net Position - January 1, 2020				<u>1,021,712</u>
Net Position - December 31, 2020				<u>\$ 1,178,106</u>

See Notes to the Financial Statements

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

	<u>2021</u>	<u>2020</u>
ASSETS	<u>General</u>	<u>General</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,330	\$ 267,526
Certificates of deposit	<u>37,841</u>	<u>37,765</u>
Total assets	<u>\$ 349,171</u>	<u>\$ 305,291</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Employee withholdings	<u>\$ 3,696</u>	<u>\$ 11,693</u>
FUND BALANCES		
Unassigned	<u>345,475</u>	<u>293,598</u>
Total liabilities and fund balances	<u>\$ 349,171</u>	<u>\$ 305,291</u>

See Notes to the Financial Statements

MINOT RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
Total Governmental Funds Balance	\$ 345,475	\$ 293,598
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:</p>		
Cost of capital assets	3,953,840	3,261,309
Less accumulated depreciation	(2,436,174)	(2,326,729)
Net capital assets	1,517,666	934,580
<p>Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds. All long-term liabilities are reported in the statement of net position.</p>		
	(650,000)	(50,072)
Net Position of Governmental Activities	\$ 1,213,141	\$ 1,178,106

See Notes to the Financial Statements

MINOT 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
	General Fund	General Fund
OPERATING RECEIPTS		
Taxes	\$ 559,286	\$ 544,256
Intergovernmental	94,537	86,680
Grants and donations	93,424	45,309
Interest income	1,266	2,345
Contract services	83,776	-
Miscellaneous revenue	5,482	6,167
TOTAL OPERATING RECEIPTS	837,771	684,757
DISBURSEMENTS		
Fire Protection		
Salaries	294,148	219,941
Payroll taxes	29,929	17,496
Employee benefits	90,142	75,897
Insurance	33,183	11,153
Repairs and maintenance	102,648	35,370
Utilities	25,582	23,611
Vehicle expense	46,240	37,372
Training & education	8,430	265
Professional fees	4,785	4,845
Dues & subscriptions	4,993	3,723
Office expense	5,804	5,291
Miscellaneous	2,566	176
Fire assistance	42,460	-
Capital outlay	692,531	230,300
Debt Service		
Principle retirement	50,072	53,838
Interest charges on long-term debt	2,381	3,226
TOTAL DISBURSEMENTS	1,435,894	722,504
Operating income (loss)	(598,123)	(37,747)
NON-OPERATING RECEIPTS		
Loan proceeds	650,000	-
Proceeds from sale of capital assets	-	2,099
Total non-operating receipts	650,000	2,099
Net change in fund balance	51,877	(35,648)
Fund balance - January 1	293,598	329,246
Fund balance - December 31	\$ 345,475	\$ 293,598

See Notes to the Financial Statements

MINOT RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS TO THE STATEMENTS
OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net changes in fund balances - Governmental Funds	\$ 51,877	\$ (35,648)
The change in net position reported for governmental activities in the statement of activities is different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Net Position, the cost of those assets are included in the capital asset balance. In the current period, the amount of capital expenditures are:	692,531	230,300
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is:	(109,445)	(92,096)
Loan proceeds is an increase in debt service in the governmental funds, but proceeds increase long-term liabilities in the statement of net position. The amount of loan proceeds in notes payable are:	(650,000)	-
Payment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on notes payable:	50,072	53,838
Change in net position of governmental activities	\$ 35,035	\$ 156,394

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Minot Rural Fire Protection District provides fire suppression, fire prevention, public education, emergency response, and non-emergency response services within the District. They serve a population of approximately 14,000 people in an area approximately 275 square miles which comprises of residential subdivisions, rural homes, farmsteads, and light commercial and industrial developments. The organization is made up of a paid Fire Chief, four paid firefighters and a volunteer membership of 35 firefighters and 3 dispatchers.

The financial statements of the Minot 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 board for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting entity

The accompanying financial statements present the activities of the Minot 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.

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.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

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 funds:

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

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. 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 are recorded at cost.

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. 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 non-operating receipts.

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.

Cash and cash equivalents

The District considers currency on hand, checking accounts, and saving accounts as cash and cash equivalents.

Certificates of deposits

Certificates of deposits with maturities within the next twelve months are categorized as current assets. Maturities greater than twelve months are categorized as other assets.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

Capital assets

Capital assets include all buildings, equipment, and vehicles of the District. 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	15 – 40 years
Equipment	Straight-line	5 – 15 years
Vehicles	Straight-line	5 – 15 years

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.

Employee withholdings

Employee withholdings include federal income tax, state income tax, and AFLAC withholdings from an employee's paycheck that have not been paid before year end. These withholdings are considered an acceptable liability under the modified cash basis of accounting as the withholdings are not the District's money.

Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only the portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and disbursements during the reporting period. Actual results could differ from those estimates.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

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 multiple financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per institution. All District funds were adequately insured or collateralized by governmental securities as of December 31, 2021 and 2020.

NOTE 3 CAPITAL ASSETS

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

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
Capital assets				
Land	\$ 31,715	\$ -	\$ -	\$ 31,715
Building	1,123,371	-	-	1,123,371
Equipment	196,181	30,300	-	226,481
Vehicles	1,679,742	200,000	-	1,879,742
Total capital assets being depreciated	<u>3,031,009</u>	<u>230,300</u>	<u>-</u>	<u>3,261,309</u>
Less accumulated depreciation				
Building	(508,495)	(28,084)	-	(536,579)
Equipment	(185,989)	(2,195)	-	(188,184)
Vehicles	(1,540,149)	(61,817)	-	(1,601,966)
Total accumulated depreciation	<u>(2,234,633)</u>	<u>(92,096)</u>	<u>-</u>	<u>(2,326,729)</u>
Capital assets, net	<u>\$ 796,376</u>	<u>\$ 138,204</u>	<u>\$ -</u>	<u>\$ 934,580</u>

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

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

	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
Capital assets				
Land	\$ 31,715	\$ -	\$ -	\$ 31,715
Building	1,123,371	39,680	-	1,163,051
Equipment	226,481	-	-	226,481
Vehicles	1,879,742	652,851	-	2,532,593
Total capital assets being depreciated	<u>3,261,309</u>	<u>692,531</u>	<u>-</u>	<u>3,953,840</u>
Less accumulated depreciation				
Building	(536,579)	(29,407)	-	(565,986)
Equipment	(188,184)	(5,802)	-	(193,986)
Vehicles	(1,601,966)	(74,236)	-	(1,676,202)
Total accumulated depreciation	<u>(2,326,729)</u>	<u>(109,445)</u>	<u>-</u>	<u>(2,436,174)</u>
Capital assets, net	<u>\$ 934,580</u>	<u>\$ 583,086</u>	<u>\$ -</u>	<u>\$ 1,517,666</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$109,445 and \$92,096, respectively and was charged to fire protection on the statements of activities.

NOTE 4 NOTES PAYABLE

Notes payable are comprised of the following:

	2021	2020
\$171,100, 3.75% note payable to First Western Bank & Trust, due in annual installments of \$37,256, including interest, through March 2022, at which time the balance is due, unsecured.	\$ -	\$ 50,072
\$650,000, 3.40% note payable to First Western Bank & Trust, due in annual installments of \$77,200, including interest, through March 2031, at which time the balance is due, secured by the fire engine with a net book value of \$810,209.	<u>650,000</u>	<u>-</u>
	650,000	50,072
Less: current maturities included in long-term debt	(61,421)	(50,072)
Total notes payable	<u>\$ 588,579</u>	<u>\$ -</u>

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

The aggregate amount of required future principal payments on the above debt at December 31, 2021 is as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 61,421	\$ 20,293	\$ 81,714
2023	56,907	18,382	75,289
2024	58,819	16,304	75,123
2025	60,897	14,205	75,102
2026	62,896	12,033	74,929
Thereafter	349,060	22,089	371,149
	<u>\$ 650,000</u>	<u>\$ 103,306</u>	<u>\$ 753,306</u>

NOTE 5 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2021 and 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Expense

For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$36,633 and \$24,958, respectively. As the District uses the modified cash basis of accounting, no deferred outflows of resources and deferred inflows of resources related to pension are reported.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director - NDPERS; P.O. Box 1657; Bismarck, ND 58502-1657.

Payables to the pension plan

There was no net pension liability or deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the modified cash basis.

NOTE 6 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% 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% discount on the property taxes.

NOTE 7 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 \$170,238 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 8 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.

MINOT RURAL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 24, 2023, 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
Minot Rural Fire Protection District
Minot, 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 Minot Rural Fire Protection District, as of and for the years ended December 31, 2021, and 2020 and the related notes to the modified cash basis financial statements, which collectively comprise Minot Rural Fire Protection District's basic financial statements, and have issued our report thereon dated January 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minot 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 Minot Rural Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Minot 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 material weaknesses and a significant deficiency.

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 deficiencies described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be material weaknesses.

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 deficiency described in the accompany schedule of findings and responses as item 2021-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minot 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 Minot Rural Fire Protection District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Minot 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

January 24, 2023

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

2021-001: Preparation of the 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.

Condition

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

Cause

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

Effect

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

Recommendation

We recommend the Organization 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 Organization should establish an internal control policy to document the annual review of the financial statements 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 Minot Rural Fire Protection District to properly address this material weakness.

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

2021-002: Proposition of Journal Entries

Criteria

The Organization 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 to the financial statements were proposed in order to properly reflect the financial statements in accordance with modified cash basis of accounting.

Cause

The Organization'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 modified cash basis of accounting.

Effect

The Organization'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

Minot Rural Fire Protection District will conduct training with the office personnel in recording these transactions.

MINOT 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 Organization 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 Organization 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

Due to the small size of the District, it is not cost effective for the Minot Rural Fire Protection District to properly address this significant deficiency.