

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS
MANDAN, 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 Trustees
Mandan Remediation and Supplemental
Environmental Projects Trusts
Mandan, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Mandan Remediation and Supplemental Environmental Projects Trusts (the "Trusts"), private-purpose trust funds of the State of North Dakota, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Trusts' 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 financial position of the Trusts as of December 31, 2021 and 2020, 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.

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 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 Mandan Remediation and Supplemental Environmental Projects Trusts 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mandan Remediation and Supplemental Environmental Projects Trusts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Remediation and Supplemental Environmental Projects Trusts' 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 Remediation and Supplemental Environmental Projects Trusts' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2022, on our consideration of the Mandan Remediation and Supplemental Environmental Projects Trusts' 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 Remediation and Supplemental Environmental Projects Trusts' 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 Mandan Remediation and Supplemental Environmental Projects Trusts' internal control over financial reporting and compliance.



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

August 18, 2022

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

The following is an objective discussion and analysis of the financial performance of the Mandan Remediation Trust ("MRT") and the Mandan Supplemental Environmental Projects Trust ("MSEPT") for the fiscal years ended December 31, 2021, 2020, and 2019. MRT assets are held at the Bank of North Dakota ("BND") and MSEPT assets are held at Starion Financial.

In August of 2004 the State of North Dakota and the City of Mandan reached an out of court settlement with Burlington Northern Santa Fe Railroad ("BNSF") related to contamination that lies under the central business district in Mandan, North Dakota.

The MRT was established by the State of North Dakota and the City of Mandan to pay for the investigation and remediation of the Downtown Plume off of the Mandan rail yard or such other environmental remediation and mitigation related activities in the City of Mandan. The Trust is also responsible for any other activities that the State of North Dakota and the City of Mandan deem appropriate after cleanup of the Downtown Plume has been completed to the North Dakota Department of Environmental Quality (ND DEQ) formerly known as North Dakota Department of Health's satisfaction.

There are three trustees to oversee the activities of the MRT. One trustee designated by the ND DEQ, another trustee designated by the City of Mandan and the final trustee to be designated by mutual consent of the trustee designated by the ND DEQ and the City of Mandan.

The MSEPT was established by the State of North Dakota and the City of Mandan to undertake projects that enhance the environment of the City of Mandan and mitigate impacts caused by the contamination.

There are three trustees to oversee the activities of the MSEPT. One trustee designated by the ND DEQ, another trustee designated by the City of Mandan and the final trustee to be designated by mutual consent of the trustee designated by the ND DEQ and the City of Mandan.

Financial Highlights

The MRT was created in 2004 with an opening balance of \$24,000,000 as part of the settlement between the State of North Dakota, the City of Mandan and Burlington Northern Santa Fe Railroad; net position held in MRT totaled \$5,582,044, \$5,792,178, \$5,817,361 at the close of fiscal years ended December 31, 2021, 2020, and 2019 respectively.

The MSEPT was created in 2004 with an opening balance of \$2,500,000 as part of the settlement between the State of North Dakota, the City of Mandan and Burlington Northern Santa Fe Railroad; net position held in MSEPT totaled \$1,130,825, \$1,127,199, \$1,120,094 at the close of fiscal years ended December 31, 2021, 2020, and 2019, respectively.

Overview of the Financial Statements

This report consists of two primary parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements are composed of a Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, and the notes that explain the information in the financial statements and provide more detailed data.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

The Statement of Fiduciary Net Position presents information on the MRT and MSEPT assets and liabilities with the difference between the two reported as net position.

The Statement of Changes in Fiduciary Net Position presents information showing how the MRT and MSEPT net position changed during the most recent fiscal period.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The MRT and MSEPT assets do not represent discretionary assets of the State of North Dakota or the City of Mandan to finance their operations. MRT and MSEPT funds can only be used for the purposes as set forth in the trust documents.

A summary of the MRT assets and liabilities as of December 31, 2021, 2020, and 2019 is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 5,618,915	\$ 5,814,249	\$ 5,827,059
Total Liabilities	<u>36,871</u>	<u>22,071</u>	<u>9,698</u>
Total Net Position	<u>\$ 5,582,044</u>	<u>\$ 5,792,178</u>	<u>\$ 5,817,361</u>

A summary of the MSEPT assets and liabilities as of December 31, 2021, 2020, and 2019 is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 1,130,825	\$ 1,127,199	\$ 1,120,094
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 1,130,825</u>	<u>\$ 1,127,199</u>	<u>\$ 1,120,094</u>

The total assets in both the MRT and MSEPT for the years ended December 31, 2021, 2020, and 2019 consist of cash.

Changes in net position:

The following are condensed Statements of Changes in Fiduciary Net Position of MRT for the fiscal years ended December 31, 2021, 2020, and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions and Transfers:			
Net Investment Income	<u>\$ 8,083</u>	<u>\$ 50,637</u>	<u>\$ 97,800</u>
Deductions:			
Remediation Costs, Trustee Fees, Professional Fees & Advertising	<u>218,217</u>	<u>75,820</u>	<u>54,966</u>
Change in net position	<u>(210,134)</u>	<u>(25,183)</u>	<u>42,834</u>
Net position - beginning of year	<u>5,792,178</u>	<u>5,817,361</u>	<u>5,774,527</u>
Net position - end of year	<u>\$ 5,582,044</u>	<u>\$ 5,792,178</u>	<u>\$ 5,817,361</u>

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

The following are condensed Statements of Changes in Fiduciary Net Position of MSEPT for the fiscal years ended December 31, 2021, 2020, and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions and Transfers:			
Net Investment Income	\$ 4,892	\$ 8,356	\$ 19,104
Gain on Sale	-	-	1,020,543
Total Additions	<u>4,892</u>	<u>8,356</u>	<u>1,039,647</u>
Deductions:			
Professional Fees	<u>1,266</u>	<u>1,251</u>	<u>1,256</u>
Change in net position	3,626	7,105	1,038,391
Net position - beginning of year	<u>1,127,199</u>	<u>1,120,094</u>	<u>81,703</u>
Net position - end of year	<u>\$ 1,130,825</u>	<u>\$ 1,127,199</u>	<u>\$ 1,120,094</u>

Requests for information:

Questions concerning any of the information provided in this report or requests for additional information concerning the MRT or MSEPT should be addressed to Jim Neubauer, City Administrator, City of Mandan, 205 2nd Ave NW, Mandan, ND 58554.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	<u>Mandan Remediation</u>	<u>Mandan Supplemental Environmental Projects</u>
Assets		
Current assets:		
Cash and cash equivalents	<u>\$ 5,618,915</u>	<u>\$ 1,130,825</u>
Total assets	<u>5,618,915</u>	<u>1,130,825</u>
Liabilities		
Current liabilities:		
Accounts payable	<u>36,871</u>	<u>-</u>
Total liabilities	<u>36,871</u>	<u>-</u>
Net Position		
Restricted for remediation	<u>5,582,044</u>	<u>1,130,825</u>
Total net position	<u>\$ 5,582,044</u>	<u>\$ 1,130,825</u>

See Notes to the Financial Statements

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	<u>Mandan Remediation</u>	<u>Mandan Supplemental Environmental Projects</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,811,500	\$ 1,127,199
Interest receivable	<u>2,749</u>	<u>-</u>
Total assets	<u>5,814,249</u>	<u>1,127,199</u>
Liabilities		
Current liabilities:		
Accounts payable	<u>22,071</u>	<u>-</u>
Total liabilities	<u>22,071</u>	<u>-</u>
Net Position		
Restricted for remediation	<u>5,792,178</u>	<u>1,127,199</u>
Total net position	<u>\$ 5,792,178</u>	<u>\$ 1,127,199</u>

See Notes to the Financial Statements

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Mandan Remediation</u>	<u>Mandan Supplemental Environmental Projects</u>
Additions		
Interest income	\$ 8,083	\$ 4,892
Total additions	<u>8,083</u>	<u>4,892</u>
Deductions		
Remediation costs	172,960	-
Trustee fees	33,250	-
Professional fees	4,734	1,266
Utilities	<u>7,273</u>	<u>-</u>
Total deductions	<u>218,217</u>	<u>1,266</u>
Change in net position restricted for remediation	(210,134)	3,626
Net position - beginning of year	<u>5,792,178</u>	<u>1,127,199</u>
Net position - end of year	<u>\$ 5,582,044</u>	<u>\$ 1,130,825</u>

See Notes to the Financial Statements

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Mandan Remediation</u>	<u>Mandan Supplemental Environmental Projects</u>
Additions		
Interest income	\$ 50,637	\$ 8,356
Total additions	<u>50,637</u>	<u>8,356</u>
Deductions		
Remediation costs	47,296	-
Trustee fees	7,850	-
Professional fees	4,158	1,251
Insurance	271	-
Utilities	16,245	-
Total deductions	<u>75,820</u>	<u>1,251</u>
Change in net position restricted for remediation	(25,183)	7,105
Net position - beginning of year	<u>5,817,361</u>	<u>1,120,094</u>
Net position - end of year	<u>\$ 5,792,178</u>	<u>\$ 1,127,199</u>

See Notes to the Financial Statements

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUST**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For financial reporting purposes, the Mandan Remediation and Supplemental Environmental Projects Trusts include all fund programs, and activities over which it is financially accountable. The Mandan Remediation and Supplemental Environmental Projects Trusts do not have any component units as defined by the Governmental Accounting Standards Board.

The Mandan Remediation and Supplemental Environmental Projects Trusts were established as part of a settlement agreement between the State of North Dakota, the City of Mandan, and the Burlington Northern and Santa Fe Railway Company. The settlement agreement was the result of a lawsuit filed by the State of North Dakota and the City of Mandan against the Burlington Northern and Santa Fe Railway Company for the diesel fuel contamination within Downtown Mandan. The Trusts are private-purpose trust funds of the State of North Dakota.

The Mandan Remediation Trust was established by the State of North Dakota and the City of Mandan to pay for the investigation and remediation of the Downtown Plume off of the Mandan rail yard, or such other environmental remediation and mitigation related activities in the City of Mandan. The Trust is also responsible for any other activities that the State of North Dakota and the City of Mandan deem appropriate after cleanup of the Downtown Plume has been completed to the North Dakota Department of Health's satisfaction.

The Mandan Supplemental Environmental Projects Trust was established by the State of North Dakota and the City of Mandan to undertake projects that enhance the environment of the City of Mandan and mitigate impacts caused by contamination.

Fund Financial Statements

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report information on all fiduciary activities of the Trusts. The Statements of Fiduciary Net Position present the reporting entity's assets and liabilities, with the difference reported as net position. The net position is reported as net position held in trust for remediation.

The Statements of Changes in Fiduciary Net Position present additions to, deductions from, and net increase (or decrease) for the year in net position for each fiduciary fund.

Fund Accounting Structure

The Trusts use funds to report the financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain fiduciary functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Trusts report the Mandan Remediation and Supplemental Environmental Projects Trusts as private purpose trust funds. They are used to account for the resources of the trust agreements in which the principal and income benefit the City of Mandan and the State of North Dakota.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUST**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Basis for Accounting

As fiduciary funds, the Trusts' financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The Trusts are private-purpose trust funds, which are a type of fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support a government's own programs. A private-purpose trust fund is a fiduciary fund used to report all trust arrangements, other than pension (and other employee benefit) trust funds and investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. Revenues are mainly derived from investment income.

Cash and Cash Equivalents

Cash and cash equivalents include all funds on deposit in money market accounts and certificates of deposit with maturities of three months or less.

Federal Income Taxes

According to a private letter ruling obtained from the Internal Revenue Service, the Trusts will be treated as Qualified Settlement Funds under code section 1.468B-1 of the Income Tax Regulations and that the income of the Trusts will be excludible from gross income under 115(1) of the Internal Revenue Code.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

In accordance with North Dakota Statutes, Mandan Remediation and Supplemental Environmental Projects Trust maintains deposits at 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 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.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUST**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Custodial Credit Risk

Custodial credit risk is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution. The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

The Trust maintains cash on deposit at various financial institutions. The amounts on deposit are insured by the FDIC up to \$250,000 per financial institution. At December 31, 2021, the Trust had \$880,825 of deposits in excess of FDIC insurance. All of the excess deposits were covered by pledged securities held in the Trust's name and were not exposed to custodial credit risk at December 31, 2021. Pledged collateral exceeded state requirements of 110% of amounts in excess of FDIC insurance.

NOTE 3 COMMITMENTS

On August 12, 2020, Mandan Supplemental Environmental Projects Trust committed \$600,000 to the Morton County Mandan Public Library and Downtown Parks project and \$400,000 to the Downtown Street Enhancement Program. The amounts are anticipated to be paid to these projects in 2022.

NOTE 4 RELATED PARTY TRANSACTIONS

Per the Trust agreements, there is to be three trustees to oversee the activities of the Trusts. One trustee was to be designated by the North Dakota Department of Health. Another trustee was to be designated by the City of Mandan. The final trustee was to be designated by mutual consent of the trustees designated by the North Dakota Department of Health and the City of Mandan. Per the Trust agreements, a trustee who is not employed in governmental service may be paid reasonable compensation for their services to the Trusts. Amounts billed under this agreement totaled \$33,250 and \$7,850 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 SUBSEQUENT EVENTS

In January 2022, the City of Mandan billed the Mandan Supplemental Environmental Projects Trust \$208,630 for the Downtown Street Enhancement Program. In February 2022 the Mandan Supplemental Environmental Projects Trust paid the \$208,630 and upon payment the \$400,000 commitment for the Downtown Street Enhancement Program was reduced to \$0. No other significant events occurred subsequent to the Trust's year end. Subsequent events have been evaluated through August 18, 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 Trustees
Mandan Remediation and Supplemental
Environmental Projects Trusts
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 financial statements of the fiduciary net position of the Mandan Remediation and Supplemental Environmental Projects Trusts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Mandan Remediation and Supplemental Environmental Projects Trusts' basic financial statements and have issued our report thereon dated August 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Remediation and Supplemental Environmental Projects Trusts' 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 Trusts' internal control. Accordingly, we do not express an opinion on the effectiveness of Trusts' 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 2021-003 described in the accompanying schedule of findings and responses 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 2021-001 and 2021-002 described in the accompanying schedule of findings and responses to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trusts' 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*.

Mandan Remediation and Supplemental Environmental Projects Trusts' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Mandan Remediation and Supplemental Environmental Projects Trusts' responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Mandan Remediation and Supplemental Environmental Projects Trusts' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

August 18, 2022

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

2021-001 – Preparation of Financial Statements – Significant Deficiency

Criteria

A system of internal controls over financial reporting includes the Trusts having the ability to determine that the financial statements and disclosures are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition

The Trusts' auditors prepared the financial statements as of December 31, 2021. The Trusts do not have the system necessary to assess whether all relevant disclosures have been included in the financial statements as required by accounting principles generally accepted in the United States of America.

Cause

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

Effect

There is an increased risk of misstatement to the Trusts' financial statements.

Recommendation

Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists and the continual training of Trusts' personnel on the current requirements of financial statements and disclosures in compliance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions

This condition is a repeat from the prior years. Due to the financial, efficiency and time constraints, it has been determined by Mandan Remediation and Supplemental Environmental Projects Trusts' trustees that it is in the best interest of Mandan Remediation and Supplemental Environmental Projects Trusts and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2021

2021-002 – Segregation of Duties – Significant Deficiency

Criteria

A system of internal controls over financial reporting includes that the Trusts have the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

The Trusts do not have the system necessary for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

The Trust's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

A system of internal controls with proper segregation of duties is not present for the Trusts to ensure that the underlying financial information is in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls over the underlying financial information include oversight by management and the board on the financial records. The most effective controls in this situation lie in the board's knowledge of matters related to the organization's operations.

Views of Responsible Officials and Planned Corrective Actions:

This condition is a repeat from the prior years and the board has segregated the accounting duties to the appropriate individuals to the extent possible. Because of the very limited number of staff available for the Trusts, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative available to the Trusts would be the hiring of additional staff, and current cash flows do not justify it. The Trusts have reviewed the internal controls and procedures in place and believe the procedures in place provide adequate controls under these circumstances.

**MANDAN REMEDIATION AND SUPPLEMENTAL
ENVIRONMENTAL PROJECTS TRUSTS**
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2021

2021-003 – Proposition of Journal Entries - Material Weakness

Criteria

The Trusts are 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 on a GAAP basis.

Condition

During our audit, material adjusting journal entries to the financial statements were proposed in order to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). The Trusts are required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on a GAAP basis.

Cause

The Trusts' internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

The Trusts do not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on a GAAP basis.

Recommendation

In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions:

This condition is a repeat from the prior years. Due to the financial, efficiency and time constraints, it has been determined by the Trusts that it is in the best interest of the Trust and all interested parties to have adjustments proposed by the auditing firm in order for the general ledger accounts to be reflected on a GAAP basis.