

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS  
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Mandan Remediation and Supplemental  
Environmental Projects Trusts  
Mandan, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Trusts' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trusts, as of December 31, 2014 and 2013, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

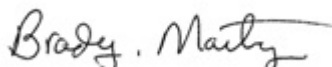
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 a report dated June 29, 2015, on our consideration of 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 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 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 Trusts' internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**

Bismarck, North Dakota  
June 29, 2015

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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, 2014, 2013, and 2012. 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 Health's satisfaction.

There are three trustees to oversee the activities of the MRT. One trustee designated by the North Dakota Department of Health, another trustee designated by the City of Mandan and the final trustee to be designated by mutual consent of the trustee designated by the North Dakota Department of Health 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 North Dakota Department of Health, another trustee designated by the City of Mandan and the final trustee to be designated by mutual consent of the trustee designated by the North Dakota Department of Health 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 \$6,922,042, \$7,215,812, \$7,560,120 at the close of fiscal years ended December 31, 2014, 2013, and 2012 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 \$1,578,781, \$1,577,551, and \$1,575,439 at the close of fiscal years ended December 31, 2014, 2013, and 2012, respectively.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
DECEMBER 31, 2014

**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.

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, 2014, 2013, and 2012 is presented below:

|                    | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         |
|--------------------|---------------------|---------------------|---------------------|
| Total Assets       | \$ 6,986,085        | \$ 7,279,934        | \$ 7,604,462        |
| Total Liabilities  | <u>64,043</u>       | <u>64,122</u>       | <u>44,342</u>       |
| Total Net Position | <u>\$ 6,922,042</u> | <u>\$ 7,215,812</u> | <u>\$ 7,560,120</u> |

A summary of the MSEPT assets and liabilities as of December 31, 2014, 2013, and 2012 is presented below:

|                    | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         |
|--------------------|---------------------|---------------------|---------------------|
| Total Assets       | \$ 1,578,781        | \$ 1,577,551        | \$ 1,575,439        |
| Total Liabilities  | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Total Net Position | <u>\$ 1,578,781</u> | <u>\$ 1,577,551</u> | <u>\$ 1,575,439</u> |

The total assets in both the MRT and MSEPT for the years ended December 31, 2014, 2013, and 2012 consist of cash.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
DECEMBER 31, 2014

**Changes in net position:**

The following are condensed Statements of Changes in Fiduciary Net Position of MRT for the fiscal years ended December 31, 2014, 2013, and 2012.

|   | <u>2014</u>                | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|----------------------------|
| <b>Additions and Transfers:</b>                                     |                            |                            |                            |
| Net Investment Income   | <u>\$ 3,562</u>            | <u>\$ 3,716</u>            | <u>\$ 7,579</u>            |
| <b>Deductions:</b>  |                            |                            |                            |
| Remediation Costs, Trustee Fees,<br>Professional Fees & Advertising | <u>297,332</u>             | <u>348,024</u>             | <u>378,595</u>             |
| Change in net position  | <u>(293,770)</u>           | <u>(344,308)</u>           | <u>(371,016)</u>           |
| Net position - beginning of period                                  | <u>7,215,812</u>           | <u>7,560,120</u>           | <u>7,931,136</u>           |
| Net position - end of period  | <u><u>\$ 6,922,042</u></u> | <u><u>\$ 7,215,812</u></u> | <u><u>\$ 7,560,120</u></u> |

The following are condensed Statements of Changes in Fiduciary Net Position of MSEPT for the fiscal years ended December 31, 2014, 2013, and 2012.

|                                    | <u>2014</u>                | <u>2013</u>                | <u>2012</u>                |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| <b>Additions and Transfers:</b>    |                            |                            |                            |
| Net Investment Income              | <u>\$ 3,150</u>            | <u>\$ 3,972</u>            | <u>\$ 5,537</u>            |
| <b>Deductions:</b>                 |                            |                            |                            |
| Professional Fees                  | <u>1,920</u>               | <u>1,860</u>               | <u>1,785</u>               |
| Change in net position             | <u>1,230</u>               | <u>2,112</u>               | <u>3,752</u>               |
| Net position - beginning of period | <u>1,577,551</u>           | <u>1,575,439</u>           | <u>1,571,687</u>           |
| Net position - end of period       | <u><u>\$ 1,578,781</u></u> | <u><u>\$ 1,577,551</u></u> | <u><u>\$ 1,575,439</u></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 2<sup>nd</sup> Ave NW, Mandan, ND 58554.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31, 2014

|  | <u>Mandan<br/>Remediation</u> | <u>Mandan<br/>Supplemental<br/>Environmental<br/>Projects</u> |
|--|-------------------------------|---|
| <b>Assets</b>                              |                               |   |
| Current Assets:                            |                               |   |
| Cash and cash equivalents                  | <u>\$ 6,986,085</u>           | <u>\$ 1,578,781</u>   |
| Total Assets                               | <u>6,986,085</u>              | <u>1,578,781</u>  |
| <b>Liabilities</b>                         |                               |   |
| Current Liabilities:                       |                               |   |
| Accounts payable                           | <u>64,043</u>                 | <u>-</u>  |
| Total Liabilities                          | <u>64,043</u>                 | <u>-</u>  |
| <b>Net Position</b>                        |                               |   |
| Net position held in trust for remediation | <u>6,922,042</u>              | <u>1,578,781</u>  |
| Total Net Position                         | <u><u>\$ 6,922,042</u></u>    | <u><u>\$ 1,578,781</u></u>                                    |

See Notes to the Financial Statements.



**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31, 2013

|  | <u>Mandan<br/>Remediation</u> | <u>Mandan<br/>Supplemental<br/>Environmental<br/>Projects</u> |
|--|-------------------------------|---|
| <b>Assets</b>                              |                               |   |
| Current Assets:                            |                               |   |
| Cash and cash equivalents                  | <u>\$ 7,279,934</u>           | <u>\$ 1,577,551</u>   |
| Total Assets                               | <u>7,279,934</u>              | <u>1,577,551</u>  |
| <b>Liabilities</b>                         |                               |   |
| Current Liabilities:                       |                               |   |
| Accounts payable                           | <u>64,122</u>                 | <u>-</u>  |
| Total Liabilities                          | <u>64,122</u>                 | <u>-</u>  |
| <b>Net Position</b>                        |                               |   |
| Net position held in trust for remediation | <u>7,215,812</u>              | <u>1,577,551</u>  |
| Total Net Position                         | <u><u>\$ 7,215,812</u></u>    | <u><u>\$ 1,577,551</u></u>                                    |

See Notes to the Financial Statements.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014

|  | <u>Mandan<br/>Remediation</u> | <u>Mandan<br/>Supplemental<br/>Environmental<br/>Projects</u> |
|--|-------------------------------|---|
| <b>Additions</b>                                     |                               |   |
| Interest income                                      | <u>\$ 3,562</u>               | <u>\$ 3,150</u>   |
| Total additions                                      | <u>3,562</u>                  | <u>3,150</u>  |
| <b>Deductions</b>                                    |                               |   |
| Remediation costs                                    | 287,860                       | -   |
| Trustee fees   | 5,250                         | -   |
| Professional fees                                    | 4,080                         | 1,920   |
| Miscellaneous expense                                | <u>142</u>                    | <u>-</u>  |
| Total deductions                                     | <u>297,332</u>                | <u>1,920</u>  |
| Change in net position held in trust for remediation | (293,770)                     | 1,230   |
| Net position - beginning of period                   | <u>7,215,812</u>              | <u>1,577,551</u>  |
| Net position - end of period                         | <u><u>\$ 6,922,042</u></u>    | <u><u>\$ 1,578,781</u></u>                                    |

See Notes to the Financial Statements.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

|  | <u>Mandan<br/>Remediation</u> | <u>Mandan<br/>Supplemental<br/>Environmental<br/>Projects</u> |
|--|-------------------------------|---|
| <b>Additions</b>                                     |                               |   |
| Interest income                                      | <u>\$ 3,716</u>               | <u>\$ 3,972</u>   |
| Total additions                                      | <u>3,716</u>                  | <u>3,972</u>  |
| <b>Deductions</b>                                    |                               |   |
| Remediation costs                                    | 335,572                       | -   |
| Trustee fees   | 6,950                         | -   |
| Professional fees                                    | 3,940                         | 1,860   |
| Miscellaneous expense                                | <u>1,562</u>                  | <u>-</u>  |
| Total deductions                                     | <u>348,024</u>                | <u>1,860</u>  |
| Change in net position held in trust for remediation | (344,308)                     | 2,112   |
| Net position - beginning of period                   | <u>7,560,120</u>              | <u>1,575,439</u>  |
| Net position - end of period                         | <u><u>\$ 7,215,812</u></u>    | <u><u>\$ 1,577,551</u></u>                                    |

See Notes to the Financial Statements.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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 Government 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.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2014

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.

**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 includes all funds on deposit in money market accounts and certificates of deposit with original 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.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2014

**NOTE 2 CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure the Trusts would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Trusts do not have a formal policy regarding deposits for the Supplemental Environmental Project Trust. The trust agreement requires that all funds for the Remediation Trust be deposited in the Bank of North Dakota.

These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, the deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Mandan Remediation Trust at the Bank of North Dakota at December 31, 2014 and 2013 were \$6,986,085 and \$7,279,934, respectively.

At December 31, 2014 and 2013, the carrying amount of deposits for the Mandan Supplemental Environmental Project Trust was \$1,578,781 and \$1,577,551, respectively. The deposit's carrying amount is equal to the bank balance. These deposits are collateralized by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the remaining balance is covered by pledged securities assigned to the Supplemental Environmental Project Trust by the City of Mandan. The pledged securities are in the name of the City of Mandan.

**NOTE 3 COMMITMENTS**

As of November 23, 2004, the North Dakota Department of Health entered into a quick start contract with Leggette, Brashears & Graham, Inc. (LBG) for the performance of remediation services. The amount of the contract was \$149,262. A master services agreement was signed on January 18, 2005 between LBG and the North Dakota Department of Health for the performance of remediation services. Mandan Remediation Trust agrees to pay LBG for services rendered under the quick start contract and the master services agreement pursuant to the Mandan Remediation Trust Agreement. The master services agreement provides a fee schedule for consulting services and equipment use and is based on time and materials. Amounts billed by LBG were \$206,327 for services rendered under the contract during the year ended December 31, 2014.

**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. As of December 31, 2014 and 2013, amounts billed under this agreement totaled \$5,250 and \$6,950, respectively.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2014

**NOTE 5 NEW GASB PRONOUNCEMENTS**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statements establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

Management has not determined the effects these future pronouncements will have on the financial statements.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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, 2014, 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 June 29, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2014-003 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 2014-001 and 2014-002 described in the accompanying schedule of findings and responses to be significant deficiencies.

### **Compliance and Other Matters**

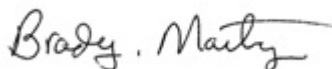
As part of obtaining reasonable assurance about whether the Trusts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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' Response to Findings**

Mandan Remediation and Supplemental Environmental Projects Trusts' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Mandan Remediation and Supplemental Environmental Projects Trusts' response were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

June 29, 2015

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014

To the Board of Trustees  
Mandan Remediation and Supplemental  
Environmental Projects Trusts

2014-001

Criteria

A system of internal controls over financial reporting includes the Trust 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, 2014. 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

It is currently not cost effective for the Trusts to internally prepare its financial statements and disclosures in accordance with accounting principles generally accepted in the United States of America.

Effect

A system of internal controls over financial reporting is not present for the Trusts to internally determine that the financial statements and all required disclosures are in compliance with accounting principles generally accepted in the United States of America.

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

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, 2014

2014-002

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 limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal accounting control.

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, 2014

2014-003 – 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

It is currently not cost effective for the Trusts to determine the proper balance of each general ledger account prior to the start of the audit.

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:

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.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
SCHEDULE OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2014

2013-001

Criteria

A system of internal controls over financial reporting includes the Trust 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, 2013. 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

It is currently not cost effective for the Trusts to internally prepare its financial statements and disclosures in accordance with accounting principles generally accepted in the United States of America.

Effect

A system of internal controls over financial reporting is not present for the Trusts to internally determine that the financial statements and all required disclosures are in compliance with accounting principles generally accepted in the United States of America.

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

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.

Current Status:

Finding 2013-001 is repeated again as a finding in 2014-001.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
DECEMBER 31, 2014

2013-002

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 limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal accounting control.

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.

Current Status:

Finding 2013-002 is repeated again as a finding in 2014-002.

**MANDAN REMEDIATION AND SUPPLEMENTAL  
ENVIRONMENTAL PROJECTS TRUSTS**  
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
DECEMBER 31, 2014

2013-003 – 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

It is currently not cost effective for the Trusts to determine the proper balance of each general ledger account prior to the start of the audit.

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:

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.

Current Status:

Finding 2013-003 is repeated again as a finding in 2014-003.