

**BILLINGS COUNTY FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2015, 2014, 2013, and 2012**

**With Independent Auditor's Report**

**Billings County Rural Fire Protection District  
Medora, North Dakota**

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For the Years Ended December 31, 2015, 2014, 2013, and 2012**

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**GALLEON FINANCIAL SERVICES LLC**  
**PO Box 1205 - 3721 114th Avenue SW**  
**Dickinson, ND 58602-1205**

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Billings County Rural Fire Protection District  
Medora, North Dakota

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of the Billings County Rural Fire Protection District, Medora, North Dakota, as of and for the years ended December 31, 2015, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the Billings County Rural Fire Protection District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, except for the other matter discussed below, for the respective financial position of the governmental activities and each major fund of the Billings County Rural Fire Protection District, as of December 31, 2015, 2014, 2013, and 2012, and the respective changes in financial position, and the respective budgetary comparisons for the general fund.


**Other Matters**

Required Supplementary Information

Management has not presented the management's discussion and analysis. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the budgetary comparison 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 January 22, 2018, on our consideration of the Billings County 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 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 and in considering the Fire District's internal control over financial reporting and compliance.



Galleon Financial Services LLC

January 22, 2018

**Billings County Rural Fire Protection District  
Medora, North Dakota**

**STATEMENTS OF NET POSITION  
December 31, 2015, 2014, 2013, and 2012**

	2015		2014		2013		2012	
	Governmental Activities	Total	Governmental Activities	Total	Governmental Activities	Total	Governmental Activities	Total
<b>ASSETS</b>								
Cash and investments	\$ 338,101	\$ 338,101	\$ 289,598	\$ 289,598	\$ 287,042	\$ 287,042	\$ 186,453	\$ 186,453
Due from County Treasurer	-	-	-	661	-	289	-	250
Taxes Receivable	431	431	661	11,495	289	11,495	250	11,495
Inventory	11,495	11,495	11,495	11,495	11,495	11,495	11,495	11,495
Capital Assets:								
Equipment	1,648,062	1,648,062	1,532,062	1,532,062	1,282,531	1,282,531	1,271,751	1,271,751
Accumulated depreciation	1,004,269	1,004,269	924,788	924,788	865,958	865,958	811,582	811,582
Total Capital Assets	643,793	643,793	607,274	607,274	416,573	416,573	460,169	460,169
Total Assets	\$ 993,820	\$ 993,820	\$ 909,028	\$ 909,028	\$ 715,399	\$ 715,399	\$ 658,367	\$ 658,367
<b>LIABILITIES</b>								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>								
Net investment in capital assets	643,793	643,793	607,274	607,274	416,573	416,573	460,169	460,169
Net investment in inventory	11,495	11,495	11,495	11,495	11,495	11,495	11,495	11,495
Unrestricted	338,532	338,532	290,259	290,259	287,331	287,331	186,703	186,703
Total Net Position	\$ 993,820	\$ 993,820	\$ 909,028	\$ 909,028	\$ 715,399	\$ 715,399	\$ 658,367	\$ 658,367

The Notes to Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District  
Medora, North Dakota**

**STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2015, 2014, 2013 and 2012**

	Governmental Activities			
	2015	2014	2013	2012
<b>Expenses:</b>				
Public safety - fire protection and emergency services				
Salaries and Benefits- Chief	43,892	42,159	33,381	22,656
Insurance	10,623	9,007	6,349	6,441
Utilities	12,951	21,885	18,738	17,157
Training	907	504	1,056	3,202
Office	2,508	2,338	2,668	619
Travel/ Miscellaneous	8,066	5,542	5,230	4,542
Incident stipends	11,675	11,943	26,836	8,017
Supplies	14,387	3,042	6,260	32,289
Repairs and maintenance	19,698	22,757	30,772	32,826
Small equipment	34,808	108,456	19,125	89,126
Depreciation	79,481	58,830	54,376	44,976
Total program expenses	<u>238,996</u>	<u>286,463</u>	<u>204,791</u>	<u>261,851</u>
<b>Program revenues:</b>				
Charges for services	-	-	-	-
Total program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>238,996</u>	<u>286,463</u>	<u>204,791</u>	<u>261,851</u>
<b>General revenues:</b>				
Taxes	135,182	117,192	109,405	92,209
Interest Income	416	411	416	1,284
Donations	52,700	49,700	52,835	54,700
Grants	133,226	311,990	86,277	250,000
Other revenue	2,264	799	12,890	12,896
Total general revenues	<u>323,788</u>	<u>480,092</u>	<u>261,823</u>	<u>411,089</u>
Change in net position	84,792	193,629	57,032	149,238
Net position - beginning	<u>909,028</u>	<u>715,399</u>	<u>658,367</u>	<u>509,129</u>
Net position - ending	<u><u>993,820</u></u>	<u><u>909,028</u></u>	<u><u>715,399</u></u>	<u><u>658,367</u></u>

The Notes to the Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District  
Medora, North Dakota**

**BALANCE SHEETS - GOVERNMENTAL FUNDS  
December 31, 2015, 2014, 2013, and 2012**

	2015		2014		2013		2012	
	General Fund	Total	General Fund	Total	General Fund	Total	General Fund	Total
<b>Assets:</b>								
Cash	\$ 338,101	\$ 338,101	\$ 289,598	\$ 289,598	\$ 287,042	\$ 287,042	\$ 186,453	\$ 186,453
Due from County Treasurer	-	-	-	-	-	-	-	-
Taxes Receivable	431	431	661	661	289	289	250	250
Inventory	11,495	11,495	11,495	11,495	11,495	11,495	11,495	11,495
Total Assets	<u>\$ 350,027</u>	<u>\$350,027</u>	<u>\$301,754</u>	<u>\$301,754</u>	<u>\$298,826</u>	<u>\$298,826</u>	<u>\$198,198</u>	<u>\$198,198</u>
<b>Liabilities:</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-
<b>Deferred Inflows of resources:</b>								
Unavailable revenue -property taxes	431	431	661	661	289	289	250	250
Total deferred inflows of resources	<u>431</u>	<u>431</u>	<u>661</u>	<u>661</u>	<u>289</u>	<u>289</u>	<u>250</u>	<u>250</u>
<b>Fund Balance:</b>								
Nonspendable - inventory	11,495	11,495	11,495	11,495	11,495	11,495	11,495	11,495
Unassigned:	338,101	338,101	289,598	289,598	287,042	287,042	186,453	186,453
Total Fund Balance	<u>349,596</u>	<u>349,596</u>	<u>301,093</u>	<u>301,093</u>	<u>298,537</u>	<u>298,537</u>	<u>197,948</u>	<u>197,948</u>
Total Liabilities, deferred inflows of resources, and fund balance	<u>\$ 350,027</u>	<u>\$ 350,027</u>	<u>\$ 301,754</u>	<u>\$ 301,754</u>	<u>\$ 298,826</u>	<u>\$ 298,826</u>	<u>\$ 198,198</u>	<u>\$ 198,198</u>
Amounts reported for governmental activities in the statements of net position are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		<u>643,793</u>		<u>607,274</u>		<u>416,573</u>		<u>460,169</u>
Net position of governmental activities		<u>\$ 993,820</u>		<u>\$ 909,028</u>		<u>\$ 715,399</u>		<u>\$ 658,367</u>

The Notes to the Financial Statements are an integral part of these statements.

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

For the Years Ended December 31, 2015, 2014, 2013 and 2012

	2015			2014			2013			2012		
	Total Governmental Funds		General	Total Governmental Funds		General	Total Governmental Funds		General	Total Governmental Funds		General
	General	Funds		General	Funds		General	Funds		General	Funds	
<b>Revenues:</b>												
Taxes	\$ 135,412	\$ 135,412	\$ 116,820	\$ 116,820	\$ 109,366	\$ 109,366	\$ 109,366	\$ 109,366	\$ 92,194	\$ 92,194	\$ 92,194	\$ 92,194
Donations and grants	185,926	185,926	361,690	361,690	139,112	139,112	139,112	139,112	304,700	304,700	304,700	304,700
Charges for Service	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	416	416	411	411	416	416	416	416	1,283	1,283	1,283	1,283
Other revenue	2,264	2,264	799	799	12,890	12,890	12,890	12,890	12,896	12,896	12,896	12,896
<b>Total Revenues</b>	<b>324,018</b>	<b>324,018</b>	<b>479,720</b>	<b>479,720</b>	<b>261,784</b>	<b>261,784</b>	<b>261,784</b>	<b>261,784</b>	<b>411,073</b>	<b>411,073</b>	<b>411,073</b>	<b>411,073</b>
<b>Expenditures:</b>												
<b>Current:</b>												
Salaries and benefits	43,892	43,892	42,159	42,159	33,381	33,381	33,381	33,381	22,656	22,656	22,656	22,656
Insurance	10,623	10,623	9,007	9,007	6,349	6,349	6,349	6,349	6,441	6,441	6,441	6,441
Office Expenses	2,508	2,508	2,338	2,338	2,668	2,668	2,668	2,668	619	619	619	619
Repairs	19,698	19,698	22,757	22,757	30,772	30,772	30,772	30,772	32,826	32,826	32,826	32,826
Supplies	14,387	14,387	3,042	3,042	6,260	6,260	6,260	6,260	32,289	32,289	32,289	32,289
Training, travel, and miscellaneous	20,648	20,648	17,989	17,989	33,122	33,122	33,122	33,122	15,761	15,761	15,761	15,761
Utilities	12,951	12,951	21,885	21,885	18,738	18,738	18,738	18,738	17,157	17,157	17,157	17,157
Capital outlay	150,808	150,808	357,987	357,987	29,905	29,905	29,905	29,905	431,834	431,834	431,834	431,834
<b>Total Expenditures</b>	<b>275,515</b>	<b>275,515</b>	<b>477,164</b>	<b>477,164</b>	<b>161,195</b>	<b>161,195</b>	<b>161,195</b>	<b>161,195</b>	<b>559,583</b>	<b>559,583</b>	<b>559,583</b>	<b>559,583</b>
<b>Excess(Deficiency) of Revenues Over Expenditures</b>	<b>48,503</b>	<b>48,503</b>	<b>2,556</b>	<b>2,556</b>	<b>100,589</b>	<b>100,589</b>	<b>100,589</b>	<b>100,589</b>	<b>(148,510)</b>	<b>(148,510)</b>	<b>(148,510)</b>	<b>(148,510)</b>
<b>Other Financing Sources (Uses):</b>												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>48,503</b>	<b>48,503</b>	<b>2,556</b>	<b>2,556</b>	<b>100,589</b>	<b>100,589</b>	<b>100,589</b>	<b>100,589</b>	<b>(148,510)</b>	<b>(148,510)</b>	<b>(148,510)</b>	<b>(148,510)</b>
<b>Fund Balance- Beginning of Year</b>	<b>411,110</b>	<b>411,110</b>	<b>408,554</b>	<b>408,554</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>	<b>307,965</b>
<b>Fund Balance- End of Year</b>	<b>\$ 459,613</b>	<b>\$ 459,613</b>	<b>\$ 411,110</b>	<b>\$ 411,110</b>	<b>\$ 408,554</b>	<b>\$ 408,554</b>	<b>\$ 408,554</b>	<b>\$ 408,554</b>	<b>\$ 159,455</b>	<b>\$ 159,455</b>	<b>\$ 159,455</b>	<b>\$ 159,455</b>



Billings County Rural Fire Protection District  
 Medora, North Dakota

RECONCILIATION OF THE STATEMENTS OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015, 2014, 2013 and 2012

	2015	2014	2013	2012
Amounts reported for governmental activities in the statements of activities are different because:				
Net change in <i>Fund Balances</i> - Total Governmental Funds	\$ 48,503	\$ 2,556	\$ 100,589	\$ (148,510)
Governmental funds report capital outlays as expenditures.				
However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay for the year.	\$ 36,519	\$ 190,701	\$ (43,596)	\$ 297,732
Revenues on the statements of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - taxes.	\$ (230)	\$ 372	\$ 39	\$ 125
Change in Net Position of Governmental Activities	<u>\$ 84,792</u>	<u>\$ 193,629</u>	<u>\$ 57,032</u>	<u>\$ 149,347</u>

The Notes to Financial Statements are an integral part of these statements.

**Billings County Rural Fire Protection District  
Medora, North Dakota**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND - BUDGET AND ACTUAL  
For the Years Ended December 31, 2015, 2014, 2013, and 2012**

	2015				2014				2013				2012				
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	
<b>Revenues:</b>																	
Taxes	\$ 155,838	\$ 155,838	\$ 155,412	\$ (20,426)	\$ 70,000	\$ 70,000	\$ 116,820	\$ 46,820	\$ 65,000	\$ 65,000	\$ 109,866	\$ 44,866	\$ 68,000	\$ 68,000	\$ 92,194	\$ 24,194	
Interest Income	300	300	416	116	800	800	411	(389)	5,000	5,000	415	(4,584)	5,000	5,000	1,283	(3,717)	
Donations	1,000	1,000	52,700	51,700	1,000	1,000	49,700	48,700	3,000	3,000	52,835	49,835	3,000	3,000	54,700	51,700	
Grants	-	-	133,226	133,226	-	-	311,990	311,990	-	-	86,277	86,277	-	-	250,000	250,000	
Charges for services and other revenue	1,200	1,200	2,254	1,064	1,200	1,200	799	(401)	1,200	1,200	12,890	11,690	1,200	1,200	12,896	11,696	
<b>Total Revenues</b>	<b>\$ 158,338</b>	<b>\$ 158,338</b>	<b>\$ 324,018</b>	<b>\$ 165,680</b>	<b>\$ 73,000</b>	<b>\$ 73,000</b>	<b>\$ 479,720</b>	<b>\$ 406,720</b>	<b>\$ 74,200</b>	<b>\$ 74,200</b>	<b>\$ 261,784</b>	<b>\$ 187,584</b>	<b>\$ 77,200</b>	<b>\$ 77,200</b>	<b>\$ 411,073</b>	<b>\$ 383,873</b>	
<b>Expenditures:</b>																	
<b>Current:</b>																	
Salaries and Benefits- Chief	41,047	41,047	49,892	2,845	33,562	33,562	42,159	8,597	20,000	20,000	33,381	13,381	20,000	20,000	22,656	2,656	
Insurance	9,000	9,000	10,623	1,623	6,500	6,500	9,007	2,507	5,000	5,000	6,849	1,849	5,000	5,000	6,441	1,441	
Utilities	20,000	20,000	12,951	(7,049)	17,100	17,100	21,885	4,785	8,500	8,500	18,738	10,238	8,500	8,500	17,157	8,657	
Training	3,500	3,500	907	(2,593)	3,000	3,000	504	(2,496)	3,000	3,000	1,056	(1,944)	3,000	3,000	3,202	202	
Office	2,500	2,500	2,508	8	1,000	1,000	2,358	1,358	1,700	1,700	2,668	968	1,700	1,700	619	(1,081)	
Travel/ Miscellaneous	4,291	4,291	8,066	3,775	3,000	3,000	5,542	2,542	8,000	8,000	5,230	(2,770)	8,000	8,000	4,542	(3,458)	
Incident stipends	-	-	11,675	11,675	-	-	11,943	11,943	-	-	26,836	26,836	-	-	8,017	8,017	
Supplies	8,000	8,000	14,387	6,387	14,000	14,000	3,042	(10,958)	6,000	6,000	6,260	260	6,000	6,000	32,289	26,289	
Repairs and maintenance	25,000	25,000	19,698	(5,302)	26,838	26,838	22,757	(4,081)	22,000	22,000	30,772	8,772	22,000	22,000	32,826	10,826	
Capital Outlay	45,000	45,000	150,808	105,808	25,000	25,000	357,987	332,987	44,000	44,000	29,905	(14,095)	44,000	44,000	451,894	387,894	
<b>Total Expenditures</b>	<b>\$ 158,338</b>	<b>\$ 158,338</b>	<b>\$ 275,515</b>	<b>\$ 117,177</b>	<b>\$ 130,000</b>	<b>\$ 130,000</b>	<b>\$ 477,164</b>	<b>\$ 347,164</b>	<b>\$ 118,200</b>	<b>\$ 118,200</b>	<b>\$ 161,195</b>	<b>\$ 42,995</b>	<b>\$ 118,200</b>	<b>\$ 118,200</b>	<b>\$ 559,583</b>	<b>\$ 441,383</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,503</b>	<b>\$ 48,503</b>	<b>\$ (57,000)</b>	<b>\$ (57,000)</b>	<b>\$ 2,556</b>	<b>\$ 59,556</b>	<b>\$ (44,000)</b>	<b>\$ (44,000)</b>	<b>\$ 100,589</b>	<b>\$ 144,589</b>	<b>\$ (41,000)</b>	<b>\$ (41,000)</b>	<b>\$ (148,510)</b>	<b>\$ (107,510)</b>	
<b>Other Financing Sources (Uses):</b>																	
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,503</b>	<b>\$ 48,503</b>	<b>\$ (57,000)</b>	<b>\$ (57,000)</b>	<b>\$ 2,556</b>	<b>\$ 59,556</b>	<b>\$ (44,000)</b>	<b>\$ (44,000)</b>	<b>\$ 100,589</b>	<b>\$ 144,589</b>	<b>\$ (41,000)</b>	<b>\$ (41,000)</b>	<b>\$ (148,510)</b>	<b>\$ (107,510)</b>	
<b>Fund Balance- Beginning of Year</b>	<b>\$ 301,093</b>	<b>\$ 301,093</b>	<b>\$ 301,093</b>	<b>\$ -</b>	<b>\$ 298,537</b>	<b>\$ 298,537</b>	<b>\$ 298,537</b>	<b>\$ -</b>	<b>\$ 197,948</b>	<b>\$ 197,948</b>	<b>\$ 197,948</b>	<b>\$ 197,948</b>	<b>\$ -</b>	<b>\$ 346,458</b>	<b>\$ 346,458</b>	<b>\$ -</b>	
<b>Fund Balance- End of Year</b>	<b>\$ 301,093</b>	<b>\$ 301,093</b>	<b>\$ 349,596</b>	<b>\$ 48,503</b>	<b>\$ 241,537</b>	<b>\$ 241,537</b>	<b>\$ 301,093</b>	<b>\$ 59,556</b>	<b>\$ 153,948</b>	<b>\$ 153,948</b>	<b>\$ 298,537</b>	<b>\$ 144,589</b>	<b>\$ 305,458</b>	<b>\$ 305,458</b>	<b>\$ 197,948</b>	<b>\$ (107,510)</b>	

The Notes to Financial Statements are an integral part of these statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2015, 2014, 2013, and 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of government-wide financial statements**

The government-wide financial statements (i.e. the statements of net position and the statements of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported on in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially responsible.

**Reporting Entity**

Billings County Rural Fire Protection District was organized pursuant to the North Dakota Century Code, which sets forth the legal framework for a fire district. The District is located in Billings County, North Dakota, and is established to provide fire services to the citizens of Billings County and part of Stark County. The District is governed by a board of directors that is elected by the residents of the district. The terms of the directors are staggered and each director serves for four years. The District has three fire stations to serve the residents of the District and also out-of-district fires. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

***Basis of Presentation - government-wide financial statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities columns incorporates data from governmental funds.

***Basis of presentation - fund financial statements***

The fund financial statements provide information about the district's funds. The emphasis of district's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the district has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government.

The district reports the following major governmental fund:

*General Fund*. This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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**Billings County Rural Fire Protection District**  
Notes to the Financial Statements - Continued

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The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are legally collectible. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are considered to be susceptible to accrual as so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash, cash equivalents and investments***

Cash includes cash on hand, demand deposits with bank. The District's policy allows for investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

***Inventories and prepaid items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. The District's inventory of materials and supplies related to firefighting supplies is recorded at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

***Capital Assets***

Capital assets include land, buildings, improvements, vehicles, equipment, and furniture and fixtures, are reported in the governmental activities column in the government-wide statements of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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**Billings County Rural Fire Protection District**  
Notes to the Financial Statements - Continued

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Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles and equipment	5 - 10 years
Furniture and fixtures	7 - 10 years

***Deferred outflows/inflows of resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (expense/expenditure) until then. The government currently has no type of item which qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item which qualifies for reporting in this category. The item, unavailable revenue, is reported only in the government funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net position flow assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

***Fund balance flow assumptions***

Sometimes the district will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund balance flow assumptions***

Sometimes the district will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund balance policies***

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and expenditures/expenses**

*Program revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property taxes*

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 the revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and governmental-wide statement of net position:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be using in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

**Billings County Rural Fire Protection District**  
**Notes to the Financial Statements - Continued**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cost of capital assets	\$ 1,648,062	\$ 1,532,062	\$ 1,282,531	\$ 1,271,751
Accumulated depreciation	1,004,269	924,788	865,958	811,582
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 643,793</u>	<u>\$ 607,274</u>	<u>\$ 416,573</u>	<u>\$ 460,169</u>

**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total government funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital outlay	\$ 150,808	\$ 357,987	\$ 29,905	\$ 431,834
Depreciation expense	79,481	58,830	54,376	44,976
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 71,327</u>	<u>\$ 299,157</u>	<u>\$ (24,471)</u>	<u>\$ 386,858</u>

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary process: State law requires that on or before August 7 of each fiscal year the board must adopt a tentative budget and submit to the county auditor, subject to a public hearing by Sept 7.

Final Budget Adoption: State law specifies that by October 7th of each year, the board must adopt the final budget for the fiscal year. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The adoption of the final budget may take place through a simple motion approved by the Board.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the years ended December 31, 2015, 2014, 2013, and 2012, if any.

**NOTE 4: DEPOSITS AND INVESTMENTS**

Deposits of the District are solely at First State Bank of Golva, and were as follows at December 31: 2015 - \$238,101; 2014 - \$189,598; 2013 - \$187,042; and 2012 - \$86,453

**Deposits**

**Custodial Credit Risk**

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. None of the District's bank balances were exposed to custodial credit risk because they were uninsured or uncollateralized.

**Billings County Rural Fire Protection District**  
**Notes to the Financial Statements - Continued**

*Investments*

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments allowed by state statutes. Eligible depositories as defined by state statutes are any financial institution with its principal place of business in the state of North Dakota, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had \$100,000 in time certificates of deposit as December 31, 2015, 2014, 2013, and 2012.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates with state statutes which define allowable investments.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

**NOTE 5: CAPITAL ASSETS**

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

<b>Governmental Activities:</b>	<b>Balance 1-1-15</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-15</b>
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ 260,311	\$ 116,000	\$ -	\$ 376,311
<b>Total Capital Assets, being depreciated</b>	<b>\$ 260,311</b>	<b>\$ 116,000</b>	<b>\$ -</b>	<b>\$ 376,311</b>
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 1,384,957	\$ 79,481		\$ 1,464,438
<b>Total Accumulated Depreciation</b>	<b>\$ 1,384,957</b>	<b>\$ 79,481</b>	<b>\$ -</b>	<b>\$ 1,464,438</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ (1,124,646)</b>	<b>\$ 36,519</b>	<b>\$ -</b>	<b>\$ (1,088,127)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ (1,124,646)</b>	<b>\$ 36,519</b>	<b>\$ -</b>	<b>\$ (1,088,127)</b>

<b>Governmental Activities:</b>	<b>Balance 1-1-14</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-14</b>
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ 10,780	\$ 249,531	\$ -	\$ 260,311
<b>Total Capital Assets, being depreciated</b>	<b>\$ 10,780</b>	<b>\$ 249,531</b>	<b>\$ -</b>	<b>\$ 260,311</b>
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 1,326,127	\$ 58,830	\$ -	\$ 1,384,957
<b>Total Accumulated Depreciation</b>	<b>\$ 1,326,127</b>	<b>\$ 58,830</b>	<b>\$ -</b>	<b>\$ 1,384,957</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ (1,315,347)</b>	<b>\$ 190,701</b>	<b>\$ -</b>	<b>\$ (1,124,646)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ (1,315,347)</b>	<b>\$ 190,701</b>	<b>\$ -</b>	<b>\$ (1,124,646)</b>

<b>Governmental Activities:</b>	<b>Balance 1-1-13</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-13</b>
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ -	\$ 10,780	\$ -	\$ 10,780
<b>Total Capital Assets, being depreciated</b>	<b>\$ -</b>	<b>\$ 10,780</b>	<b>\$ -</b>	<b>\$ 10,780</b>
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 1,271,751	\$ 54,376		\$ 1,326,127
<b>Total Accumulated Depreciation</b>	<b>\$ 1,271,751</b>	<b>\$ 54,376</b>	<b>\$ -</b>	<b>\$ 1,326,127</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ (1,271,751)</b>	<b>\$ (43,596)</b>	<b>\$ -</b>	<b>\$ (1,315,347)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ (1,271,751)</b>	<b>\$ (43,596)</b>	<b>\$ -</b>	<b>\$ (1,315,347)</b>



**Billings County Rural Fire Protection District**  
**Notes to the Financial Statements - Continued**

<b>Governmental Activities:</b>	<b>Balance 1-1-12</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-12</b>
<i>Capital assets, being depreciated:</i>				
Equipment and vehicles	\$ 929,043	\$ 342,708	\$ -	\$ 1,271,751
<b>Total Capital Assets, being depreciated</b>	<b>\$ 929,043</b>	<b>\$ 342,708</b>	<b>\$ -</b>	<b>\$ 1,271,751</b>
<i>Less Accumulated Depreciation for:</i>				
Equipment and vehicles	\$ 766,606	\$ 44,976	\$ -	\$ 811,582
<b>Total Accumulated Depreciation</b>	<b>\$ 766,606</b>	<b>\$ 44,976</b>	<b>\$ -</b>	<b>\$ 811,582</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 162,437</b>	<b>\$ 297,732</b>	<b>\$ -</b>	<b>\$ 460,169</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 162,437</b>	<b>\$ 297,732</b>	<b>\$ -</b>	<b>\$ 460,169</b>

Depreciation expense was charged to the public safety function of the district as follows:

		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Governmental Activities:</b>	<b>Fire</b>				
Protection		\$ 33,758	\$ 34,172	\$ 36,653	\$ 45,843

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of asset and natural disasters. The District has insurance protection and the limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the last four years and no settlements exceeded insurance coverage during any of the past seven years.

The State Bonding Fund provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. Billings County Rural Fire Protection District continues to carry commercial insurance for all other risks of loss, including workers' compensation.

**NOTE 7: CONTINGENCIES**

The District may be involved with various matters of litigation from year to year. It is the opinion of the District that there are no cases involving the District's insurance carrier or that would have a material effect on the District's financial condition.

**NOTE 8: SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 22, 2018, the date which these financial statements were available to be issued.

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**GALLEON FINANCIAL SERVICES LLC**  
**PO Box 1205 - 3721 114th Avenue SW**  
**Dickinson, ND 58602-1205**

**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***

Board of Directors  
Billings County Rural Fire Protection District  
Medora, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Billings County Rural Fire Protection District as of and for the years ended December 31, 2015, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the fire district's basic financial statements, and have issued our report thereon dated January 22, 2018.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement to the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control.

Our consideration of the internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any material weaknesses but one significant deficiencies in internal control. However, other material weakness and significant deficiencies may exist that have not been identified. We consider the finding described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. [2005-01]

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Billings County Rural Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2005-01.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of the 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.

  
Galleon Financial Services  
January 22, 2018

Billings County Rural Fire District  
Medora, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2015, 2014, 2013, and 2012

**Section I - Summary of Auditor's Results**

Financial Statements

Type of Report Issued?

Governmental Activities  
Each Major Governmental Funds

Qualified  
Qualified

Internal Control over financial reporting:  
material weaknesses?

\_\_\_\_\_ Yes                        X   No

Reportable conditions identified not considered to be  
material weaknesses?

  X   Yes                      \_\_\_\_\_ No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes                        X   No

**Section II - Financial Statement Findings**

**2005-01 - SEGREGATION OF DUTIES**

**Condition:**

The Billings County Rural Fire Protection District has one financial officer responsible for most accounting functions. The fire chief takes full responsibilities for this function but is not well educated in accounting. Board members are not well experienced in accounting, either.

**Criteria:**

Sufficient accounting personnel should allow duties of employees to be segregated. The segregation of duties would provide better control over the assets of the fire district.

**Effect:**

No segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the district's financial condition.

**Recommendation:**

Due to the size of the district staff, it is not feasible to pursue proper separation of duties and no recommendation will be made. The members should continue to review bills.

**Client response:**

No response is considered necessary. In 2017 a bookkeeper was hired.

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Board of Directors  
Billings County Rural Fire Protection District  
Medora, North Dakota 58645

My audit of the financial records of Billings County Rural Fire Protection District, for the years ended December 31, 2015, 2014, 2013, and 2012, has disclosed opportunities for improvements in the operations of the District. Items which I believe should be brought to your attention are set forth below:

Segregation of Duties

Due to the limited number of staff, it is not possible to have segregation of duties. Because of the size of the District, it is not cost feasible to employ additional staff.

Bank reconciliation should be performed by someone other than the bookkeeper or else reviewed and initialed by someone other than the original reconciler. The reconciliation should show uncleared transaction.

District should establish a policy for capitalization of fixed assets which should include dollar limits, additions for labor and materials, donated equipment, and definitions of capitalizable expenditures.

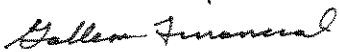
District should amend its budget when expenditures exceed the budgeted amounts.

District should consider ordering check blanks that can be used to print checks from its accounting software.

District should adopt a software backup plan to ensure timely restoration of the accounting function in the event of hardware failure, natural disaster, or theft.

Board minutes should include more details such as dollar amounts of approvals of expenditures and grant applications/approvals.

This report is intended for the information and use of the District, management, and others within the administration.

  
Galleon Financial Services LLC  
January 22, 2018