

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION  
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Dakota Firefighter's Association  
Bismarck, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of North Dakota Firefighter's Association (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### 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 an opinion 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota Firefighter's Association as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the North Dakota Firefighter's Association adopted the provisions of FASB Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. This resulted in changes to accounting policies regarding classification of net assets. New disclosures were added regarding liquidity and availability, and disclosures related to the functional allocation of expenses were expanded. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019, on our consideration of North Dakota Firefighter's Association internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Firefighter Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Firefighter's Association's internal control over financial reporting and compliance.



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

September 11, 2019

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 434,682	\$ 511,540
Accounts/grants receivable	124,080	14,708
Inventory	12,656	15,967
Prepaid expenses	<u>7,047</u>	<u>7,016</u>
Total current assets	<u>578,465</u>	<u>549,231</u>
Property and equipment:		
Equipment and Film Library, at cost less accumulated depreciation of \$607,792 and \$411,823 in 2018 and 2017, respectively	<u>971,935</u>	<u>1,020,234</u>
Total assets	<u><u>\$ 1,550,400</u></u>	<u><u>\$ 1,569,465</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 85,732	\$ 43,070
Accrued expenses	14,940	15,053
Deferred revenue	<u>33,150</u>	<u>18,005</u>
Total current liabilities	<u>133,822</u>	<u>76,128</u>
Net Assets:		
Net assets without donor restrictions	<u>1,416,578</u>	<u>1,493,337</u>
Total liabilities and net assets	<u><u>\$ 1,550,400</u></u>	<u><u>\$ 1,569,465</u></u>

See Notes to the Financial Statements

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Support		
IFSTA sales	\$ 5,999	\$ 16,340
Dues	20,680	16,430
Federal Grants	782,415	680,330
State and Local Grants	139,572	143,509
Registrations	7,901	11,795
Appropriations	414,263	414,262
Donations	10,078	605
Other revenue		
Reimbursed expenses	10,355	2,402
Miscellaneous income	6,275	6,165
Interest income	650	894
Total revenue, gains and other support	<u>1,398,188</u>	<u>1,292,732</u>
Expenses:		
Program services	902,211	817,853
Management and General	572,736	497,054
Total expenses	<u>1,474,947</u>	<u>1,314,907</u>
Change in net assets	(76,759)	(22,175)
Net assets without donor restrictions - beginning of year	<u>1,493,337</u>	<u>1,515,512</u>
Net assets without donor restrictions - end of year	<u><u>\$ 1,416,578</u></u>	<u><u>\$ 1,493,337</u></u>

See Notes to the Financial Statements

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Program Services		
Auto extrication	\$ 21,329	\$ 15,056
Certification	32,361	27,420
Grant expenditures	657,795	572,049
Regional schools	10,373	2,826
State school	121,106	131,949
Training library	937	684
Workshops	1,270	16,182
Salaries	50,705	44,882
Employee benefits	6,335	6,805
Total Program Services	<u>902,211</u>	<u>817,853</u>
Management and General		
Annual convention	12,585	6,604
Automobile	8,969	4,246
Bank charges	29	25
Conferences	15,934	7,571
Depreciation	195,969	172,239
Dues and subscriptions	3,304	290
Employee benefits	14,783	15,877
Executive board	10,982	13,401
Insurance	8,161	8,810
Items for resale	5,838	4,338
Miscellaneous	12,162	1,702
Office	136,533	126,433
Payroll taxes	12,790	13,563
Professional fees	14,500	12,310
Repairs	1,885	4,919
Salaries	118,312	104,726
Total Management and General	<u>572,736</u>	<u>497,054</u>
Total Expenses	<u><u>\$1,474,947</u></u>	<u><u>\$1,314,907</u></u>

See Notes to the Financial Statements



**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (76,759)	\$ (22,175)
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	195,969	172,239
Effects on operating cash flows due to changes in:		
Accounts/grants receivable	(109,372)	80,227
Inventory	3,311	1,690
Prepaid expenses	(31)	(1,126)
Accounts payable	42,662	(42,259)
Accrued expenses	(113)	(16,786)
Deferred revenue	15,145	(1,690)
Net cash provided (used) by operating activities	<u>70,812</u>	<u>170,120</u>
Cash flows from investing activities:		
Purchase of capital assets	<u>(147,670)</u>	<u>(200,467)</u>
Net cash provided (used) by investing activities	<u>(147,670)</u>	<u>(200,467)</u>
Net change in cash and cash equivalents	<u>(76,858)</u>	<u>(30,347)</u>
Cash and cash equivalent balances:		
Beginning of year	<u>511,540</u>	<u>541,887</u>
End of year	<u><u>\$ 434,682</u></u>	<u><u>\$ 511,540</u></u>

See Notes to the Financial Statements

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of North Dakota Firefighter's Association have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The North Dakota Firefighter's Association was established to promote the safety and welfare of their members through established training standards. For legislative purposes it is a political sub-division of the State of North Dakota. Most of its revenue comes from state appropriations, grants and membership dues.

According to Chapter 18-03 of the North Dakota Century Code, The North Dakota Firefighter's Association consists of the various organized fire departments within the state. Each fire department within the state is entitled to membership in the Association upon compliance with the constitution and by-laws thereof.

**Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Association to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Association has no net assets with donor restriction.

**Revenue Recognition**

Contributions received are recorded as without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

All donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as without donor restriction contributions.

**Cash and Cash Equivalents**

Cash includes cash on hand and cash in checking and savings accounts.

**Accounts and Grants Receivable**

Accounts receivable are made up of billings to members for various fees and are carried at original invoice amount less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. As of December 31, 2018 and 2017, management deemed all accounts receivable as collectible.

Grants receivable consist of receivables for various federal and state grants used to support the association and to provide firefighter trainings.

**Inventory**

Inventory is stated at the acquisition value and is made up of pins, patches and other items to recognize firefighter achievements.

**Film Library and Equipment**

The film library and equipment is recorded at actual cost. The Association capitalizes property and equipment purchased with a cost greater than \$500 and a useful life greater than one year.

Property and equipment is recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is provided over five to ten year estimated useful life of the respective assets on a straight-line basis.

Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expenses as incurred.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

**Deferred Revenue**

Local fire departments pay an annual membership due to belong to the Association for the calendar year. The amount as of December 31, 2018 and 2017 represents amounts to be recognized as income when earned in the following fiscal year.

**Income Taxes**

The Association is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, the Association is not subject to income tax.

The Association's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Implementation of New Accounting Standard**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 5). The ASU has been applied retrospectively to all periods presented.

**Grant Revenue Recognition**

The Organization received various grant awards. Grant revenue is not recognized until qualified grant expenses are incurred. If grant funds are received in advance of expenditure, deferred revenue is recorded to reflect the amount of money received but not yet expended.

**Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

No donated items were noted for the years ended December 31, 2018 and 2017.

**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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accrued Compensated Absences**

The Association's annual leave is earned based on length of eligible service worked by employees, with a maximum carryover of 240 hours per year. Payment in lieu of vacation shall not be granted except in the case of termination. Employees are paid for all accrued hours upon termination.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**NOTE 2      CONCENTRATION OF CREDIT RISK**

The Association maintains interest bearing cash on deposit at a financial institution. The deposits are insured by the Federal Insurance Corporation (FDIC) up to \$250,000 per financial institution. At year ending December 31, 2018, the Association's carrying amount of deposits was \$434,682 and the bank balance was \$494,362. As of December 31, 2018, the Association had no amounts in excess of the FDIC limit on deposits or that were uninsured.

**NOTE 3      INVENTORY**

Inventory is stated at the acquisition value. Cost is determined using the specific identification method. Inventory consists of pins, patches, shirts and boots. Inventory balances were \$12,656 and \$15,967 as of December 31, 2018 and 2017.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4      CONCENTRATION OF SUPPORT RECEIVED**

In 2018 and 2017, the Association received approximately 30% and 32%, respectively, of its support from the State of North Dakota in the form of appropriations. In the event that this support were to be eliminated, it is likely that the Association would need to reduce its current operations. The Association does not expect in any way that the support from this governmental agency will be lost in the near term.

**NOTE 5      LIQUIDITY**

The following reflects North Dakota Firefighter's Association's financial assets as of December 31, 2018 and 2017. There are no restricts on the use of any of the Association's financial assets, therefore no amounts are reduced from the assets listed below:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 434,682	\$ 511,540
Accounts/grants receivable	124,080	14,708
	<u>\$ 558,762</u>	<u>\$ 526,248</u>

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The statement of cash flows identifies the sources and uses of the Association's cash. The operations of the Association shows positive cash generated by operations of \$70,812 and \$170,120 for the years ended December 31, 2018 and 2017.

**NOTE 6      RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The association has purchased commercial insurance through the Kramer Agency and also participates in the North Dakota Insurance Reserve Fund, State Bonding Fund, and the North Dakota Workforce Safety and Insurance Program. The State Bonding Fund currently provides the association with a blanket fidelity bond coverage in the amount of \$474,000 for its employees. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no reportable liabilities as a result of claims exceeding insurance coverage for the years ended December 31, 2018 and 2017.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7      RETIREMENT ARRANGEMENTS**

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

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

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

***Pension Benefits***

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

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

***Death and Disability Benefits***

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

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

The North Dakota Retirement Board was created by the state legislature and is the governing authority of NDPERS. The North Dakota Firefighter's Association's required and actual contributions to NDPERS for fiscal years ending December 31, 2018, 2017, and 2016 were \$12,130, \$12,456, and \$15,627, respectively.



**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 8      OTHER POST EMPLOYMENT BENEFITS**

The following brief description of NDPERS OPEB is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits. The required and actual contributions to NDPERS OPEB for the fiscal year ending December 31, 2018 was \$1,342.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 9        LEASE**

In 2016, the Association signed a ten-year lease agreement for office space. This new lease began January 1<sup>st</sup>, 2017 with a monthly lease payment of \$7,661, which is set to increase by 1.5% on the first of each new year throughout the ten-year lease term. Total lease expense was \$93,423 and \$92,042 for the years ending December 31, 2018 and 2017. Future lease commitments are:

2019	\$	94,706
2020		96,127
2021		97,569
2022		99,032
2023		100,518
Thereafter	\$	310,690

**NOTE 10        NEW ACCOUNTING PRONOUNCEMENTS**

**ASU 2014-09, Revenue from Contracts with Customers (Topic 606)**

During 2014, the FASB issued a new standard related to revenue recognition. ASU 2014-09, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be effective for the Association for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019.

**ASU 2016-02, Leases (Topic 842)**

This ASU will change the accounting for leases. Lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. This ASU is effective for the Association for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The FASB has issued an exposure draft that would delay the implementation of this standard for private companies until January 2021. The exposure draft is expected to be approved after the required comment period which closes in September of 2019.

**ASU 2018-08, Contributions Received and Contributions made (Topic 958)**

During 2018, the FASB issued an accounting standards update intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018 AND 2017**

framework for determining whether a transaction should be accounted for as a contribution or exchange transaction. The ASU is effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Management has not yet determined what the effect these pronouncements will have on the Association's financial statements.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Association's financial statements.

**NOTE 11      SUBSEQUENT EVENTS**

No significant events have occurred subsequent to the Association's year end. Subsequent events have been evaluated through September 11, 2019, which is the date these financial statements were available to be issued.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
State Fire Training Systems Grant	97.043		\$ 39,999
Assistance to Firefighters Grant	97.044		159,522
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		<u>551,228</u>
Total U.S. Department of Homeland Security			<u>750,749</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Pass-Through the North Dakota Department of Emergency Services			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0556-16-01-00	<u>31,666</u>
Total U.S. Department of Transportation			<u>31,666</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 782,415</u>

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the North Dakota Firefighter's Association under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of North Dakota Firefighter's Association it is not intended to and does not present the financial position, change in net position, or cash flows of North Dakota Firefighter's Association.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. North Dakota Firefighter's Association has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Directors  
North Dakota Firefighter's Association  
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota Firefighter's Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2019.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Firefighter's Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control that we consider to be a material weakness. We consider the deficiency 2018-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North Dakota Firefighter's Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

## **The Association's Response to Findings**

North Dakota Firefighter's Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 11, 2019

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
North Dakota Firefighter's Association  
Bismarck, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited North Dakota Firefighter's Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Dakota Firefighter's Association's major federal programs for the year ended December 31, 2018. North Dakota Firefighter's Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Dakota Firefighter's Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Dakota Firefighter's Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Dakota Firefighter's Association's compliance



## Opinion on Each Major Federal Program

In our opinion, North Dakota Firefighter's Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## Report on Internal Control Over Compliance

Management of North Dakota Firefighter's Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Dakota Firefighter's Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Dakota Firefighter's Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

September 11, 2019

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2018**

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

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

  x   yes             no

Significant deficiency(ies) identified?

       yes        x   none reported

Noncompliance material to financial  
statements noted?

       yes        x   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

       yes        x   no

Significant deficiency(ies) identified?

       yes        x   none reported

Type of auditor's report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are

Required to be reported in accordance with  
2 CFR 200.516(a)?

       yes        x   no

CFDA Number(s)      Name of Federal Program or Cluster

97.083                      Staffing for Adequate Fire and Emergency Response (SAFER) grant

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

       yes        x   no

**Section II – Financial Statement Findings**

See the following page.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**DECEMBER 31, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2018-001: Material Weakness**

Criteria

An appropriate system of internal controls requires that the Association makes a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Association's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The Association's auditors prepared the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, material adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the Association must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the Association's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and required financial statement disclosures.

Cause

Auditor's prepared draft financial statements, assisted with the preparation of the Schedule of Expenditures of Federal Awards and proposed material adjusting entries.

Effect

The Association's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendation

For entities of the Association's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The Association should establish an internal control policy to document the annual review of the financial statements, disclosures and checklists.

Views of Responsible Officials and Planned Corrective Actions

Management will propose that compensating controls be sought out through client preparation of the financial statements and/or review function.

Indication of Repeat Finding

This is a repeat of finding 2017-001 from the prior year.

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**DECEMBER 31, 2018**

**2017-001: Material Weakness**

Criteria

An appropriate system of internal controls requires that the Association makes a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Association's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The Association's auditors prepared the draft financial statements. In addition, material adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the Association must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the Association's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and required financial statement disclosures.

Cause

Auditor's prepared draft financial statements and proposed material adjusting entries.

Effect

The Association's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendation

For entities of the Association's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The Association should establish an internal control policy to document the annual review of the financial statements, disclosures and checklists.

Views of Responsible Officials and Planned Corrective Actions

Management will propose that compensating controls be sought out through client preparation of the financial statements and/or review function.

Current Year Status

This finding is repeated as finding 2018-001.