



Financial Statements
December 31, 2020

Bismarck Rural Fire District

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Independent Auditor's Report

The Board of Directors
Bismarck Rural Fire District
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Bismarck Rural Fire District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bismarck Rural Fire District, as of December 31, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of employer pension liability and contributions and schedules of employer OPEB liability and contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022, on our consideration of Bismarck Rural Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Bismarck Rural Fire District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
January 27, 2022

Bismarck Rural Fire District
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,816,024
Taxes receivable	15,751
Prepaid items	3,784
Capital assets not being depreciated	15,000
Capital assets being depreciated, net	1,614,384
Total assets	3,464,943
Deferred Outflows of Resources	
Pension plans	790,899
Other post-employment benefits	16,957
Total assets and deferred outflows of resources	\$ 4,272,799
Liabilities and Net Position	
Current Liabilities	
Accrued payroll	\$ 45,875
Noncurrent liabilities	
Compensated absences - due within one year	72,187
Net pension liability	942,005
Other post-employment benefits	48,128
Total liabilities	1,108,195
Deferred Inflows of Resources	
Pension plans	46,024
Other post-employment benefits	2,329
Total liabilities and deferred inflows of resources	1,156,548
Net Position	
Net investment in capital assets	1,629,384
Unrestricted	1,486,867
Total net position	3,116,251
Total net position, liabilities, and deferred inflows of resources	\$ 4,272,799

Bismarck Rural Fire District
Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Changes in Net Position
Primary Government			
Governmental activities			
Public safety	\$ 1,869,202	\$ 73,725	\$ (1,795,477)
Total primary government	\$ 1,869,202	\$ 73,725	(1,795,477)
General Revenues			
Property taxes			1,350,207
Insurance premium reimbursement			159,931
Investment earnings			16,149
Donations			1,925
Miscellaneous			12,773
Total general revenues			1,540,985
Loss on Sale of Equipment			(8,011)
Change in Net Position			(262,503)
Net Position, Beginning of Year			3,378,754
Net Position, End of Year			\$ 3,116,251

Bismarck Rural Fire District
Balance Sheet – Governmental Funds
December 31, 2020

	General
Assets	
Cash and cash equivalents	\$ 1,816,024
Taxes receivable	16,451
Prepaid items	3,784
Total assets	\$ 1,836,259
Liabilities and Fund Balance	
Current Liabilities	
Accrued payroll	\$ 45,875
Deferred Inflows of Resources	
Unavailable revenue - property taxes	13,720
Fund Balance	
Nonspendable	3,784
Unassigned	1,772,880
Total fund balance	1,776,664
Total liabilities, deferred inflows of resources and fund balance	\$ 1,836,259

Bismarck Rural Fire District
 Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
 December 31, 2020

Total Fund Balances for Governmental Funds	\$	1,776,664
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Cost of capital assets		3,977,899
Accumulated depreciation		(2,341,204)
Loss on disposal of assets		(8,011)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the governmental funds		13,720
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds		(197,130)
Net other post-employment liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds		(33,500)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences		(72,187)
		(72,187)
Net Position	\$	3,116,251

Bismarck Rural Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended December 31, 2020

	General
Revenues	
Taxes	\$ 1,345,658
Interest	16,149
Grants	73,725
Insurance premium reimbursement	159,931
Donations	1,925
Miscellaneous	12,773
	1,610,161
Total revenues	1,610,161
Expenditures	
Public safety	
Labor	1,194,424
Insurance	32,795
Fire department	74,081
Repairs and maintenance	41,728
Utilities	22,709
Board expense	21,435
Professional fees	21,655
Miscellaneous	3,292
Capital outlay	40,859
	1,452,978
Total expenditures	1,452,978
Net Change in Fund Balance	157,183
Fund Balance, Beginning of Year	1,619,481
Fund Balance, End of Year	\$ 1,776,664

Bismarck Rural Fire District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
to the Statement of Activities
Year Ended December 31, 2020

Net Change in Fund Balances - Governmental Funds		\$	157,183
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are</p>			
Capital outlay	\$	40,859	
Net book value of assets disposed		(9,617)	
Depreciation expense		<u>(253,707)</u>	(222,465)
<p>Changes to net pension liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>			
			(153,577)
<p>Changes to net OPEB liability and OPEB related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>			
			804
<p>Governmental funds report property taxes as revenue in the period for which the tax is levied, subject to availability, but the statement of activities includes the property taxes as revenue in the period for which the taxes are levied, regardless of when collections occur.</p>			
			4,549
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds expenditures for the items is measured by the amount of financial resources used.</p>			
Increase in compensated absences			<u>(48,997)</u>
Change in Net Position of Governmental Activities		\$	<u><u>(262,503)</u></u>

Bismarck Rural Fire District

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues			
Taxes	\$ 1,300,000	\$ 1,345,658	\$ 45,658
Interest	9,500	16,149	6,649
Grants	-	73,725	73,725
Insurance premium reimbursement	175,000	159,931	(15,069)
Donations	1,500	1,925	425
Miscellaneous	2,200	12,773	10,573
Total revenues	<u>1,488,200</u>	<u>1,610,161</u>	<u>121,961</u>
Expenditures			
Public safety			
Labor	1,157,000	1,194,424	(37,424)
Insurance	30,850	32,795	(1,945)
Fire department	147,500	74,081	73,419
Repairs and maintenance	40,000	41,728	(1,728)
Utilities	25,700	22,709	2,991
Board expense	21,000	21,435	(435)
Professional fees	26,000	21,655	4,345
Miscellaneous	31,000	3,292	27,708
Capital outlay	190,000	40,859	149,141
Total expenditures	<u>1,669,050</u>	<u>1,452,978</u>	<u>216,072</u>
Excess of Revenues under Expenditures	<u>(180,850)</u>	<u>157,183</u>	<u>338,033</u>
Net Change in Fund Balance	<u>(180,850)</u>	<u>157,183</u>	<u>338,033</u>
Fund Balance, Beginning of Year	<u>1,619,481</u>	<u>1,619,481</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,438,631</u></u>	<u><u>\$ 1,776,664</u></u>	<u><u>\$ 338,033</u></u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Bismarck Rural Fire District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The Bismarck Rural Fire District is governed by an elected 13-member board. In accordance with Governmental Accounting Standards Board, a reporting entity's financial statements should include all component-units. Based upon the criteria set forth, there are no component units to be included with the District as a reporting entity.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statement: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Following is a list of the major funds:

<u>Governmental Fund</u>	<u>Description</u>
General Fund	The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported on 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 when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for the principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

All revenues are considered to be susceptible to accrual and so have been recorded as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement 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 outflow of resources (expenses/expenditure) until then. The District has two items that qualify for reporting in this category. These are the contributions made to pension and other post-employment benefit plans after the measurement date and prior to the fiscal year-end.

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 District reports changes in the net pension and net other post-employment benefits liabilities not included in pension expense reported in the government-wide statement of net position. The District also reports unavailable revenues from property taxes. These amounts are deferred and recognized in the period that the amounts become available.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Unassigned**: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Net Position Balances

The government-wide financial statements report information on all activities of the District. The statement of net assets presents the following net asset classifications:

- Net investment in capital assets: This classification consists of capital assets, net of accumulated depreciation.
- Unrestricted net position: This classification consists of net position that does not meet the definition of the preceding category.

Capital Assets

Capital assets include land, property and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets and are capitalized if total cost exceeds \$500. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extended assets lives are not capitalized.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-40 years
Buildings	39 years
Machinery and equipment	5-20 years

Capital assets not being depreciated include land. The District reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Full time employees are granted vacation benefits from 48 to 144 hours per year depending on tenure with the District. Employees can accrue up to a maximum of 240 hours of vacation at year end. Upon termination of the employment, employees will be paid for vacation benefits that have accrued at the employee's rate of pay on their last day of employment. Sick leave benefits accrued at a rate of 8 hours per month. Unused sick leave benefits are allowed to accumulate indefinitely. Upon termination of employment or retirement, 10% of unused sick leave will be paid. Vested or accumulated leave is reported in the long-term debt account group and in the governmental fund.

Note 2 - Deposits and Investments

The state statutes authorize political subdivisions to invest in bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress. The District is also authorized to invest in securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, and the obligations of the state. The District currently has not invested in any certificates of deposit or investments.

Credit Risk – The District does not have a formal policy that limits the amount the District may invest in any one issuer. In addition, the District does not have any investments for the year ended December 31, 2020.

Interest Rate Risk – The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Custodial and Concentration of Credit Risk

In the case of deposits and investments, there is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession on an outside party. All of the District's deposits are held by Dakota Community Bank. At December 31, 2020, the bank balance of the District's deposits was \$1,883,531. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining bank balance was covered by collateral held by the pledging bank in the District's name.

Note 3 - Legal Compliance - Budgets

The District secretary-treasurer, Fire Chief, and Financial Committee prepare an annual budget for the general fund. The budget is prepared by function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next year. The legal level of budgetary control is at the fund level. The District's governing board holds a public hearing where any District taxpayer may testify in favor of or against any proposed disbursements or tax levies. After the budget hearing, the board adopts the final budget. The final budget is sent to the county auditor.

The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

Note 4 - Taxes Receivable

The taxes receivable consists of uncollected and collected but not remitted property taxes as of December 31. No allowance has been established for estimated uncollectible taxes since amounts are considered unavailable and therefore have not met revenue recognition requirements and an offsetting deferred revenue account has been established for uncollected taxes.

Property taxes attach as an enforceable lien on property on January 1 of the following year. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 unless the first half of the taxes has been paid. Additional penalties are added October 15 if not paid. Taxes are collected by the county and remitted monthly to the entity.

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

Governmental Activities

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	15,000	-	-	15,000
Capital assets, being depreciated				
Land improvements	194,361	-	-	194,361
Buildings	835,854	-	-	835,854
Machinery and equipment	2,934,696	40,859	(50,182)	2,925,373
Total capital assets being depreciated	3,964,911	40,859	(50,182)	3,955,588
Less accumulated depreciation for				
Land improvements	56,238	12,632	-	68,870
Buildings	354,216	18,883	-	373,099
Machinery and equipment	1,718,307	222,192	(41,264)	1,899,235
Total accumulated depreciation	2,128,761	253,707	(41,264)	2,341,204
Total capital assets being depreciated, net	1,836,150	(212,848)	(8,918)	1,614,384
Governmental type activity capital assets, net	\$ 1,851,150	\$ (212,848)	\$ (8,918)	\$ 1,629,384

Depreciation expense was charged to functions as follows:

Governmental activities	
Public safety	\$ 253,707

Note 6 - Non-Current Liabilities

	Compensated Absences
Noncurrent liabilities payable, December 31, 2019	\$ 23,190
Net change in compensated absences	48,997
Noncurrent liabilities payable, December 31, 2020	72,187
Noncurrent liabilities, due within one year	\$ 72,187

Note 7 - Risk Management

The Bismarck Rural Fire Department participates in the North Dakota Fire and Tornado Fund. The District pays an annual premium for the Fire and Tornado Fund to cover property damage to buildings and business personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The Bismarck Rural Fire Department participates in the North Dakota Insurance Reserve Fund. The District pays an annual premium for the North Dakota Insurance Reserve Fund to cover \$2,000,000 for losses arising out of an alleged error or omission on the part of the firemen or the Board of Directors. This policy also includes a \$2,000,000 personal injury and property damage liability and coverage of \$574,247 for inland marine insurance.

The Bismarck Rural Fire Department participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 8 - Pension Plan

Bismarck Rural Fire District participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. 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.

North Dakota Public Employees Retirement System (Prior Main System Service System)

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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 monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. 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 accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the District reported a liability of \$942,005 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 1.437124 percent, which was a decrease of 0.000069 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$216,701. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 20,211	\$ 16,125
Change in assumptions	703,027	97,187
Net differences between projected and actual earnings on pension plan investments	35,225	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(67,288)
Employer contributions subsequent to the measurement date	32,436	-
Total	\$ 790,899	\$ 46,024

\$37,625 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year ended December 31	
2021		\$ (317,613)
2022		(90,013)
2023		(98,795)
2024		(101,319)
2025		(27,486)
		\$ (635,226)

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary increases	Service at Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	Age		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
50-59	5.75%	6.50%	
60+	5.00%	5.25%	
Investment rate of return	7.50%		
Cost-of-living adjustment	None		

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	6.25%
International equity	21%	6.95%
Private equity	7%	10.15%
Domestic fixed income	23%	2.11%
International fixed income	0%	0.00%
Global real assets	19%	5.41%
Cash equivalents	0%	0.25%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Employers' net pension liability	\$ 1,330,985	\$ 942,005	\$ 634,454

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 9 - Other Post-Employment Benefits

North Dakota Public Employees Retirement System

The following brief description of NDPERS 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020, the Employer reported a liability of \$48,128 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.057214 percent which was an increase of 0.003741 percent.

For the year ended December 31, 2020, the District recognized OPEB expense of \$7,246. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,070	\$ 1,154
Change in assumptions	6,453	-
Net differences between projected and actual earnings on OPEB plan investments	1,655	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,586	1,175
Employer contributions subsequent to the measurement date	5,193	-
Total	\$ 16,957	\$ 2,329

\$5,193 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31		
2021	\$	1,870
2022		2,298
2023		2,219
2024		1,818
2025		1,055
Thereafter		175
	\$	9,435

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2019, and July 1, 2018, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 63,121	\$ 48,128	\$ 35,450



Required Supplementary Information
December 31, 2020

Bismarck Rural Fire District

Bismarck Rural Fire District
Schedules Employer Pension Liability and Contributions
Year Ended December 31, 2020

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2015	0.398270%	\$ 270,817	\$ 354,808	76.33%	77.70%
NDPERS	6/30/2016	0.046296%	451,200	466,557	96.71%	71.10%
NDPERS	6/30/2017	0.047824%	768,689	488,211	157.45%	62.65%
NDPERS	6/30/2018	0.049345%	832,751	506,929	164.27%	63.53%
NDPERS	6/30/2019	0.014372%	170,923	579,073	29.52%	72.53%
NDPERS	6/30/2020	0.014374%	942,005	652,222	144.43%	49.44%

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a/d)
NDPERS	12/31/2015	\$ 26,951	\$ 26,951	\$ -	\$ 452,083	5.96%
NDPERS	12/31/2016	33,778	33,778	-	535,325	6.31%
NDPERS	12/31/2017	35,401	35,401	-	531,173	6.66%
NDPERS	12/31/2018	37,338	37,338	-	575,992	6.48%
NDPERS	12/31/2019	54,072	54,072	-	579,073	9.34%
NDPERS	12/31/2020	54,072	54,072	-	652,222	8.29%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present the information for those years for which information is available.

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Schedule of Employer's Share of Net OPEB Liability

OPEB Plan	Fiscal Year Ending	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Pension Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDPERS	6/30/2018	0.053463%	\$ 42,106	\$ 585,004	7.20%	61.89%
NDPERS	6/30/2019	0.059169%	47,524	660,239	7.20%	63.13%
NDPERS	6/30/2020	0.057214%	48,128	652,222	7.38%	63.38%

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Schedule of Employer's Contributions - OPEB

OPEB Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll
NDPERS	12/31/2018	\$ 6,862	\$ 6,862	\$ -	\$ 598,462	1.15%
NDPERS	12/31/2019	\$ 7,679	7,075	604	660,239	1.07%
NDPERS	12/31/2020	7,662	8,190	(528)	652,222	1.26%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present the information for those years for which information is available.

Note 1- Employer Pension Liability and Contributions

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Note 2- Employer OPEB Liability and Contributions

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.



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
Bismarck Rural Fire District
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 governmental activities and the major fund of Bismarck Rural Fire District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Bismarck Rural Fire District’s basic financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bismarck Rural Fire District's internal control over financial reporting (internal control) as a basis for designing 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 Bismarck Rural Fire District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Bismarck Rural 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2020-001, 2020-002, and 2020-003 described in the accompanying Schedule of Findings and Responses to material weaknesses.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bismarck Rural Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bismarck Rural Fire District's Responses to Findings

Bismarck Rural Fire District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Bismarck Rural Fire District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Bismarck, North Dakota
January 27, 2022

2020-001 – Preparation of Financial Statements
Material Weakness

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District’s financial statements.

Cause – Due to cost and other considerations, the District has requested we draft the financial statements and related footnotes.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – Due to cost constraints, the District will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

2020-002 – Segregation of Duties
Material Weakness

Condition – The District has a lack of segregation of duties in the cash receipt process due to limited staff.

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a cash receipt transaction from its inception to its completion.

Cause – Due to cost constraints and the limited size of staff, the District does not facilitate the segregation of duties in the cash receipt process or review and approval of journal entries necessary to achieve a low level of control risk.

Effect – Inadequate segregation of duties could adversely affect the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation – All accounting activity should continue to be reviewed by the Board of Directors.

View of responsible officials – Due to the size of our organization total segregation of duties is not possible but measures have been put into place such as the fire chief approving all invoices, the secretary then writes the checks and verifies invoices and then they are sent for the president or vice president to review and sign, they are returned to the secretary for second signature and finally the finance committee reviews all invoices as well as payroll, comparing them to the check stubs and reports. The finance committee also reviews bank statements and savings accounts before the approval of the treasurer’s report at the monthly board meetings.

2020-003 – Recording of Transactions
Material Weakness

Condition – We identified misstatements in the District’s financial statements causing us to propose significant audit adjustments.

Criteria – A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – Due to cost and other considerations, the District has not trained personnel to make all of the necessary financial statement adjustments.

Effect – Inadequate internal controls over recording of transactions affects the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

View of responsible officials – Due to size of our organization we do not have the personnel available with training to make these entries due to the cost and time that would be involved.