



Financial Statements  
December 31, 2023

## 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 Audit of the Financial Statements

#### *Opinions*

We have audited the modified cash basis financial statements of the governmental activities and the major fund of Bismarck Rural Fire District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the District, as of December 31, 2023, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District'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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
August 16, 2024

Bismarck Rural Fire District  
Statement of Net Position – Modified Cash Basis  
December 31, 2023

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	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,199,320
Capital assets not being depreciated	1,005,872
Capital assets being depreciated, net	1,540,209
Land held for sale	<u>15,000</u>
Total assets	<u>3,760,401</u>
Net Position	
Net investment in capital assets and land held for sale	2,561,081
Restricted for Burleigh County Water Rescue	12,770
Unrestricted	<u>1,186,550</u>
Total net position	<u>\$ 3,760,401</u>

Bismarck Rural Fire District  
Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental activities				
Public safety	\$ 2,027,574	\$ 5,184	\$ 59,285	\$ (1,963,105)
Total primary government	<u>\$ 2,027,574</u>	<u>\$ 5,184</u>	<u>\$ 59,285</u>	<u>(1,963,105)</u>
General Revenues				
Property taxes				1,633,180
Insurance premium reimbursement				339,106
Interest				23,381
Donations				126,500
Rental income				3,183
Miscellaneous				<u>806</u>
Total general revenues				<u>2,126,156</u>
Change in Net Position				163,051
Net Position, January 1				<u>3,597,350</u>
Net Position, December 31				<u>\$ 3,760,401</u>

Bismarck Rural Fire District  
Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2023

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	<u>General</u>
Assets	
Cash	<u>\$ 1,199,320</u>
Total assets	<u><u>\$ 1,199,320</u></u>
Fund Balance	
Restricted for Burleigh County Water Rescue	\$ 12,770
Unassigned	<u>1,186,550</u>
Total fund balance	<u><u>\$ 1,199,320</u></u>



Bismarck Rural Fire District

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position –  
Modified Cash Basis  
December 31, 2023

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Total Fund Balances for Governmental Funds	\$ 1,199,320
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets and land held for sale used in governmental activities are not financial resources and therefore are not reported in the funds	
Cost of capital assets	5,633,708
Accumulated depreciation	<u>(3,072,627)</u>
Net Position	<u><u>\$ 3,760,401</u></u>

Bismarck Rural Fire District  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds –  
Modified Cash Basis  
Year Ended December 31, 2023

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	<u>General</u>
Revenues	
Property taxes	\$ 1,633,180
Interest	23,381
Grants	64,469
Insurance premium reimbursement	339,106
Donations	126,500
Rental income	3,183
Miscellaneous	806
	<u>2,190,625</u>
Total revenues	
Expenditures	
Public safety	
Labor	1,512,775
Insurance	20,291
Fire department	93,682
Repairs and maintenance	37,282
Utilities	28,736
Board expense	30,648
Professional fees	27,184
Miscellaneous	6,318
Capital outlay	350,780
	<u>2,107,696</u>
Total expenditures	
Excess of Revenues over Expenditures	<u>82,929</u>
Net Change in Fund Balance	<u>82,929</u>
Fund Balance, January 1	<u>1,116,391</u>
Fund Balance, December 31	<u><u>\$ 1,199,320</u></u>

Bismarck Rural Fire District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance –  
Governmental Funds to the Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2023

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Net Change in Fund Balances - Governmental Funds		\$ 82,929
<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	\$ 350,780	
Depreciation expense	<u>(270,658)</u>	<u>80,122</u>
Change in Net Position of Governmental Activities		<u>\$ 163,051</u>

**Bismarck Rural Fire District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –**  
**General Fund – Modified Cash Basis**  
**Year Ended December 31, 2023**

	Original and Final Budget	Actual	Variance
Revenues			
Taxes	\$ 1,567,834	\$ 1,633,180	\$ 65,346
Interest	7,000	23,381	16,381
Grants	-	64,469	64,469
Insurance premium reimbursement	245,000	339,106	94,106
Donations	1,500	126,500	125,000
Rental income	3,500	3,183	(317)
Miscellaneous	7,800	806	(6,994)
Total revenues	<u>1,832,634</u>	<u>2,190,625</u>	<u>357,991</u>
Expenditures			
Public safety			
Labor	1,347,500	1,512,775	(165,275)
Insurance	34,000	20,291	13,709
Fire department	184,500	93,682	90,818
Repairs and maintenance	178,700	37,282	141,418
Utilities	30,700	28,736	1,964
Board expense	29,000	30,648	(1,648)
Professional fees	28,200	27,184	1,016
Miscellaneous	7,000	6,318	682
Capital outlay	-	350,780	(350,780)
Total expenditures	<u>1,839,600</u>	<u>2,107,696</u>	<u>(268,096)</u>
Excess of Revenues over Expenditures	<u>(6,966)</u>	<u>82,929</u>	<u>89,895</u>
Net Change in Fund Balance	(6,966)	82,929	89,895
Fund Balance, January 1	<u>1,116,391</u>	<u>1,116,391</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 1,109,425</u>	<u>\$ 1,199,320</u>	<u>\$ 89,895</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 the modified cash basis of accounting. 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:

#### Governmental Fund

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 modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

### **Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. The budget is prepared on a cash basis, which is not different from the modified cash basis. All annual appropriations lapse at year-end.

### **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:

- Unassigned: This classification includes the residual fund balance for the General Fund that has not been classified within other mentioned categories.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

### **Tax Revenues**

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes. Taxes are collected by the county and remitted monthly to the entity.

## Net Position Balances

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

- Net investment in capital assets: This classification consists of capital assets, net of accumulated depreciation.
- Restricted net position: Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted net position: This classification consists of net position that does not meet the definition of the preceding categories.

## 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 with an initial, individual cost of \$500 more. 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	5-39 years
Machinery and equipment	5-15 years

Capital assets not being depreciated include construction in progress. The District reviews the carrying value of property and equipment for impairment whenever events and 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. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2023.

### **Land Held for Sale**

Property held for sale is recorded at the lower of cost or fair market value less cost to sell. Land held for sale is not currently used in operations.

The District reviews the carrying value of land held for sale for impairment whenever events and 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. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2023.

### **Note 2 - Deposits**

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, 2023.

**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, 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 of an outside party. All of the District's deposits are held by Dakota Community Bank. At December 31, 2023, the bank balance of the District's deposits was \$1,310,923. 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. The General Fund had expenditures exceeding appropriations of \$268,096 for the year ended December 31, 2023. These over expenditures were funded by revenues exceeding budgeted and existing fund balance.

**Note 4 - Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

**Governmental Activities**

	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ (15,000)	\$ -
Construction in progress	833,222	172,650	-	1,005,872
Total capital assets not being depreciated	848,222	172,650	(15,000)	1,005,872
Capital assets, being depreciated				
Land improvements	194,361	-	-	194,361
Buildings	869,019	2,200	-	871,219
Machinery and equipment	3,371,326	175,930	-	3,547,256
Total capital assets being depreciated	4,434,706	178,130	-	4,612,836
Less accumulated depreciation for				
Land improvements	94,137	12,416	-	106,553
Buildings	411,936	24,801	-	436,737
Machinery and equipment	2,295,896	233,441	-	2,529,337
Total accumulated depreciation	2,801,969	270,658	-	3,072,627
Total capital assets being depreciated, net	1,632,737	(92,528)	-	1,540,209
Governmental type activity capital assets, net	<u>\$ 2,480,959</u>	<u>\$ 80,122</u>	<u>\$ (15,000)</u>	<u>\$ 2,546,081</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Public safety	<u>\$ 270,658</u>

**Note 5 - Land Rental Agreement**

The District executed a 15-year agreement with Midcontinent Communications for use of approximately 5,000 square feet of land. The agreement provides for annual rent of \$3,000 due January 1 of each year with rent increasing by 3% every year. Future minimum lease payments are as follows:

2024	\$ 3,278
2025	3,377
2026	3,478
2027	3,582
2028	3,690
2029-33	20,178
2034-36	<u>13,619</u>
Total	<u>\$ 51,202</u>

**Note 6 - 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 \$582,475 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 7 - Pension Plan**

**North Dakota Public Employees Retirement System (Main System)**

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

### **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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

### **Pension Contributions**

For the year ended December 31, 2023, the District made employer cash contributions for the pension and OPEB plans totaling \$94,415.

## **Note 8 - 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. 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 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. 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. 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 were no other benefit changes during the year.

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 Contributions**

During the year ended December 31, 2023, the District made employer cash contributions for the pension and OPEB plans totaling \$94,415.

#### **Note 9 - Commitments**

The District had commitments of \$163,850 outstanding at December 31, 2023 related to construction in progress for engineering and design phases for the new fire station. Total engineering and design is expected to be \$260,200 and was completed in early 2024.



Supplementary Information  
December 31, 2023

## Bismarck Rural Fire District

**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 (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities and the major fund of Bismarck Rural Fire District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 16, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota  
August 16, 2024

**2023-001 – 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.

**2023-002 – Lack of Segregation of Duties**  
**Material Weakness**

*Condition* – The District has a lack of segregation of duties in the cash receipt process and capital asset tracking and recording 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. A good system of internal accounting control contemplates an adequate segregation of duties in the capital asset tracking and recording process.

*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 and capital asset tracking and recording process.

*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.

**2023-003 – 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.