



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Burke County

Bowbells, North Dakota

Audit Report for the Years Ended December 31, 2019 and 2018

Client Code: PS7000



Photo credit: North Dakota Tourism



Office of the
State Auditor

BURKE COUNTY

Table of Contents

For the Years Ended December 31, 2019 and 2018

County Officials and Audit Personnel	1
Independent Auditor's Report	2
Basic Financial Statements	
2019 Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Balance Sheet - Governmental Funds – Modified Cash Basis	6
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position – Modified Cash Basis	7
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds – Modified Cash Basis	8
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the	
Statement of Activities – Modified Cash Basis	9
Statement of Fiduciary Assets & Liabilities – Agency Funds – Modified Cash Basis	10
2018 Statements	
Statement of Net Position – Modified Cash Basis	11
Statement of Activities – Modified Cash Basis	12
Balance Sheet - Governmental Funds – Modified Cash Basis	13
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position – Modified Cash Basis	14
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds – Modified Cash Basis	15
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the	
Statement of Activities – Modified Cash Basis	16
Statement of Fiduciary Assets & Liabilities – Agency Funds – Modified Cash Basis	17
Notes to the Financial Statements	18
Supplementary Information	
Budgetary Comparison Schedules – Modified Cash Basis	32
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	36
Summary of Auditor's Results	38
Schedule of Audit Findings	39
Governance Communication	45

Burke County

County Officials and Audit Personnel

December 31, 2019 and 2018

COUNTY OFFICIALS

December 31, 2019

Jarret Van Berkomp	Chairman
Shannon Holter	Commissioner
Rick Owings	Commissioner
Jeanine Jensen	Auditor
Sheila Burns	Treasurer
Shawn Brien	Sheriff
Lynette Nelson	Recorder/Clerk of Court
Amber Fiesel	State's Attorney
Ken Tetrault	Road Supervisor

December 31, 2018

Jarret Van Berkomp	Chairman
Allen Ryberg	Commissioner
Rick Owings	Commissioner
Jeanine Jensen	Auditor
Sheila Burns	Treasurer
Shawn Brien	Sheriff
Lynette Nelson	Recorder/Clerk of Court
Amber Fiesel	State's Attorney
Ken Tetrault	Road Supervisor

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Burke County
Bowbells, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burke County, Bowbells, North Dakota, as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, which collectively comprise Burke County'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 the modified cash basis of accounting described in Note 1 to the financial statements; this includes 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burke County, Bowbells, North Dakota, as of December 31, 2019 and December 31, 2018, and the respective changes in financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Burke County prepares its financial statements 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burke County's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison schedules are the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1 to the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2021 on our consideration of Burke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Burke County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
January 26, 2021

BURKE COUNTY

Statement of Net Position – Modified Cash Basis

December 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 17,678,547	\$ 46,757
Capital Assets		
Nondepreciable	131,740	-
Depreciable, Net	24,530,638	-
Total Assets	\$ 42,340,925	\$ 46,757
LIABILITIES		
Long-Term Liabilities		
Due Within One Year		
Loan Drawdown Payable	\$ 615,653	\$ -
Capital Lease Payable	18,377	
Due After One Year		
Loan Drawdown Payable	612,390	-
Capital Lease Payable	82,947	-
Total Liabilities	\$ 1,329,367	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 23,333,011	\$ -
Restricted		
Public Safety	95,239	-
Highways	1,693,154	-
Health and Welfare	230,206	-
Conservation of Natural Resources	687,004	46,757
Emergencies	33,829	-
General Government	53,314	-
Unrestricted	14,885,801	-
Total Net Position	\$ 41,011,558	\$ 46,757

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Primary Government						
General Government	\$ 2,336,383	\$ 905,542	\$ 7,275	\$ -	\$ (1,423,566)	
Public Safety	795,014	71,795	119,847	-	(603,372)	
Highways	2,294,780	401,691	359,144	-	(1,533,945)	
Health and Welfare	359,073	80	300,384	-	(58,609)	
Culture and Recreation	-	-	10,121	-	10,121	
Conservation of Natural Resources	211,998	17,062	-	-	(194,936)	
Interest Expense on Long-Term Debt	46,107	-	-	-	(46,107)	
Total Primary Government	<u>\$ 6,043,355</u>	<u>\$ 1,396,170</u>	<u>\$ 796,771</u>	<u>\$ -</u>	<u>\$ (3,850,414)</u>	
Component Unit						
Water Resource District	<u>\$ 38,346</u>	<u>\$ -</u>	<u>\$ 25,866</u>	<u>\$ -</u>		<u>\$ (12,480)</u>
General Revenues						
Property Taxes					\$ 1,606,525	\$ 31,591
Grants and Contributions Not Restricted to Specific Programs					3,732,682	-
Gain on Sale of Assets					120,150	-
Interest Revenue					168,596	43
Miscellaneous Revenue					204,056	-
Total General Revenues					<u>\$ 5,832,009</u>	<u>\$ 31,634</u>
Change in Net Position					<u>\$ 1,981,595</u>	<u>\$ 19,154</u>
Net Position - January 1					<u>\$ 39,029,963</u>	<u>\$ 27,603</u>
Net Position - December 31					<u>\$ 41,011,558</u>	<u>\$ 46,757</u>

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Balance Sheet – Governmental Funds – Modified Cash Basis

December 31, 2019

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 14,885,801	\$ 2,792,746	\$ 17,678,547
Total Assets	<u>\$ 14,885,801</u>	<u>\$ 2,792,746</u>	<u>\$ 17,678,547</u>
FUND BALANCES			
Restricted			
Public Safety	\$ -	\$ 95,239	\$ 95,239
Highways	-	1,693,154	1,693,154
Health and Welfare	-	230,206	230,206
Conservation of Natural Resources	-	687,004	687,004
Emergency	-	33,829	33,829
General Government	-	53,314	53,314
Unassigned	<u>14,885,801</u>	<u>-</u>	<u>14,885,801</u>
Total Fund Balances	<u>\$ 14,885,801</u>	<u>\$ 2,792,746</u>	<u>\$ 17,678,547</u>

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis
December 31, 2019

Total Fund Balances for Governmental Funds	\$ 17,678,547
---	----------------------

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	24,662,378
--	------------

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position.

Loan Drawdown Payable	\$ (1,228,043)	
Capital Lease Payable	<u>(101,324)</u>	<u>(1,329,367)</u>

Total Net Position of Governmental Activities	<u>\$ 41,011,558</u>
--	-----------------------------

The notes to the financial statements are an integral part of this statement.

BURKE COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis
For the Year Ended December 31, 2019

	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 1,130,698	\$ 475,827	\$ 1,606,525
Intergovernmental	3,676,488	852,965	4,529,453
Charges for Services	80,596	465,435	546,031
Licenses, Permits and Fees	850,059	80	850,139
Interest Income	168,596	-	168,596
Miscellaneous	145,424	58,632	204,056
Total Revenues	\$ 6,051,861	\$ 1,852,939	\$ 7,904,800
EXPENDITURES			
Current			
General Government	\$ 2,293,880	\$ 24,618	\$ 2,318,498
Public Safety	740,842	134,390	875,232
Highways	-	1,974,024	1,974,024
Health and Welfare	-	359,073	359,073
Conser. of Natural Resources	-	208,011	208,011
Debt Service			
Principal	84,494	17,521	102,015
Interest	40,295	5,812	46,107
Total Expenditures	\$ 3,159,511	\$ 2,723,449	\$ 5,882,960
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,892,350	\$ (870,510)	\$ 2,021,840
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	\$ 402,090	\$ -	\$ 402,090
Transfers In	33,941	2,540,068	2,574,009
Transfers Out	(2,507,899)	(66,110)	(2,574,009)
Total Other Financing Sources and Uses	\$ (2,071,868)	\$ 2,473,958	\$ 402,090
Net Change in Fund Balances	\$ 820,482	\$ 1,603,448	\$ 2,423,930
Fund Balance - January 1	\$ 14,065,319	\$ 1,189,298	\$ 15,254,617
Fund Balance - December 31	\$ 14,885,801	\$ 2,792,746	\$ 17,678,547

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2019**

Net Change in *Fund Balances* - Total Governmental Funds **\$ 2,423,930**

The change in net position reported for governmental activities in the statement of activities is different because:

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.

Current Year Capital Outlay	\$ 819,961	
Current Year Depreciation	<u>(1,082,371)</u>	(262,410)

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets		120,150
--------------------------------	--	---------

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Loan Proceeds	(402,090)	
Debt Repayment	<u>102,015</u>	<u>(300,075)</u>

Change in *Net Position* of Governmental Activities **\$ 1,981,595**

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Statement of Fiduciary Assets & Liabilities – Agency Funds – Modified Cash Basis
December 31, 2019

ASSETS

Cash and Cash Equivalents	<u>\$ 1,241,073</u>
---------------------------	---------------------

LIABILITIES

Due to Other Governments	<u>\$ 1,241,073</u>
--------------------------	---------------------

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Statement of Net Position – Modified Cash Basis

December 31, 2018

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 15,254,617	\$ 27,603
Capital Assets		
Nondepreciable	1,072,445	-
Depreciable, Net	23,732,192	-
Total Assets	\$ 40,059,254	\$ 27,603
LIABILITIES		
Long-Term Liabilities		
Due Within One Year		
Loan Drawdown Payable	\$ 84,494	\$ -
Capital Lease Payable	17,521	
Due After One Year		
Loan Drawdown Payable	825,952	-
Capital Lease Payable	101,324	-
Total Liabilities	\$ 1,029,291	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 23,775,346	\$ -
Restricted		
Public Safety	51,100	-
Highways	131,631	-
Health and Welfare	247,981	-
Conservation of Natural Resources	648,092	27,603
Emergencies	33,829	-
General Government	76,665	-
Unrestricted	14,065,319	-
Total Net Position	\$ 39,029,963	\$ 27,603

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Primary Government						
General Government	\$ 2,835,038	\$ 495,265	\$ 8,486	\$ -	\$ (2,331,287)	
Public Safety	683,542	71,509	84,484	-	(527,549)	
Highways	2,084,636	347,385	351,467	-	(1,385,784)	
Flood Repair	-	-	17,083	-	17,083	
Health and Welfare	318,788	220	399,564	-	80,996	
Conservation of Natural Resources	182,720	13,975	249	-	(168,496)	
Interest Expense on Long-Term Debt	17,843	-	-	-	(17,843)	
Total Primary Government	<u>\$ 6,122,567</u>	<u>\$ 928,354</u>	<u>\$ 861,333</u>	<u>\$ -</u>	<u>\$ (4,332,880)</u>	
Component Unit						
Water Resource District	<u>\$ 30,233</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ (27,233)</u>	
General Revenues						
Property Taxes					\$ 1,650,325	\$ 34,393
Grants and Contributions Not Restricted to Specific Programs					4,257,708	-
Gain on Sale of Assets					86,160	-
Interest Revenue					85,672	100
Miscellaneous Revenue					125,759	-
Total General Revenues					<u>\$ 6,205,624</u>	<u>\$ 34,493</u>
Change in Net Position					<u>\$ 1,872,744</u>	<u>\$ 7,260</u>
Net Position - January 1					<u>\$ 36,971,760</u>	<u>\$ 20,343</u>
Prior Period Adjustment					<u>\$ 185,459</u>	<u>\$ -</u>
Net Position - January 1 as restated					<u>\$ 37,157,219</u>	<u>\$ 20,343</u>
Net Position - December 31					<u>\$ 39,029,963</u>	<u>\$ 27,603</u>

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Balance Sheet – Governmental Funds – Modified Cash Basis

December 31, 2018

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 14,065,319	\$ 1,189,298	\$ 15,254,617
Total Assets	<u>\$ 14,065,319</u>	<u>\$ 1,189,298</u>	<u>\$ 15,254,617</u>
FUND BALANCES			
Restricted			
Public Safety	\$ -	\$ 51,100	\$ 51,100
Highways	-	131,631	131,631
Health and Welfare	-	247,981	247,981
Conservation of Natural Resources	-	648,092	648,092
Emergency	-	33,829	33,829
General Government	-	76,665	76,665
Unassigned	<u>14,065,319</u>	<u>-</u>	<u>14,065,319</u>
Total Fund Balances	<u>\$ 14,065,319</u>	<u>\$ 1,189,298</u>	<u>\$ 15,254,617</u>

The notes to the financial statements are an integral part of this statement.

BURKE COUNTYReconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis
December 31, 2018

Total Fund Balances for Governmental Funds **\$ 15,254,617**

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 24,804,637

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position.

Loan Drawdown Payable	\$ (910,446)	
Capital Lease Payable	<u>(118,845)</u>	<u>(1,029,291)</u>

Total Net Position of Governmental Activities **\$ 39,029,963**

The notes to the financial statements are an integral part of this statement.

BURKE COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis
For the Year Ended December 31, 2018

	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 1,155,986	\$ 494,339	\$ 1,650,325
Intergovernmental	4,172,377	946,664	5,119,041
Charges for Services	96,565	401,129	497,694
Licenses, Permits and Fees	430,440	220	430,660
Interest Income	85,672	-	85,672
Miscellaneous	56,489	69,270	125,759
Total Revenues	\$ 5,997,529	\$ 1,911,622	\$ 7,909,151
EXPENDITURES			
Current			
General Government	\$ 2,807,144	\$ 762	\$ 2,807,906
Public Safety	514,817	138,045	652,862
Highways	-	2,436,419	2,436,419
Health and Welfare	-	318,788	318,788
Conser. of Natural Resources	-	176,784	176,784
Debt Service			
Principal	2,023	23,332	25,355
Interest & Service Charges	17,843	-	17,843
Total Expenditures	\$ 3,341,827	\$ 3,094,130	\$ 6,435,957
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,655,702	\$ (1,182,508)	\$ 1,473,194
OTHER FINANCING SOURCES (USES)			
Lease Financing	\$ -	\$ 142,177	\$ 142,177
Loan Proceeds	651,562	-	651,562
Transfers In	198,928	41,890	240,818
Transfers Out	-	(240,818)	(240,818)
Total Other Financing Sources and Uses	\$ 850,490	\$ (56,751)	\$ 793,739
Net Change in Fund Balances	\$ 3,506,192	\$ (1,239,259)	\$ 2,266,933
Fund Balance - January 1	\$10,564,288	\$ 2,513,594	\$ 13,077,882
Prior Period Adjustment	\$ (5,161)	\$ (85,037)	\$ (90,198)
Fund Balance - January 1 as restated	\$10,559,127	\$ 2,428,557	\$ 12,987,684
Fund Balance - December 31	\$14,065,319	\$ 1,189,298	\$ 15,254,617

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2018**

Net Change in *Fund Balances* - Total Governmental Funds **\$ 2,266,933**

The change in net position reported for governmental activities in the statement of activities is different because:

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.

Current Year Capital Outlay	\$ 1,370,259	
Current Year Depreciation	<u>(1,082,224)</u>	288,035

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets		86,160
--------------------------------	--	--------

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Loan Proceeds	(651,562)	
Debt Repayment	25,355	
Capital Lease Financing	<u>(142,177)</u>	<u>(768,384)</u>

Change in *Net Position* of Governmental Activities **\$ 1,872,744**

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Statement of Fiduciary Assets & Liabilities – Agency Funds – Modified Cash Basis
December 31, 2018

ASSETS

Cash and Cash Equivalents	<u>\$ 1,373,946</u>
---------------------------	---------------------

LIABILITIES

Due to Other Governments	<u>\$ 1,373,946</u>
--------------------------	---------------------

The notes to the financial statements are an integral part of this statement.

BURKE COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Burke County ("County") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 accompanying financial statements present the activities of the County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

Based on these criteria, the component unit discussed below is included within the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Unit

In conformity with the modified cash basis of accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit. The component unit column in the basic financial statements includes the financial data of the County's component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

Burke County Water Resource District ("Water Resource District") – The County's governing board appoints a voting majority of the members of the Water Resource District board. The County's governing body has the authority to disapprove, amend, or approve the Water Resource District budget. The County also must approve the tax levy established by the Water Resource District.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the County (primary government) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County'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 (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds including its fiduciary funds. Separate statements for each fund category-governmental and fiduciary-are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

BURKE COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental fund:

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

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

Additionally, the County reports the following fund type:

Agency Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for property taxes collected on behalf of other governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets are generally included on their balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

Fiduciary Funds Financial Statement. The fiduciary fund financial statement is reported using the economic resources measurement focus, as applied to the modified cash basis of accounting.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted net position is available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Accounting

Government-wide financial statements are prepared on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. The modified cash basis of accounting is modified for recording investments at current fair value, rather than cost. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The County's governmental funds use the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received in cash and expenditures are recorded at the time of disbursement.

If the County utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

BURKE COUNTY

Notes to the Financial Statements – Continued

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical 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 asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives (amounts in years):

Assets	Years
Land	Indefinite
Building	50
Infrastructure	30-50
Vehicle and Equipment	5-20
Office Equipment	5-7

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position. When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures

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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension note disclosure. Note 8, is shown as additional information to the users of the financial statements.

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, 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. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB note disclosure. Note 9, is shown as additional information to the users of the financial statements.

Fund Balances

Fund Balance Spending Policy. It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the County to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use (such as the self-funded reserves program).

BURKE COUNTY

Notes to the Financial Statements – Continued

Net Position

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted state and federal grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund.

NOTE 2: PRIOR PERIOD ADJUSTMENTS**County**

Prior period adjustments were necessary for Burke County to restate the January 1, 2018 net position in order to include the missing capital projects from the 2017 financial statements, fund classification changes, and for the reversal of the prior year unearned tax revenues adjustments. The adjustments resulting from the reclassification of funds and for the reversal of the prior year unearned tax revenues adjustment also changed the opening fund balance for the General Fund and the Special Revenue Fund.

Adjustments to beginning net position are as follows:

County	Amounts
Beginning Net Position, as Previously Reported	\$ 36,971,760
Adjustments to restate the January 1, 2018 Net Position:	
Capital Assets, Net	275,657
Fund Classification - General Fund	261,445
Fund Classification - Special Revenue Fund	10,610
Reversal of Unearned Tax Revenue Adjustments - General Fund	(266,606)
Reversal of Unearned Tax Revenue Adjustments - Special Revenue Fund	(95,647)
Net Position January 1, as Restated	<u>\$ 37,157,219</u>

Adjustments to beginning fund balances for the General Fund and the Special Revenue Fund are as follows:

General Fund	Amounts
Beginning Fund Balance, as Previously Reported	\$ 10,564,288
Adjustments to restate the January 1, 2018 Fund Balance:	
Fund Classification - General Fund	261,445
Reversal of Unearned Tax Revenue Adjustments - General Fund	(266,606)
Fund Balance January 1, as Restated	<u>\$ 10,559,127</u>

Special Revenue Fund	Amounts
Beginning Fund Balance, as Previously Reported	\$ 2,513,594
Adjustments to restate the January 1, 2018 Fund Balance:	
Fund Classification - Special Revenue Fund	10,610
Reversal of Unearned Tax Revenue Adjustments - Special Revenue Fund	(95,647)
Fund Balance January 1, as Restated	<u>\$ 2,428,557</u>

NOTE 3: DEPOSITS**Custodial Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2019, the County's carrying amount of deposit was \$18,915,645 and the bank balances totaled \$18,909,984. Of the bank balances, \$882,824 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the County's carrying amount of deposits totaled \$16,613,219, and the bank balances totaled \$16,723,392. Of the bank balances, \$902,056 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the Water Resource District's carrying amount of deposits totaled \$46,757, and the bank balances totaled \$47,732, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2018, the Water Resource District's carrying amount of deposits totaled \$27,603, and the bank balances totaled \$35,647, all of which were covered by Federal Depository Insurance

NOTE 4: PROPERTY TAXES

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 all 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.

BURKE COUNTY

Notes to the Financial Statements – Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

Primary Government - 2019	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 4,043	\$ -	\$ -	\$ -	\$ 4,043
Construction in Progress	1,068,402	382,038	-	(1,322,742)	127,698
Total capital assets not being depreciated	\$ 1,072,445	\$ 382,038	\$ -	\$ (1,322,742)	\$ 131,741
<i>Capital assets, being depreciated</i>					
Office Equipment	\$ 77,032	\$ 6,895	\$ -	\$ -	\$ 83,927
Capital assets not being depreciated	2,836,536	621,653	(449,297)	-	3,008,892
Land	793,045	-	-	1,322,742	2,115,787
Construction in Progress	29,285,005	-	-	-	29,285,005
Total capital assets, being depreciated	\$ 32,991,618	\$ 628,548	\$ (449,297)	\$ 1,322,742	\$ 34,493,611
<i>Less accumulated depreciation for</i>					
Office Equipment	\$ 53,340	\$ 6,943	\$ -	\$ -	\$ 60,283
Capital assets not being depreciated	1,431,202	380,179	(378,823)	-	1,432,558
Land	484,182	13,441	-	-	497,623
Construction in Progress	7,290,702	681,808	-	-	7,972,510
Total accumulated depreciation	\$ 9,259,426	\$ 1,082,371	\$ (378,823)	\$ -	\$ 9,962,974
Total capital assets being depreciated, net	\$ 23,732,192	\$ (453,823)	\$ (70,474)	\$ 1,322,742	\$ 24,530,637
Total capital assets, net	\$ 24,804,637	\$ (71,785)	\$ (70,474)	\$ -	\$ 24,662,378

Primary Government - 2018	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 4,043	\$ -	\$ -	\$ -	\$ 4,043
Construction in Progress	309,343	828,091	-	(69,032)	1,068,402
Total capital assets not being depreciated	\$ 313,386	\$ 828,091	\$ -	\$ (69,032)	\$ 1,072,445
<i>Capital assets, being depreciated</i>					
Office Equipment	\$ 77,032	\$ -	\$ -	\$ -	\$ 77,032
Vehicles and Equipment	2,475,836	667,318	(306,618)	-	2,836,536
Buildings	793,045	-	-	-	793,045
Infrastructure	29,215,973	-	-	69,032	29,285,005
Total capital assets, being depreciated	\$ 32,561,886	\$ 667,318	\$ (306,618)	\$ 69,032	\$ 32,991,618
<i>Less accumulated depreciation for</i>					
Office Equipment	\$ 46,742	\$ 6,598	\$ -	\$ -	\$ 53,340
Vehicles and Equipment	1,314,998	383,832	(267,628)	-	1,431,202
Buildings	470,741	13,441	-	-	484,182
Infrastructure	6,612,346	678,356	-	-	7,290,702
Total accumulated depreciation	\$ 8,444,827	\$ 1,082,227	\$ (267,628)	\$ -	\$ 9,259,426
Total capital assets being depreciated, net	\$ 24,117,059	\$ (414,909)	\$ (38,990)	\$ 69,032	\$ 23,732,192
Total capital assets, net	\$ 24,430,445	\$ 413,182	\$ (38,990)	\$ -	\$ 24,804,637

BURKE COUNTY

Notes to the Financial Statements – Continued

Depreciation expense was charged to functions/programs of the County as follows:

Primary Government	2019	2018
General Government	\$ 24,780	\$ 27,135
Public Safety	42,592	56,921
Highways and Bridges	1,011,012	992,235
Conservation of Natural Resources	3,987	5,936
Total Depreciation Expense	\$ 1,082,371	\$ 1,082,227

NOTE 6: LONG TERM LIABILITIES

During the years ended December 31, 2019 and 2018, the following changes occurred in long-term liabilities:

Primary Government - 2019	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loan Drawdown Payable	\$ 910,446	\$ 402,090	\$ 84,493	\$ 1,228,043	\$ 615,653
Capital Lease Payable	118,845	-	17,521	101,324	18,377
Total Long Term Liabilities	\$ 1,029,291	\$ 402,090	\$ 102,014	\$ 1,329,367	\$ 634,030

Primary Government - 2018	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loan Drawdown Payable	\$ 260,907	\$ 651,562	\$ 2,023	\$ 910,446	\$ 84,494
Capital Lease Payable	-	142,177	23,332	118,845	17,521
Total Long Term Liabilities	\$ 260,907	\$ 793,739	\$ 25,355	\$ 1,029,291	\$ 102,015

The annual requirements to amortize the outstanding long-term debt at December 31, 2019 and 2018 are as follows:

Year Ending Dec 31, 2019	Capital Lease Payable	
	Principal	Interest
2020	\$ 18,377	\$ 4,955
2021	19,276	4,056
2022	20,219	3,113
2023	21,207	2,125
2024	22,245	1,088
Totals	\$ 101,324	\$ 15,337

The Loan Drawdown Payable does not have an amortization schedule as of December 31, 2019 and 2018. The interest rate is variable with a floor rate of 1.75%, not to increase by more than 1% per year. The principal amount paid in 2020 was \$651,562. All remaining unpaid interest and principal are due and payable in full on December 28, 2028.

NOTE 7: TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to close out funds and to finance various projects.

NOTE 8: PENSION PLAN**General Information about the NDPERS 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 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 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.

BURKE COUNTY

Notes to the Financial Statements – Continued

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, 2019 and 2018, the employer reported a liability of \$1,879,582 and \$2,403,138, respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The health unit's proportion of the net pension liability was based on the County'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, 2019 and 2018, the Employer's proportion was .160364 and .142399 percent, respectively, which was an increase of .017965 percent for 2019 and a decrease of .013069 percent for 2018.

There were no deferred inflows or outflows of resources reported on the County's financial statements as they are reporting on the modified cash basis of accounting.

The total pension 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	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	10.00%
	36 – 40	7.50%
	41 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

BURKE COUNTY

Notes to the Financial Statements – Continued

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%	0.00%

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 Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	\$ 2,694,916	\$ 1,879,582	\$ 1,194,559

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 OPEB PLAN**General Information about the OPEB Plan*****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. 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. 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

BURKE COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

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

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

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

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

At December 31, 2019 and 2018, the Employer reported a liability of \$120,066 and \$105,292, respectively, and for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019 and 2018 the Employer's proportions were .149487 percent and .133692 percent, respectively.

There were no deferred inflows or outflows of resources reported on the County's financial statements as they are reporting on the modified cash basis of accounting.

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	Not applicable
Investment rate or return	7.25%, net of investment expenses
Cost of living adjustments	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:

BURKE COUNTY

Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2018, and July 1, 2017, 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, 2019, 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%)
Proportionate Share of the OPEB Liability	\$ 153,248	\$ 120,066	\$ 91,662

NOTE 10: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$3,120,092 for public assets/mobile equipment and portable property.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and 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 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

BURKE COUNTYNotes to the Financial Statements – Continued

NOTE 11: COMMITMENT SCHEDULE

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Weed Board Building	\$ 172,610	\$ 127,697	\$ -	\$ 44,913

NOTE 12: SUBSEQUENT EVENT

On January 2, 2020, Burke County entered into a \$1,463,532 construction contract with Mayo Construction Company for a federal aid road project SC-0731(054) The project will be 80% financed with capital contributions from the North Dakota Department of Transportation..

BURKE COUNTY

Budgetary Comparison Schedule – General Fund

December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,158,000	\$ 1,158,000	\$ 1,130,698	\$ (27,302)
Intergovernmental	2,104,700	2,104,700	3,676,488	1,571,788
Charges for Services	60,000	60,000	80,596	20,596
Licenses, Permits and Fees	184,800	184,800	850,059	665,259
Interest Income	40,000	40,000	168,596	128,596
Miscellaneous	209,100	209,100	145,424	(63,676)
Total Revenues	<u>\$ 3,756,600</u>	<u>\$ 3,756,600</u>	<u>\$ 6,051,861</u>	<u>\$ 2,295,261</u>
EXPENDITURES				
Current				
General Government	\$ 2,523,351	\$ 2,824,999	\$ 2,293,880	\$ 531,119
Public Safety	703,477	703,477	740,842	(37,365)
Debt Service				
Principal	-	-	84,494	(84,494)
Interest	-	-	40,295	(40,295)
Total Expenditures	<u>\$ 3,226,828</u>	<u>\$ 3,528,476</u>	<u>\$ 3,159,511</u>	<u>\$ 368,965</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 529,772</u>	<u>\$ 228,124</u>	<u>\$ 2,892,350</u>	<u>\$ 2,664,226</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 402,090	\$ 402,090
Transfers In	-	-	33,941	33,941
Transfers Out	(3,500,000)	(3,500,000)	(2,507,899)	992,101
Total Other Financing Sources and Uses	<u>\$ (3,500,000)</u>	<u>\$ (3,500,000)</u>	<u>\$ (2,071,868)</u>	<u>\$ 1,428,132</u>
Net Change in Fund Balance	<u>\$ (2,970,228)</u>	<u>\$ (3,271,876)</u>	<u>\$ 820,482</u>	<u>\$ 4,092,358</u>
Fund Balance - January 1	<u>\$ 14,065,319</u>	<u>\$ 14,065,319</u>	<u>\$ 14,065,319</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 11,095,091</u></u>	<u><u>\$ 10,793,443</u></u>	<u><u>\$ 14,885,801</u></u>	<u><u>\$ 4,092,358</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

BURKE COUNTYBudgetary Comparison Schedule –Special Revenue Fund
December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 491,000	\$ 491,000	\$ 475,827	\$ (15,173)
Intergovernmental	652,110	652,110	852,965	200,855
Charges for Services	170,000	170,000	465,435	295,435
Licenses, Permits and Fees	300	300	80	(220)
Miscellaneous	27,250	27,250	58,632	31,382
Total Revenues	\$ 1,340,660	\$ 1,340,660	\$ 1,852,939	\$ 512,279
EXPENDITURES				
Current				
General Government	\$ -	\$ -	\$ 24,618	\$ (24,618)
Public Safety	128,582	128,582	134,390	(5,808)
Highways	2,615,006	2,652,092	1,974,024	678,068
Health and Welfare	349,247	387,609	359,073	28,536
Conser. of Natural Resources	347,521	347,522	208,011	139,511
Debt Service				
Principal	-	-	17,521	17,521
Interest	-	-	5,812	5,812
Total Expenditures	\$ 3,440,356	\$ 3,515,805	\$ 2,723,449	\$ 839,022
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,099,696)	\$ (2,175,145)	\$ (870,510)	\$ 1,304,635
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,540,068	2,540,068
Transfers Out	-	-	(66,110)	(66,110)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 2,473,958	\$ 2,473,958
Net Change in Fund Balances	\$ (2,099,696)	\$ (2,175,145)	\$ 1,603,448	\$ 3,778,593
Fund Balance - January 1	\$ 1,189,298	\$ 1,189,298	\$ 1,189,298	\$ -
Fund Balance - December 31	\$ (910,398)	\$ (985,847)	\$ 2,792,746	\$ 3,778,593

The accompanying required supplementary information notes are an integral part of this schedule.

BURKE COUNTYBudgetary Comparison Schedule – General Fund
December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,167,500	\$ 1,167,500	\$ 1,155,986	\$ (11,514)
Intergovernmental	1,658,700	1,658,700	4,172,377	2,513,677
Charges for Services	30,000	30,000	96,565	66,565
Licenses, Permits and Fees	203,000	203,000	430,440	227,440
Interest Income	35,000	35,000	85,672	50,672
Miscellaneous	71,500	71,500	56,489	(15,011)
Total Revenues	<u>\$ 3,165,700</u>	<u>\$ 3,165,700</u>	<u>\$ 5,997,529</u>	<u>\$ 2,831,829</u>
EXPENDITURES				
Current				
General Government	\$ 2,555,091	\$ 2,555,431	\$ 2,807,144	\$ (251,713)
Public Safety	739,692	739,692	514,817	224,875
Debt Service				
Principal	-	-	2,023	(2,023)
Interest	-	-	17,843	(17,843)
Total Expenditures	<u>\$ 3,294,783</u>	<u>\$ 3,295,123</u>	<u>\$ 3,341,827</u>	<u>\$ (46,704)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (129,083)</u>	<u>\$ (129,423)</u>	<u>\$ 2,655,702</u>	<u>\$ 2,785,125</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 651,562	\$ 651,562
Sale of Capital Assets	5,000	5,000	-	(5,000)
Transfers In	-	-	198,928	198,928
Transfers Out	(2,220,000)	(2,220,000)	-	2,220,000
Total Other Financing Sources and Uses	<u>\$ (2,215,000)</u>	<u>\$ (2,215,000)</u>	<u>\$ 850,490</u>	<u>\$ 3,065,490</u>
Net Change in Fund Balance	<u>\$ (2,344,083)</u>	<u>\$ (2,344,423)</u>	<u>\$ 3,506,192</u>	<u>\$ 5,850,615</u>
Fund Balance - January 1	<u>\$ 10,564,288</u>	<u>\$ 10,564,288</u>	<u>\$ 10,564,288</u>	<u>\$ -</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,161)</u>	<u>\$ 5,161</u>
Fund Balance - January 1 Restated	<u>\$ 10,559,127</u>	<u>\$ 10,559,127</u>	<u>\$ 10,559,127</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 8,215,044</u></u>	<u><u>\$ 8,214,704</u></u>	<u><u>\$ 14,065,319</u></u>	<u><u>\$ 5,850,615</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

BURKE COUNTYBudgetary Comparison Schedule –Special Revenue Fund
December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 501,000	\$ 501,000	\$ 494,339	\$ (6,661)
Intergovernmental	811,838	811,838	946,664	134,826
Charges for Services	173,000	173,000	401,129	228,129
Licenses, Permits and Fees	300	300	220	(80)
Miscellaneous	26,000	26,000	69,270	43,270
Total Revenues	\$ 1,512,138	\$ 1,512,138	\$ 1,911,622	\$ 399,484
EXPENDITURES				
Current				
General Government	\$ -	\$ -	\$ 762	\$ (762)
Public Safety	139,932	139,932	138,045	1,887
Highways	2,597,746	2,640,616	2,436,419	204,197
Health and Welfare	333,816	333,816	318,788	15,028
Conser. of Natural Resources	322,151	322,151	176,784	145,367
Debt Service				
Principal	-	-	23,332	23,332
Total Expenditures	\$ 3,393,645	\$ 3,436,515	\$ 3,094,130	\$ 389,049
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,881,507)	\$ (1,924,377)	\$ (1,182,508)	\$ 741,869
OTHER FINANCING SOURCES (USES)				
Capital Lease	\$ -	\$ -	\$ 142,177	\$ 142,177
Sale of Capital Assets	-	-	-	-
Transfers In	1,020,000	1,020,000	41,890	(978,110)
Transfers Out	-	-	(240,818)	(240,818)
Total Other Financing Sources and Uses	\$ 1,020,000	\$ 1,020,000	\$ (56,751)	\$ (1,076,751)
Net Change in Fund Balances	\$ (861,507)	\$ (904,377)	\$ (1,239,259)	\$ (334,882)
Fund Balance - January 1	\$ 2,513,594	\$ 2,513,594	\$ 2,513,594	\$ -
Prior Period Adjustment	\$ (85,037)	\$ (85,037)	\$ (85,037)	\$ -
Fund Balance - January 1 Restated	\$ 2,428,557	\$ 2,428,557	\$ 2,428,557	\$ -
Fund Balance - December 31	\$ 1,567,050	\$ 1,524,180	\$ 1,189,298	\$ (334,882)

The accompanying required supplementary information notes are an integral part of this schedule.



**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***

Independent Auditor's Report

Board of County Commissioners
Burke County
Bowbells, 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, the aggregate discretely presented component unit, each major fund, and the remaining aggregate fund information of Burke County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Burke County's basic financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001, 2019-002, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

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 deficiency described in the accompanying *schedule of audit findings* as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burke County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of audit findings as item 2019-002 and 2019-006.

Burke County's Response to Findings

Burke County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Burke County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
January 26, 2021

BURKE COUNTY

Summary of Auditor's Results

For the Years Ended December 31, 2019 and 2018

Financial Statements

Type of Report Issued:

Governmental Activities

Unmodified

Discretely Presented Component Unit

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

 X Yes None Noted

Noncompliance material to financial statements noted?

 X Yes None Noted

BURKE COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2019 and 2018

2019-001 FINANCIAL STATEMENT PREPARATION– MATERIAL WEAKNESS**Condition**

Burke County currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to Burke County's financial statements.

Cause

Management chooses not to allocate Burke County resources for preparation of the financial statements.

Criteria

Burke County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Repeat Finding

Yes.

Recommendation

We recommend Burke County consider the additional risk of having the auditors assist in the preparation of the financial statements, note disclosures, and adjusting entries and consider preparing them in the future.

Burke County's Response

I agree with the finding. Burke County realizes that we are assuming the risk of having the auditors assist in the preparation of the financial statements and will continue to do so until it becomes feasible for the Burke County staff to prepare the financial statement.

BURKE COUNTYSchedule of Audit Findings – Continued

2019-002 LACK OF BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS - MATERIAL NONCOMPLIANCE**Condition**

Burke County entered into a lease-purchase agreement for a snowplow truck at a cost of \$142,177 that was not advertised for bids in accordance with state law.

Effect

Burke County may not be in compliance with N.D.C.C. §24-05-04(2)(3).

Cause

Burke County may not have accurately interpreted N.D.C.C §24-05-04(2)(3).

Criteria

N.D.C.C. §24-05-04(2) states, "A purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of one hundred thousand dollars must be advertised by publishing an advertisement for bids at least once each week for two consecutive weeks in the official newspaper of the county and in any other newspapers as the board deems advisable."

N.D.C.C. §24-05-04(3) states, "Notwithstanding the provisions of this section relating to the duration of rental contracts, the board of county commissioners may enter lease-purchase agreements for the road machinery and articles covered by this section if those agreements provide for the complete performance and full payment of the purchase price of the machinery or articles within seven years from the date of the execution of the of the lease-purchase agreement according to section 44-08-01.1.

Repeat Finding

No.

Recommendation

We recommend Burke County properly advertise bids for lease-purchase agreements for road equipment which exceeds \$100,000 in accordance with N.D.C.C. §24-05-04(2)(3).

Burke County's Response

I agree with the finding. Burke County will be sure to properly bid for lease-purchase agreements now that we understand that we have to bid those also.

BURKE COUNTYSchedule of Audit Findings – Continued

2019-003 FRAUD RISK ASSESSMENT– SIGNIFICANT DEFICIENCY**Condition**

Burke County does not currently prepare a fraud risk assessment of the entire entity.

Effect

If Burke County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, assets misappropriation, and corruption.

Cause

Burke County may not have considered preparing a fraud risk assessment.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Repeat Finding

No.

Recommendation

We recommend Burke County to prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Burke County's Response

I agree with the finding. Burke County will consider preparing this assessment in the fairly near future, but would also like to state that we feel the risk of fraud is actually quite low, considering the few employees who handle money and the number of them who would have to cooperate to attempt any large scale fraud.

2019-004 LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS**Condition**

Burke County Water Resource District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Burke County Water Resource District.

Cause

Management has chosen to allocate economic resources to other functions of Burke County Water Resource District.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

Repeat Finding

No.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Burke County Water Resource District's Response

I agree with the finding. It is impossible to have a segregation of duties as there is limited members. I will try to separate duties when it becomes feasible.

BURKE COUNTYSchedule of Audit Findings – Continued

2019-005 LACK OF BOARD OVERSIGHT– COMPONENT UNITS – MATERIAL WEAKNESS**Condition**

Burke County Water Resource District expenditures are currently not being approved by the Burke County Water Resource District Board.

Effect

Without adequate review and approval of the expenditures by the Burke County Water Resource District Board, the Burke County Water Resource District exposes itself to an increased risk of loss of assets, potential liabilities, and damage to the Burke County Water Resource District's reputation, whether due to error or fraud.

Cause

Burke County Water Resource District does not have an adequate process to ensure all expenditures are being approved by the Water District Board.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to invoices to be paid by the Burke County Water Resource District, management is responsible for adequate internal controls surrounding the review process.

Repeat Finding

No.

Recommendation

We recommend Burke County Water Resource District ensure that all payments are appropriate and approved by the Burke County Water Resource District Board.

Burke County Water Resource District's Response

I agree with the finding. Going forward the Secretary/Treasurer will inform all board members of the checks that were written in each month and then will make sure to write that in the minutes. Burke County Water currently has not had any in person meetings due to the COVID – 19 pandemic.

BURKE COUNTYSchedule of Audit Findings – Continued

2019-006 IMPROPER BIDDING OF PUBLIC IMPROVEMENT – MATERIAL WEAKNESS – MATERIAL COMPLIANCE**Condition**

Burke County was unable to provide bidding documentation for construction of a public improvement project in the amount of \$1,464,404.

Effect

Burke County may not be in compliance with N.D.C.C. §48-01.2-04(01).

Cause

Burke County does not have proper record retention procedures in place in relation to bidding documentation for public improvement projects.

Criteria

N.D.C.C. §48-01.2-04(1) states, "Except as otherwise provided in this chapter, if the estimated cost for the construction of a public improvement is in excess of the threshold established under section 48-01.2-02.1, the governing body shall advertise for bids by publishing for three consecutive weeks. The first publication of the advertisement must be at least twenty-one days before the date of the opening of bids. The advertisement must be published in the official newspaper of the political subdivision in which the public improvement is or will be located, in a daily newspaper having a general circulation in the area where the project is located, and in a trade publication, electronic plan service, builders exchange, or other industry-recognized method of general circulation among the contractors, building manufacturers, and dealers in this state, except the advertisement for a public improvement financed by special assessments need be published only once each week for two weeks in the official newspaper with the first publication being at least fourteen days before the bid opening."

N.D.C.C. §48-01.2-02.1(1) states, "The threshold for bidding construction of a public improvement is two hundred thousand dollars. The threshold for procuring plans, drawings, and specifications from an architect or engineer for construction of a public improvement is two hundred thousand dollars."

Repeat Finding

No.

Recommendation

We recommend Burke County maintain bidding documentation for public improvement projects in order to support compliance with N.D.C.C. §48-01.2-04(01).

Burke County's Response

I agree with the finding. Burke County would like to state that the County Auditor's office makes every attempt to retain records properly. Since our physical office was directly impacted by the construction project, we were forced to move several times and as a result, things were unfortunately misplaced. We also placed our trust in our engineering firm to maintain records and provide access for us to those records.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

Board of County Commissioners
Burke County
Bowbells, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burke County, Bowbells, North Dakota, for the years ended December 31, 2019 and 2018 which collectively comprise Burke County's basic financial statements, and have issued our report thereon dated January 26, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated November 4, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Burke County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Burke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Burke County are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2019 or 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

BURKE COUNTY

Governance Communication – Continued

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures and were corrected by management.

2019 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
<u>To remove double counted property tax revenue</u>						
Property Tax Revenue	-	-	987,754	-	987,754	-
Tax Collections Transfer Out	-	-	-	987,754	-	987,754
<u>To remove employee share of contributions for Social Security and Health Insurance Revenues and Costs</u>						
Employee Share of Social Security and Health Insurance Revenue	-	-	298,184	-	298,184	-
Employee Share of Social Security and Health Insurance Cost	-	-	-	298,184	-	298,184
<u>To remove the Miscellaneous Revenue received from NDDHS in General Fund and decrease the transfer out to Human Service Fund</u>						
Miscellaneous Revenue - General Fund	-	-	200,658	-	200,658	-
Transfer Out - General Fund	-	-	-	200,658	-	200,658
<u>To reclassify the transfer in from the General Fund for the revenue received from NDDHS to Intergovernmental revenue of Human Service Fund</u>						
Transfer in - Human Service Fund	-	-	200,658	-	200,658	-
Intergovernmental Revenue - Human Service Fund	-	-	-	200,658	-	200,658
2018 Adjustments						
2018 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
<u>To remove double counted property tax revenue</u>						
Property Tax Revenue	-	-	629,118	-	629,118	-
Tax Collections Transfer Out	-	-	-	629,118	-	629,118
<u>To remove employee share of contributions for Social Security and Health Insurance Revenues</u>						
Employee Share of Social Security and Health Insurance Revenue	-	-	255,197	-	255,197	-
Employee Share of Social Security and Health Insurance Cost	-	-	-	255,197	-	255,197
<u>To record capital lease proceeds</u>						
Expenditure	-	-	142,177	-	142,177	-
Capital Lease Proceeds	-	-	-	142,177	-	142,177
<u>To reverse the unearned tax revenue adjustments made to the General Fund in 2017 Financial Statements</u>						
MAB Fund Balance - General Fund	-	-	266,606	-	266,606	-
Reversed Unearned Revenue - General Fund	-	-	-	266,606	-	266,606
<u>To reverse the unearned tax revenue adjustments made to the Special Revenue Fund in 2017 Financial Statements</u>						
MAB Fund Balance - Special Revenue Fund	-	-	95,647	-	95,647	-
Reversed Unearned Revenue - Special Revenue Fund	-	-	-	95,647	-	95,647
<u>To reclass various Special Revenue Funds to General Fund</u>						
Cash - General Fund	-	-	261,445	-	261,445	-
MAB Fund Balance - General Fund	-	-	-	261,445	-	261,445
<u>To reclass various General Fund and Agency Fund to Special Revenue Fund</u>						
Cash - Special Revenue Fund	-	-	10,610	-	10,610	-
MAB Fund Balance - Special Revenue Fund	-	-	-	10,610	-	10,610

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 26, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of County Commissioners and management of Burke County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Burke County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Burke County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
January 26, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505