



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Burleigh County Water Resource District

Bismarck, North Dakota

Audit Report for the Year Ended December 31, 2019

*Client Code: PS8010*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# BURLEIGH COUNTY WATER RESOURCE DISTRICT

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For the Year Ended December 31, 2019

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# **BURLEIGH COUNTY WATER RESOURCE DISTRICT**

District Officials and Audit Personnel

December 31, 2019

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## **DISTRICT OFFICIALS**

Greg Larson	Chairman
Dennis Reep	Vice Chairman
Rick Detwiller	Secretary/Treasurer
Rodney Beck	Manager
James Landenberg, PE	Manager
Tracie Day	Secretary
David Bliss	Attorney
Michael Gunsch, PE	Engineer

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Michael Scherr	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners  
Burleigh County Water Resource District  
Bismarck, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Burleigh County Water Resource District, Bismarck, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Burleigh County Water Resource District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Burleigh County Water Resource District, Bismarck, North Dakota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020 on our consideration of Burleigh County Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Burleigh County Water Resource District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 22, 2020

**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Statement of Net Position

December 31, 2019

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 739,864
Intergovernmental receivable	12,913
Taxes receivable	11,295
Capital assets, net	<u>7,149,416</u>

Total assets	<u>7,913,488</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	44,225
Salaries payable	998
Retainage payable	73,049
Current portion of long term debt	<u>49,335</u>
Total current liabilities	<u>167,607</u>

## Long-term liabilities:

Long term debt - net of current portion	<u>781,210</u>
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Total liabilities:	<u>948,817</u>
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**NET POSITION**

Net investment in capital assets	6,245,822
Restricted for conservation of natural resources	<u>718,849</u>
Total net position	<u>\$ 6,964,671</u>

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

**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

## Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental activities:</u>				
Conservation of natural resources	\$ 609,326	\$ 114,867	\$ 1,784,402	\$ 1,289,943
Interest on long-term debt	22,748	-	-	(22,748)
Total governmental activities	<u>\$ 632,074</u>	<u>\$ 114,867</u>	<u>\$ 1,784,402</u>	1,267,195
<u>General revenues:</u>				
Taxes				749,826
Non-restricted grants and contributions				56,550
Interest earnings				3,956
Miscellaneous revenue				<u>43,566</u>
Total general revenues				<u>853,898</u>
Change in net position				<u>2,121,093</u>
Net position - January 1				<u>4,843,578</u>
Net position - December 31				\$ 6,964,671

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

**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Balance Sheet – Governmental Funds

December 31, 2019

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**ASSETS**

Cash and cash equivalents	\$ 739,864
Intergovernmental receivable	12,913
Taxes receivable	<u>11,295</u>
 Total assets	 <u><u>\$ 764,072</u></u>

**LIABILITIES**

Accounts payable	\$ 44,225
Salaries payable	<u>998</u>
Total liabilities	<u>45,223</u>

**DEFERRED INFLOWS OF RESOURCES**

Taxes receivable	<u>11,295</u>
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**FUND BALANCE**

Restricted for conservation of natural resources	<u>707,554</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u><u>\$ 764,072</u></u>

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



**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

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

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Total Governmental Funds Balance	\$ 707,554
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Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	7,149,416
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows in the funds.	11,295
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Long-term liabilities are not due and payable in the current  
period and therefore are not included in the funds.

Retainage payable	\$ (73,049)	
Long-term debt	<u>(830,545)</u>	
Total		<u>(903,594)</u>

Net Position of Governmental Activities	<u>\$ 6,964,671</u>
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The notes to the financial statements are an integral part of this statement.

**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2019

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**REVENUES**

Taxes	\$ 838,953
Intergovernmental	1,863,406
Interest	3,956
Miscellaneous	43,566
Total revenues	<u>2,749,881</u>

**EXPENDITURES**

Current	
Payroll	24,632
Management services	32,411
McDowell dam	242,064
Projects	3,696,581
Drainage complaints	49,313
Legal fees	20,968
Engineering administration	14,000
Miscellaneous	19,612
Debt service	
Principal	51,000
Interest	22,083
Total expenditures	<u>4,172,664</u>
Net change in fund balance	(1,422,783)
Fund balance - January 1	<u>2,130,337</u>
Fund balance - December 31	<u>\$ 707,554</u>

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

## BURLEIGH COUNTY WATER RESOURCE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities

For the Year Ended December 31, 2019

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Net Change in Fund Balance - Total Governmental Funds	\$ (1,422,783)
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Amount reported for governmental activities in the  
Statement of Activities are 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 as depreciation expense. This  
is the amount by which capital outlays exceeded  
depreciation in the current period.

Capital outlay expense	\$ 3,631,644	
Less depreciation expense	<u>104,579</u>	
Total		3,527,065

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long- term liabilities in the statement of net position.	51,000
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Bond discounts are amortized over the life of the bond as interest expense using the straight-line method.	(665)
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Some expenses reported in the statement of activities  
do not require the use of current financial resources  
and are not reported as expenditures in governmental  
funds.

Net increase in retainage payable	(36,809)
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Some revenues reported on the statement of activities  
are not reported as revenues in the governmental  
funds since they do not represent available resources  
to pay current expenditures.

Net increase in taxes receivable	<u>3,285</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,121,093</u>
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The notes to the financial statements are an integral part of this statement.

## BURLEIGH COUNTY WATER RESOURCE DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2019

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Burleigh County Water Resource District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### Financial Reporting Entity

The accompanying financial statements present the activities of the Burleigh County Water Resource District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District 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 District.

Based on these criteria, there are no component units within the Burleigh County Water Resource District as a reporting entity.

#### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the primary government. 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, service charges, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (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 all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the District's fund. Separate statements are provided for the governmental fund. The emphasis of fund financial statements is on the major governmental fund.

The District reports the following major governmental fund:

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

## **Measurement Focus / Basis of Accounting**

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

## **Cash**

Cash consists of amounts in demand deposits and money market accounts.

## **Taxes Receivable**

The taxes receivable consist of uncollected and collected but not remitted, property taxes as of December 31, 2019 for both current and prior years.

## **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. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment	10
Land & Land Improvements	INDEFINITE
Infrastructure	10 - 50
Vehicles	5
Office Equipment	3
Major Projects	50

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. When applicable, premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures. Issuance costs are reported as debt service expenditures.

### **Fund Balance Classifications**

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board 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).

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of commissioners-the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the board of commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed.

*Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

## **Net Position**

When both restricted and unrestricted resources are available for use, it is the District'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 the 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 federal & state grants/reimbursements.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District's expenditures exceeded appropriations by \$3,345,589 as of December 31, 2019.

## **NOTE 3 DEPOSITS**

Credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District 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 District's carrying amount of deposits totaled \$739,864, and the bank balances totaled \$740,404. Of the bank balances, \$500,000 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.

**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.

**NOTE 5 CAPITAL ASSETS**

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

	Balance January 1	Additions	Decreases	Balance December 31
Capital assets not being depreciated:				
Land	\$ 112,481	\$ -	\$ -	\$ 112,481
Construction in progress	1,015,599	3,631,644	-	4,647,243
Total capital assets not being depreciated	1,128,080	3,631,644	-	4,759,724
Capital assets being depreciated:				
Infrastructure	1,608,191	-	-	1,608,191
Land improvements	1,810,033	-	-	1,810,033
Buildings	187,660	-	-	187,660
Office furniture & equipment	144,209	-	-	144,209
Total capital assets being depreciated	3,750,093	-	-	3,750,093
Less accumulated depreciation:				
Infrastructure	133,695	38,077	-	171,772
Land improvements	873,843	57,723	-	931,566
Buildings	148,033	1,561	-	149,594
Office furniture & equipment	100,251	7,218	-	107,469
Total accumulated depreciation	1,255,822	104,579	-	1,360,401
Total capital assets being depreciated, net	2,494,271	(104,579)	-	2,389,692
Total capital assets, net	\$ 3,622,351	\$ 3,527,065	\$ -	\$ 7,149,416

Depreciation expense of \$104,579 was charged to conservation of natural resources



**NOTE 6 LONG-TERM LIABILITIES**

**Debt Outstanding**

The long-term liability obligations of the District are as follows:

	<u>Outstanding 12/31/19</u>
Loan Payable:	
\$239,026 Improvement Bonds, dated January 14, 2013. The bonds are payable in variable annual principal and semi-annual interest payments at 2.50% through September 1, 2032.	\$ 170,000
Bonds Payable:	
\$360,000 Refunding Improvement Bonds, Series 2016 dated March 1, 2016. The bonds are payable in variable annual principal and semi-annual interest payments at 2.00% to 3.00% through May 1, 2035.	\$ 310,000
\$395,000 Refunding Improvement Bonds, Series 2017 dated October 11, 2017. The bonds are payable in variable annual principal and semi-annual interest payments at 2.50% through May 1, 2032.	<u>360,000</u>
Total	<u><u>\$ 670,000</u></u>

**Changes in Long-Term Liabilities**

During the year ended December 31, 2019, the following changes occurred in liabilities reported in the Statement of Net Position:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Long Term Debt:					
Loans Payable	\$ 181,000	\$ -	\$ 11,000	\$ 170,000	\$ 10,000
Bonds Payable	710,000	-	40,000	670,000	40,000
Bond Discount	(10,120)	-	(665)	(9,455)	(665)
Total Long Term Debt	<u>\$ 880,880</u>	<u>-</u>	<u>\$ 50,335</u>	<u>\$ 830,545</u>	<u>\$ 49,335</u>

Debt Service requirement on long-term debt at December 31, 2019 are as follows:

Year Ending December 31	Loans Payable		Bonds Payable		Bond
	Principal	Interest	Principal	Interest	Discount
2020	\$ 10,000	\$ 4,250	\$ 40,000	\$ 16,637	\$ 665
2021	10,000	4,000	40,000	15,713	665
2022	10,000	3,750	40,000	14,787	665
2023	10,000	3,500	40,000	13,863	665
2024	10,000	3,250	45,000	12,888	665
2025 - 2029	75,000	11,250	240,000	47,600	3,325
2030 - 2034	45,000	2,250	200,000	15,613	2,805
2035	-	-	25,000	375	-
Total	<u>\$ 170,000</u>	<u>\$ 32,250</u>	<u>\$ 670,000</u>	<u>\$ 137,475</u>	<u>\$ 9,455</u>

## NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss relating 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 of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), 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 District pays an annual premium to NDIRF for liability coverage. The coverage by NDIRF is limited to losses of \$1,000,000.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$366,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

## NOTE 8 COMMITMENTS

As of December 31, 2019, the District has the following outstanding commitment for on-going capital projects.

Fox Island	\$184,296
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## NOTE 9 TAX ABATEMENTS

Burleigh County and political subdivisions within the County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Burleigh County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2019.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

**Charitable Organization**

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit is exempt.

Under this program, there was a total reduction in property taxes of \$32,365, which was due to agreements with other local governments.

**BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2019

	Original & Final Budget	Actual	Variance with Budget
<u>Revenue:</u>			
Taxes	\$ 755,000	\$ 838,953	\$ 83,953
Intergovernmental	54,000	1,863,406	1,809,406
Interest	100	3,956	3,856
Miscellaneous	17,975	43,566	25,591
Total revenues	827,075	2,749,881	1,922,806
<u>Expenditures:</u>			
Current			
Payroll	33,000	24,632	8,368
Management services	25,000	32,411	(7,411)
McDowell Dam	299,025	242,064	56,961
McDowell Dam - capital improvements	145,000	-	145,000
Projects	129,750	3,696,581	(3,566,831)
Drainage complaints	50,000	49,313	687
Legal fees	24,000	20,968	3,032
Engineering administration	20,000	14,000	6,000
Miscellaneous	101,300	19,612	81,688
Debt service			
Principal	-	51,000	(51,000)
Interest	-	22,083	(22,083)
Total expenditures	827,075	4,172,664	(3,345,589)
Revenues over expenditures	\$ -	(1,422,783)	<u>\$ (1,422,783)</u>
Fund balance - January 1		2,130,337	
Fund balance - December 31		<u>\$ 707,554</u>	

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

## **BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2019

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### **NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

- The District's board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The water resource district, on or before the October meeting shall determine the amount of taxes that shall be levied for district purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the operations coordinator at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.



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## 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*

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### Independent Auditor's Report

Board of Commissioners  
Burleigh County Water Resource District  
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Burleigh County Water Resource District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Burleigh County Water Resource District's basic financial statements, and have issued our report thereon dated June 22, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burleigh County Water Resource District'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 Burleigh County Water Resource District's internal control. Accordingly, we do not express an opinion on the effectiveness of Burleigh County Water Resource District'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.

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 and 2019-002 to be material weaknesses.

### Compliance and Other Matters

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

## **BURLEIGH COUNTY WATER RESOURCE DISTRICT**

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* - Continued

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### **Burleigh County Water Resource District's Response to Findings**

Burleigh County Water Resource District's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Burleigh County Water Resource District'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  
June 22, 2020

# BURLEIGH COUNTY WATER RESOURCE DISTRICT

Summary of Auditor's Results  
For the Year Ended December 31, 2019

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## Financial Statements

Type of Report Issued?

Governmental Activities

Major Funds

Unmodified

Unmodified

## Internal control over financial reporting

Material weaknesses identified?

  X   Yes          None Noted

Significant deficiencies identified not considered to be material weaknesses?

      Yes      X   None Noted

Noncompliance material to financial statements noted?

      Yes      X   None Noted



# **BURLEIGH COUNTY WATER RESOURCE DISTRICT**

Schedule of Audit Findings

For the Year Ended December 31, 2019

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## **2019-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

### **Condition**

Burleigh 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.

### **Criteria**

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates 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 WRD.

### **Cause**

The Burleigh County Water Resource District has no full-time staff. They outsource their secretarial and bookkeeping duties to Personalized Management Services Inc. Personalized Management Services has limited staff which makes segregating duties difficult.

### **Effect**

Limited segregation of duties exposes the District to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

### **Prior Recommendation**

Yes.

### **Recommendation**

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

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked 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.

### **Burleigh County Water Resource District's Response**

Agree. The Burleigh County Water Resource District agrees and will segregate duties as it becomes feasible.

**2019-002 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

**Condition**

Burleigh County Water Resource District does not currently prepare a fraud risk assessment of the entire entity.

**Effect**

If Burleigh County Water Resource District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Burleigh County Water Resource District has limited amount of staff and decided it was not necessary to implement at this date.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (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.

**Prior Recommendation**

Yes.

**Recommendation**

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

**Burleigh County Water Resource District's Response**

Agree, Burleigh County Water Resource District will consider preparing a fraud risk assessment in the future.

STATE AUDITOR  
Joshua C. Gallion



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STATE CAPITOL  
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Bismarck, North Dakota, 58505

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## GOVERNANCE COMMUNICATION

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Board of Commissioners  
Burleigh County Water Resource District  
Bismarck, North Dakota

We have audited the financial statements of the governmental activities and the major fund of Burleigh County Water Resource District, North Dakota, for the year ended December 31, 2019 which collectively comprise Burleigh County Water Resource District's basic financial statements, and have issued our report thereon dated June 22, 2020. 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 April 15, 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 Burleigh County Water Resource District'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 Burleigh County Water Resource District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Burleigh County Water Resource District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. 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.

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. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements as a whole.

### **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 June 22, 2020.

### **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 District'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 Commissioners and management of Burleigh County Water Resource District, 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 Burleigh County Water Resource District 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 Burleigh County Water Resource District.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 22, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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