



Financial Statements  
December 31, 2021

## Burke County, North Dakota

County Officials Unaudited .....	1
Independent Auditor's Report .....	2
Financial Statements	
Statement of Net Position – Modified Cash Basis .....	6
Statement of Activities – Modified Cash Basis .....	7
Balance Sheet – Governmental Funds – Modified Cash Basis .....	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis .....	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis .....	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis .....	11
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis .....	12
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis .....	13
Notes to Financial Statements .....	14
Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	30
Budgetary Comparison Schedule – County Road and Bridge Fund .....	31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	32
Schedule of Audit Findings.....	34

Jarret Van Berkom  
Shannon Holter  
Richard Owings

Chairman  
Commissioner  
Commissioner

Jeanine Jensen  
Sheila Burns  
Lynette Nelson  
Shawn Brien  
Amber Fiesel

Auditor  
Treasurer  
Recorder/Clerk of Court  
Sheriff  
State's Attorney



## Independent Auditor's Report

Board of County Commissioners  
Burke County  
Bowbells, North Dakota

### Report on the Audit of the Financial Statements

#### *Qualified and Unmodified Opinions*

We have audited the modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burke County, North Dakota (the County) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Qualified Opinion on the Aggregate Remaining Funds*

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the aggregate remaining funds of the County, as of December 31, 2021, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

#### *Unmodified Opinions on the Governmental Activities, the Discretely Presented Component Unit, and Each Major Fund*

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the discretely presented component unit, and each major fund as of December 31, 2021, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### ***Basis for Qualified and Unmodified Opinions***

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

### ***Matter Giving Rise to Qualified Opinion on the Aggregate Remaining Funds***

Management has not adopted the methodology for reporting custodial funds in accordance with GASB-84, *Fiduciary Activities* affecting the aggregate remaining funds. Accounting principles generally accepted in the United States of America require that revenues and expenditures of custodial funds be recorded at gross and closed into custodial fund net position at the end of the year. The amount by which this departure would affect the revenues and expenditures of the custodial funds affecting the aggregate remaining funds has not been determined.

### ***Emphasis of Matter – Restatements***

As discussed in Note 13 to the financial statements, in 2020, the County recorded advance taxes received in a custodial fund. The County is correcting the error and recording the advanced taxes collected in the funds in which they are levied. Accordingly, a restatement has been made to net position of the custodial funds and fund balance of the respective levied funds as of January 1, 2021. Our opinions are not modified with respect to this matter.

In 2020, the County recorded a capital asset and related capital lease liability for an asset acquired under a capital lease. Capital leases should not be recorded within the financial statements under the modified cash basis of accounting. Accordingly, a restatement has been made to governmental activities net position as of January 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

In 2020, the County improperly recorded a capital asset acquired through a capital contribution. Capital contributions should not be recorded within the financial statements under the modified cash basis of accounting. Accordingly, a restatement has been made to governmental activities net position as of January 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

In 2020 and 2019, the Burke County Water Resource District improperly excluded recording capital assets for construction in progress and infrastructure. Accordingly, a restatement has been made to component unit net position as of January 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burke County, North Dakota's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basis of accounting described in Note 1.

### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the county officials listing but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of Burke County, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Burke County, North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burke County, North Dakota's internal control over financial reporting and compliance.



Bismarck, North Dakota  
January 20, 2023

Burke County  
Statement of Net Position – Modified Cash Basis  
December 31, 2021

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
Assets		
Cash and investments	\$ 18,490,344	\$ 58,742
Capital assets not being depreciated		
Land	4,043	-
Construction in progress	166,208	-
Capital assets (net of accumulated depreciation)		
Buildings	1,880,050	-
Office equipment	7,691	-
Vehicles and road equipment	1,588,852	-
Infrastructure	20,679,218	27,983
Total capital assets	24,326,062	27,983
Total assets	\$ 42,816,406	\$ 86,725
Liabilities		
Long-term liabilities		
Due within one year		
Loan payable	\$ 147,196	\$ -
Due after one year		
Loan payable	316,939	-
Total liabilities	464,135	-
Net Position		
Net investment in capital assets	23,861,927	-
Unrestricted	18,490,344	86,725
Total net position	42,352,271	86,725
Total liabilities and net position	\$ 42,816,406	\$ 86,725



**Burke County**  
Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Water Resource District
Primary government					
Governmental activities					
General government	\$ 2,295,259	\$ 203,894	\$ 208,711	\$ (1,882,654)	\$ -
Public safety	621,659	3,455	100,677	(517,527)	-
Highways	3,423,715	367,516	339,432	(2,716,767)	-
Health and welfare	16,781	-	24,715	7,934	-
Culture and recreation	-	46,253	-	46,253	-
Conservation of natural resources	238,382	-	-	(238,382)	-
Economic development	47,664	-	-	(47,664)	-
Other	26,901	-	-	(26,901)	-
Interest	9,700	-	-	(9,700)	-
Total primary government	<u>\$ 6,680,061</u>	<u>\$ 621,118</u>	<u>\$ 673,535</u>	<u>(5,385,408)</u>	<u>-</u>
Component unit					
Water Resource District	\$ 12,618	\$ -	\$ -	-	(12,618)
Total component units	<u>\$ 12,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(12,618)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes				1,126,877	26,865
Property taxes, levied for special purposes				881,248	-
Oil and gas production taxes				3,531,480	-
Nonrestricted grants and contributions				419,163	-
Earnings on investments				179,807	15
Gain on disposal of capital assets				4,856	-
Miscellaneous revenue				202,670	-
Total general revenues				<u>6,346,101</u>	<u>26,880</u>
Change in net position				<u>960,693</u>	<u>14,262</u>
Net position - January 1, as restated				<u>41,391,578</u>	<u>72,463</u>
Net position - December 31				<u>\$ 42,352,271</u>	<u>\$ 86,725</u>

Burke County  
Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2021

	General	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 16,764,793	\$ 414,494	\$ 1,311,057	\$ 18,490,344
Total assets	<u>\$ 16,764,793</u>	<u>\$ 414,494</u>	<u>\$ 1,311,057</u>	<u>\$ 18,490,344</u>
Fund Balances				
Assigned for				
General government	\$ -	\$ -	\$ 405,175	\$ 405,175
Public safety	86,429	-	138,768	225,197
Highways	-	414,494	350,748	765,242
Health and welfare	-	-	22	22
Conservation of natural resources	162,993	-	416,344	579,337
Unassigned	<u>16,515,371</u>	<u>-</u>	<u>-</u>	<u>16,515,371</u>
Total fund balances	<u>\$ 16,764,793</u>	<u>\$ 414,494</u>	<u>\$ 1,311,057</u>	<u>\$ 18,490,344</u>

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis  
December 31, 2021

---

Total fund balances for governmental funds		\$ 18,490,344
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		
Cost of capital assets	\$ 36,372,979	
Less accumulated depreciation	<u>(12,046,917)</u>	
Net capital assets		<u>24,326,062</u>
Long-term liabilities applicable to the County's governmental activities 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. Balances at December 31, 2021 are		
Loan payable		<u>(464,135)</u>
Total net position of governmental activities		<u><u>\$ 42,352,271</u></u>

# Burke County

## Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis Year Ended December 31, 2021

	General	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,901,167	\$ 277,349	\$ 361,089	\$ 5,539,605
Licenses, permits and fees	189,894	-	-	189,894
Intergovernmental	593,794	36,632	462,272	1,092,698
Charges for services	14,000	367,516	46,253	427,769
Fines and forfeits	3,455	-	-	3,455
Interest income	179,807	-	-	179,807
Miscellaneous	143,434	9,309	49,927	202,670
Total revenues	6,025,551	690,806	919,541	7,635,898
Expenditures				
Current				
General government	2,047,904	-	192,510	2,240,414
Public safety	372,733	-	135,690	508,423
Highways	-	1,876,869	516,959	2,393,828
Health and welfare	-	-	16,781	16,781
Conservation of natural resources	350	-	238,032	238,382
Economic development	47,664	-	-	47,664
Other	546	-	26,355	26,901
Capital outlay	363,425	749,076	-	1,112,501
Debt Service				
Principal	144,442	-	-	144,442
Interest	9,700	-	-	9,700
Total expenditures	2,986,764	2,625,945	1,126,327	6,739,036
Excess (Deficiency) of Revenues over Expenditures	3,038,787	(1,935,139)	(206,786)	896,862
Other Financing Sources (Uses)				
Transfers in	-	1,500,000	500,000	2,000,000
Transfers out	(2,000,000)	-	-	(2,000,000)
Total other financing sources and uses	(2,000,000)	1,500,000	500,000	-
Net Change in Fund Balances	1,038,787	(435,139)	293,214	896,862
Fund Balance - January 1, as restated	15,726,006	849,633	1,017,843	17,593,482
Fund Balance - December 31	\$ 16,764,793	\$ 414,494	\$ 1,311,057	\$ 18,490,344

# Burke County

## Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis Year Ended December 31, 2021

Net change in fund balance - total governmental funds	\$ 896,862
---	------------

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. This is the effect of capital outlay, depreciation expense and other capital asset transactions in the current period

Current year capital outlay	\$ 1,112,501	
Current year depreciation expense	(1,197,968)	
Gain on disposal of capital assets	<u>4,856</u>	
		<u>(80,611)</u>

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 assets. This is the amount by which debt proceeds exceeded debt repayment

Repayment of debt	<u>144,442</u>
-------------------	----------------

Change in net position of governmental activities	<u>\$ 960,693</u>
---	-------------------

Burke County  
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis  
December 31, 2021

---

Assets

Cash and investments	<u>\$ 877,806</u>
----------------------	-------------------

Net position

Restricted - held for others	<u>\$ 877,806</u>
------------------------------	-------------------

Burke County

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis

December 31, 2021

---

	Custodial Funds
Additions	
Taxes	\$ 532,063
Intergovernmental	177,084
Miscellaneous revenue	<u>47,639</u>
Total revenues	<u>756,786</u>
Deductions	
Tax disbursements to other governments	532,063
Other governmental disbursements	<u>248,057</u>
Total expenditures	<u>780,120</u>
Change in net position	(23,334)
Net position, beginning, as restated	<u>901,140</u>
Net position, ending	<u><u>\$ 877,806</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

The financial statements of Burke County, North Dakota, have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### **Reporting Entity**

The accompanying financial statements present the activities of Burke County, North Dakota (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 Burke 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 Burke County.

Based on these criteria, the component units discussed below are included within the County's reporting entity because of the significance of its operational or financial relationship with the County.

### **Component Unit**

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

**Discretely Presented Component Unit** – The component unit column in the combined financial statements includes the financial data of the County's component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the County.

**Burke County Water Resource District** – The members of the governing board are appointed by the Board of County Commissioners and can be removed from office for just cause. The County Commission can approve, disapprove or amend the District's annual budget. The District has the authority to issue debt.

**Component Unit Financial Statements** – The financial statements of the discretely presented component unit are presented in the County's basic financial statements. Separate financial statements of the component unit are not prepared.



### **Government-Wide and Fund Financial Statements**

Government-Wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities normally are financed through taxes, intergovernmental revenues, and non-exchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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. All remaining governmental funds are aggregated and reported as nonmajor funds.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

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

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

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

County Road and Bridge Fund – This fund accounts for the maintenance and repair of roads within the County.

Additionally, the County reports the following fund type:

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

The County follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the District follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### **Equity Classifications**

#### **Government-wide Statements**

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### **Fund Balance Classification Policies and Procedures**

The County classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The County uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

### **Cash and Investments**

Cash includes amounts in demand deposits and money market accounts with a maturity date of 90 days or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

The investments consist of certificates of deposit, with maturity dates in excess of 90 days, stated at cost.

### **Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements when the initial transaction arose from cash transactions or events. 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.

General infrastructure assets consist of the road and bridge projects constructed since January 1, 2004 and are reported at historical cost. 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 over the following estimated useful lives:

Assets	Years
Buildings	50
Office equipment	5
Vehicles and road equipment	6-20
Infrastructure	30-50

### Long-Term Obligations

In the government-wide modified cash basis financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position when the initial transaction arose from cash transactions or events. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year incurred. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Payments on debt are recognized as debt service expenditures. 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.

## **Note 2 - Stewardship, Compliance, and Accountability**

The County commission adopts an “appropriated budget” on the modified cash basis of accounting. The County auditor prepares an annual budget for the General Fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them. The current budget, except for property taxes, may be amended throughout the year for revenues or appropriations anticipated when the budget was prepared. NDCC 57-15-31.1. Each budget is controlled by the County auditor at the revenue and expenditure function/object level. All appropriations lapse at year-end. When expenditures are in excess of appropriations the County will fund these items through revenues in excess of budget, cash reserves of the fund, or from a cash transfer from other funds.

The County holds public hearings regarding disbursements. All tax levies and all taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04. The County commissioners meet on or before October to determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05.

The general fund had expenditures exceeding appropriations of \$1,282,615 for the year ended December 31, 2021. These over expenditures were funded by revenues exceeding budget and existing fund balance.

## **Note 3 - Deposits and Investments**

### **Deposits**

In accordance with North Dakota Statutes, the County maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Custodial Credit Risk (Deposits) – Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 December 31, 2021, the County's bank balance of deposits was \$5,942,599. The carrying amount of deposits was \$5,718,879. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining balance of \$4,692,599 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, Burke County Water Resource District, a discretely presented component unit of Burke County, had deposits with a bank balance and carrying balance of \$48,742. The bank balances were covered by Federal Depository Insurance.

### Investments

Interest Rate Risk – The County does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. The following shows the investments by type, amount and duration at December 31, 2021:

	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years	Total
Certificates of Deposit, valued at cost	<u>\$ 6,955,813</u>	<u>\$ 6,693,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,649,271</u>

Investments of the Burke County Water Resource Board, a discretely presented component unit of Burke County, consisted of certificates of deposit totaling \$10,000 that mature in less than one year.

Credit Risk - The County may invest idle funds as authorized in North Dakota Statutes, as follows:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

Concentration of Credit Risk - The County does not have a limit on the amount the district may invest in any one issuer.

### Note 4 - Property Tax Revenue

The County treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Any material collections are distributed after the end of the month.

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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

### Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2021:

<u>Governmental Activities</u>	<u>January 1 (as Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Capital assets not being depreciated				
Land	\$ 4,043	\$ -	\$ -	\$ 4,043
Construction in progress	152,843	158,489	145,124	166,208
Total capital assets not being depreciated	156,886	158,489	145,124	170,251
Capital assets being depreciated				
Buildings	2,464,437	-	-	2,464,437
Office equipment	91,917	-	-	91,917
Vehicles and road equipment	3,540,828	363,425	278,595	3,625,658
Infrastructure	29,285,005	735,711	-	30,020,716
Total capital assets, being depreciated	35,382,187	1,099,136	278,595	36,202,728
Less accumulated depreciation for				
Buildings	537,519	46,868	-	584,387
Office equipment	76,249	7,977	-	84,226
Vehicles and road equipment	1,854,601	455,944	273,739	2,036,806
Infrastructure	8,654,319	687,179	-	9,341,498
Total accumulated depreciation	11,122,688	1,197,968	273,739	12,046,917
Total capital assets being depreciated, net	24,259,499	(98,832)	4,856	24,155,811
Governmental activities - capital assets, net	<u>\$ 24,416,385</u>	<u>\$ 59,657</u>	<u>\$ 149,980</u>	<u>\$ 24,326,062</u>

The County has a contract commitment totaling \$21,765 at December 31, 2021.

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

Governmental Activities

General government	\$ 54,845
Public safety	113,236
Highways	<u>1,029,887</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 1,197,968</u></u>

**Note 6 - Interfund Transfers**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2021:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,000,000
County Road and Bridge	1,500,000	-
Other Governmental Funds	<u>500,000</u>	<u>-</u>
 Total transfers	 <u><u>\$ 2,000,000</u></u>	 <u><u>\$ 2,000,000</u></u>

The interfund transfers consist of budgeted transfers and transfers of interest income allocated to the funds. Interfund transfers move revenues from the funds that are required to collect them to funds that are allowed to expend them.

**Note 7 - Long-Term Liabilities**

During the year ended December 31, 2021, the following changes occurred in liabilities reported as long-term debt:

	2021				
	<u>Balance January 1</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Certificate of indebtedness	<u>\$ 608,577</u>	<u>\$ -</u>	<u>\$ 144,442</u>	<u>\$ 464,135</u>	<u>\$ 147,196</u>



Outstanding debt at December 31, 2021 consists of the following:

**\$1,500,000 Certificate of Indebtedness Series 2017**

Total draws for the life of the debt were \$464,135 - variable interest rate of LIBOR + 1.5% (1.75% at December 31, 2021); principal and interest monthly installments of \$12,845 through December 28, 2025

The County has committed gross production tax revenue to pay the monthly principal and interest requirements of the 2017 certificates. The gross production tax revenue in the current year was \$3,531,480.

Debt service requirements on long-term debt at December 31, 2021 are as follows:

Year Ending December 31	Certificate of Indebtedness	
	Principal	Interest
2022	\$ 147,196	\$ 6,945
2023	149,793	4,349
2024	152,436	1,706
2025	14,710	24
	<u>\$ 464,135</u>	<u>\$ 13,024</u>

It is to be noted that long-term debt has a balance of \$0 as of the date of this report. Outstanding balance was paid by the county in full during March of 2022.

**Note 8 - Capital Lease**

In 2018, Burke County entered into a lease agreement for the use of equipment utilized by the County for road maintenance. Capital lease assets and liabilities are not recorded in the financial statements under the modified cash basis of accounting. The future lease obligations as of December 31, 2021 are as follows:

Year Ending December 31	Capital Lease		
	Principal	Interest	Total
2022	\$ 20,219	\$ 3,113	\$ 23,332
2023	21,207	2,125	23,332
2024	22,244	1,088	23,332
	<u>\$ 63,670</u>	<u>\$ 6,326</u>	<u>\$ 69,996</u>

**Note 9 - Joint Venture**

Burke County entered into a joint venture with Bottineau, McHenry, Mclean, Renville, Sheridan, and Ward Counties for the operation of the First District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county. During 2021, the County's contributions to the joint venture was \$64,651.

Audited summary financial information for the year ended December 31, 2021, the most recent year audited, is as follows:

Cash and cash equivalents	\$ 5,898,195
Other assets	<u>3,270,245</u>
Total assets	9,168,440
Deferred outflows of resources	<u>2,436,148</u>
Total assets and deferred outflows of resources	<u><u>\$ 11,604,588</u></u>
Total liabilities	\$ 2,489,405
Deferred inflows of resources	4,251,108
Total net position	<u>4,864,075</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 11,604,588</u></u>
Total revenues	\$ 8,137,577
Total expenses	<u>5,791,427</u>
Change in net position	<u><u>\$ 2,346,150</u></u>

Completed financial statements may be obtained from the First District Health Unit; 801 11<sup>th</sup> Ave SW, Minot, North Dakota 58701.

**Note 10 - Risk Management**

Burke County 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. During the year ended December 31, 2021, the County managed its risks as follows:

### **Liability Insurance**

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. Burke County pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for personal injury and property damage and governance liability.

### **Property and Bond Insurance**

Burke County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Burke 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 Burke 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.

Burke County has workers compensation with the North Dakota Workforce Safety and Insurance. The County pays for a single policy health insurance from a commercial insurance carrier.

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

## **Note 11 - 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.

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

## **Pension Contributions**

During the year ended December 31, 2021, the County made employer cash contributions for the pension and OPEB plans totaling \$135,621.

## **Note 12 - Other Post-Employment Benefits**

### **North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

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

### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. 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.

#### **OPEB Contributions**

During the year ended December 31, 2021, the County made employer cash contributions for the pension and OPEB plans totaling \$135,621.

#### **Note 13 - Restatements**

In 2020, the County recorded advance taxes received in a custodial fund. The County corrected this error by recording the advanced taxes collected in the funds in which they are levied. Accordingly, the fund balances of the custodial funds and other levied funds as of January 1, 2021 have been restated totaling \$390,238.

In 2020, the County recorded a capital asset and related capital lease liability for an asset acquired under a capital lease. Capital leases should not be recorded within the financial statements under the modified cash basis of accounting. Accordingly, governmental activities net position as of January 1, 2021 has been restated totaling \$73,234 to correct the error.

In 2020, the County improperly recorded a capital asset acquired through a capital contribution. Capital contributions should not be recorded within the financial statements under the modified cash basis of accounting. Accordingly, governmental activities net position as of January 1, 2021 has been restated totaling \$1,375,596 to correct the error.

In 2020 and 2019, the Burke County Water Resource District improperly excluded recording capital assets for construction in progress and infrastructure. Accordingly, component unit net position as of January 1, 2021 has been restated totaling \$17,615 to correct the errors.

See summary of restatements below:

	General Fund	Road & Bridge	Other Government	Total Governmental Funds	Governmental Activity	Component Unit	Custodial Funds
Fund Balance/ Net Position, January 1, as previously reported	\$ 15,455,611	\$ 782,017	\$ 973,707	\$ 17,211,335	\$ 42,311,793	\$ 46,757	\$ 1,291,378
Restatement due to 2021 advance taxes recorded within a custodial fund	270,395	67,616	44,136	382,147	382,147	8,091	(390,238)
Restatement due to error recording a capital lease liability on the modified cash basis	-	-	-	-	73,234	-	-
Restatement due to error recording contributed capital assets on the modified cash basis	-	-	-	-	(1,375,596)	-	-
Restatement due to improperly excluding capital assets	-	-	-	-	-	17,615	-
Fund Balance/Net Position January 1, as restated	<u>\$ 15,726,006</u>	<u>\$ 849,633</u>	<u>\$ 1,017,843</u>	<u>\$ 17,593,482</u>	<u>\$ 41,391,578</u>	<u>\$ 72,463</u>	<u>\$ 901,140</u>



Supplementary Information  
December 31, 2021

## Burke County, North Dakota



Burke County  
Budgetary Comparison Schedule – General Fund  
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 1,147,800	\$ 1,147,800	\$ 4,901,167	\$ 3,753,367
Licenses, permits and fees	263,600	263,600	189,894	(73,706)
Intergovernmental	1,211,725	1,211,725	593,794	(617,931)
Charges for services	2,000	2,000	14,000	12,000
Fines and forfeits	1,000	1,000	3,455	2,455
Interest income	45,000	45,000	179,807	134,807
Miscellaneous	30,000	30,000	143,047	113,047
Total revenues	<u>2,701,125</u>	<u>2,701,125</u>	<u>6,025,164</u>	<u>3,324,039</u>
Expenditures				
Current				
General government	1,389,668	1,389,668	2,047,904	(658,236)
Public safety	764,574	764,574	372,733	391,841
Economic development	68,331	68,331	47,664	20,667
Conservation	-	-	350	(350)
Other	30,000	30,000	546	29,454
Capital outlay	-	-	363,425	(363,425)
Debt Service	-	-	154,142	(154,142)
Total expenditures	<u>2,252,573</u>	<u>2,252,573</u>	<u>2,986,764</u>	<u>(734,191)</u>
Excess of Revenues over Expenditures	<u>448,552</u>	<u>448,552</u>	<u>3,038,400</u>	<u>2,589,848</u>
Other Financing Uses				
Transfers out	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>(2,000,000)</u>	<u>2,500,000</u>
Total other financing uses	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>(2,000,000)</u>	<u>2,500,000</u>
Net Change in Fund Balances	<u>(4,051,448)</u>	<u>(4,051,448)</u>	<u>1,038,400</u>	<u>5,089,848</u>
Fund Balance - January 1, as restated	<u>15,726,006</u>	<u>15,726,006</u>	<u>15,726,006</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 11,674,558</u>	<u>\$ 11,674,558</u>	<u>\$ 16,764,406</u>	<u>\$ 5,089,848</u>

**Burke County**  
**Budgetary Comparison Schedule – County Road and Bridge Fund**  
**Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 285,000	\$ 285,000	\$ 277,349	\$ (7,651)
Intergovernmental	1,000	1,000	36,632	35,632
Charges for services	215,000	215,000	367,516	152,516
Miscellaneous	-	-	9,309	9,309
Total revenues	<u>501,000</u>	<u>501,000</u>	<u>690,806</u>	<u>189,806</u>
<b>Expenditures</b>				
Current				
Highways	750,000	750,000	1,876,869	(1,126,869)
Capital outlay	<u>2,076,844</u>	<u>2,076,844</u>	<u>749,076</u>	<u>1,327,768</u>
Total expenditures	<u>2,826,844</u>	<u>2,826,844</u>	<u>2,625,945</u>	<u>200,899</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,325,844)</u>	<u>(2,325,844)</u>	<u>(1,935,139)</u>	<u>390,705</u>
<b>Other Financing Sources</b>				
Transfers in	<u>2,980,000</u>	<u>2,980,000</u>	<u>1,500,000</u>	<u>(1,480,000)</u>
Total other financing sources	<u>2,980,000</u>	<u>2,980,000</u>	<u>1,500,000</u>	<u>(1,480,000)</u>
Net Change in Fund Balances	654,156	654,156	(435,139)	(1,089,295)
Fund Balance - January 1, as restated	<u>849,633</u>	<u>849,633</u>	<u>849,633</u>	-
Fund Balance - December 31	<u><u>\$ 1,503,789</u></u>	<u><u>\$ 1,503,789</u></u>	<u><u>\$ 414,494</u></u>	<u><u>\$ (1,089,295)</u></u>



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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 modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burke County, North Dakota as of and for the year ended December 31, 2021, 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 20, 2023.

In our report we issued a qualified opinion on the aggregate remaining funds.

**Report on 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) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 through 2021-007 that we consider to be material weaknesses.

**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-005, and 2021-006.

**Burke County's Responses to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

Bismarck, North Dakota  
January 20, 2023

**Financial Statement Audit Findings**

**2021-001 – Lack of Payroll Tax Documents – Component Unit – Material Noncompliance  
Material Weakness in Internal Controls**

Condition – Burke County Water Resource District (“the District”) did not assess three individuals as an employee or contractor that receive a total of \$9,000 in 2021. Also, the District did not issue any W-2 or 1099 tax statement for these individuals.

Criteria – United States Department of the Treasury Internal Revenue Service 2020 General Instructions for Forms W-2 and W-3 states "You must file Form(s) W-2 if you have one or more employees to whom you made payments (including noncash payments) for the employees' services in your trade or business during 2020. Complete and file Form W-2 for each employee for whom any of the following applies (even if the employee is related to you).

- You withheld any income, social security, or Medicare tax from wages regardless of the amount of wages; or
- You would have had to withhold income tax if the employee had claimed no more than one withholding allowance (for 2019 or earlier Forms W-4) or had not claimed exemption from withholding on Form W-4; or
- You paid \$600 or more in wages even if you did not withhold any income, social security, or Medicare tax.

Only in very limited situations will you not have to file Form W-2. This may occur if you were not required to withhold any income tax, social security tax, or Medicare tax and you paid the employee less than \$600, such as for certain election workers and certain foreign agricultural workers."

United States Department of the Treasury Internal Revenue Service 2021 Instructions for Forms 1099-MISC and 1099- NEC states "File Form 1099-MISC, Miscellaneous Income, for each person in the course of your business to whom you have paid the following during the year:

- At least \$10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8).
- At least \$600 in:
  - 1. Rents (box 1);
  - 2. Prizes and awards (box 3);
  - 3. Other income payments (box 3);
  - 4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3);
  - 5. Any fishing boat proceeds (box 5);
  - 6. Medical and health care payments (box 6);
  - 7. Crop insurance proceeds (box 9);
  - 8. Payments to an attorney (box 10) (see Payments to attorneys, later);
  - 9. Section 409A deferrals (box 12); or
  - 10. Nonqualified deferred compensation (box 14).

You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment."

Cause - Burke County Water Resource District may have been unaware that a W-2 or 1099 tax statement was required to be issued to the individuals.

Effect – Burke County Water Resource District may not be in compliance with IRS Regulations in regards to W-2s and 1099s.

Recommendation – We recommend Burke County Water Resource District assess all individuals to determine if they are employees or contractors and issue the proper tax statements to the individuals.

Views of Responsible Officials – Agree. We plan to start issuing W-2 or 1099 tax statements for said individuals.

#### **2021-002 – Segregation of Duties – Material Weakness**

Condition - The County and Component Unit have a lack of segregation of duties in certain areas, including review and approval of manual journal entries, due to a limited staff.

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

Cause – The County has limited staff to be able to adequately segregate duties.

Effect - Inadequate segregation of duties could adversely affect the County' and Component Unit's ability to detect misstatements in amounts that would be significant in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation – All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the County and Component Unit.

Views of Responsible Officials – Burke County and the Component Unit recognize this is a serious issue; however, we do not feel it would be a wise use of our resources to employ additional staff for the sole purpose of ensuring segregation of duties. While we realize there is always a possibility, we have so far been able to rely on the integrity of our staff.

**2021-003 Preparation of Financial Statements, including Restatement and GASB-84 GAAP Departure – Material Weakness**

Condition – Burke County does not have an internal control system designed to provide for the preparation of the financial statements. In the prior year, Burke County improperly recognized a capital lease under the modified cash basis of accounting resulting in a restatement to the previously issued financial statements. Also, Burke County has not appropriately implemented GASB-84 due to a significant number of custodial funds not being accounted for appropriately in terms of reporting of revenues, expenditures, and net position. As auditors, we were requested to write the financial statements, and the accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements. Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Cause – The County does not have trained staff in GASB reporting standards to prepare the accompanying notes to the financial statements. Custodial fund revenue and expenditure activity is not recorded accurately and closed to net position which could cause a material misstatement to the Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis.

Effect – Inadequate control over financial reporting of Burke County could result in more than a remote likelihood that the financial statements and accompanying notes to the financial statements are not materially correct without the assistance of auditors. The GAAP Departure has resulted in a misstatement to the Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis resulting in a qualified audit opinion over the aggregate remaining funds.

Recommendation – Management and the Board should continually be aware of the financial reporting of the County and changes in reporting requirements. We recommend that the County properly implement GASB-84, *Fiduciary Activities* in order for the financial statements to be presented appropriately.

Views of Responsible Officials – Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit-ready financial statements as part of their annual audit of the County. The County has determined that we will continue to report the custodial funds in the current manner in which they are presented. This would cause significant changes to be made to the accounting system as currently revenues for custodial funds are recorded as liabilities until they are paid.

**2021-004 Material Audit Adjustments – Material Weakness**

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

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

Cause – Burke County did not have controls in place to properly reconcile and record all transactions materially correct in the financial statements.

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

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

Views of Responsible Officials – Agree. The County will continue to try to identify all of the items that need to be adjusted at year end and make the necessary adjustments.

**2021-005 Lack of Meeting Minutes – Component Unit – Material Noncompliance  
Material Weakness in Internal Controls**

Condition – Burke County Water Resource District (the District) has not completed board meeting minutes since July 2018. The District confirmed that phone meetings occurred with a quorum of board members, however no meeting minutes were documented regarding the board’s communication and the board decisions that were made pertaining to the District.

Criteria – North Dakota Century Code 61-16.1-04 states “The water resource board shall keep accurate minutes of its meetings and accurate records and books of account, clearly setting out and reflecting the entire operation, management, and business of the district. These books and records shall be kept at the principal office of the district or at such other regularly maintained office or offices of the district as shall be designated by the board, with due regard to the convenience of the district, its customers, and residents. The books and records shall be open to public inspection during reasonable business hours.”

North Dakota Century Code 44-04-17.1(9a) states “Meeting” means a formal or informal gathering or a work session, whether in person or through any electronic means, of;

- (1) A quorum of the members of the governing body of a public entity regarding public business; or
- (2) Less than a quorum of the members of the governing body of a public entity regarding public business, if the members attending one or more of the smaller gatherings collectively constitute a quorum and if the members hold the gathering for the purpose of avoiding the requirements of section 44-04-19.



North Dakota Century Code 44-04-17.1(15) states “Quorum” means one-half or more of the members of the governing body, or any smaller number if sufficient for a governing body to transact business on behalf of the public entity.

Cause – The District may not have been aware of when meeting minutes are to be recorded and maintained.

Effect – The District may be in violation of North Dakota Century Code 61-16.1-04.

Recommendation – We recommend the District ensure compliance with North Dakota Century Code 61-16.1-04 regarding meeting minutes.

Views of Responsible Officials – Agree. Going forward all phone conversations will be documented.

**2021-006 Conflict of Interest – Component Unit – Material Noncompliance**  
**Material Weakness in Internal Controls**

Condition – During discussions with Burke County Water Resource District (the District), it was noted that possible conflicts of interest may have occurred without recuse involving a board member and the member’s immediate family.

Criteria – North Dakota Century Code 44-04-22 states “A person acting in a legislative or quasi-legislative or judicial or quasi-judicial capacity for a political subdivision of the state who has a direct and substantial personal or pecuniary interest in a matter before that board, council, commission, or other body, must disclose the fact to the body of which that person is a member, and may not participate in or vote on that particular matter without the consent of a majority of the rest of the body.”

Cause – The District did not maintain meeting minutes to ensure board member recusal as identified in finding 2021-005. Additionally, the District may not have adequate procedures in place to handle a higher risk of conflicts of interest possibilities that decision makers of this District could have.

Effect – The District may be in violation of North Dakota Century Code 44-04-22.

Recommendation – We recommend the District educate staff and board members as to what constitutes a conflict of interest to ensure compliance with North Dakota Century Code 44-04-22.

Views of Responsible Officials – Agree. Will educate Board members as to what constitutes a conflict of interest.

**2021-007 Lack of Board Oversight – Component Unit – Material Weakness**

Condition – Burke County Water Resource District’s expenditures are currently not being approved by the 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 District, management is responsible for adequate internal controls surrounding the review process.

Cause – The District does not have an adequate process to ensure all expenditures are approved by the Board.

Effect – Without adequate review and approval of the expenditures by the Board, the District exposes itself to an increased risk of loss of assets, potential liabilities, and damage to the District’s reputation, whether due to error or fraud.

Recommendation – We recommend the District ensure that all expenditures are approved by the Board.

Views of Responsible Officials – Agree. Will get approval from the Board for all expenditures.