



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, 2021

Client Code: PS8010



Photo credit: North Dakota Tourism



Office of the
State Auditor

BURLEIGH COUNTY WATER RESOURCE DISTRICT

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BURLEIGH COUNTY WATER RESOURCE DISTRICT

District Officials
December 31, 2021

DISTRICT OFFICIALS

Dennis Reep	Chairman
Rodney Beck	Vice Chairman
Rick Detwiller	Secretary/Treasurer
James Landenberg, PE	Manager
Cory Palm	Manager
Wendy Egli	Secretary
David Bliss	Attorney
Michael Gunsch, PE	Engineer

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Burleigh County Water Resource District, Bismarck, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Burleigh County Water Resource District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Burleigh County Water Resource District, Bismarck, North Dakota, as of December 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Burleigh County Water Resource District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Burleigh County Water Resource District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 our 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 Burleigh County Water Resource District's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Burleigh County Water Resource District's ability to continue as a going concern for a reasonable period of time.

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

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* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 August 31, 2022 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
August 31, 2022

BURLEIGH COUNTY WATER RESOURCE DISTRICT

Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,493,341
Intergovernmental Receivable	8,504
Taxes Receivable	7,502
Special Assessments Receivable	1,318,197
Capital Assets, Net	<u>7,399,075</u>
Total Assets	<u>\$ 11,226,619</u>
LIABILITIES	
Accounts Payable	\$ 34,793
Salaries Payable	561
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	113,451
Due After One Year	
Long-Term Debt	<u>1,941,621</u>
Total Liabilities	<u>\$ 2,090,426</u>
NET POSITION	
Net Investment in Capital Assets	\$ 6,662,200
Restricted	
Conservation of Natural Resources	2,468,369
Debt Service	<u>5,624</u>
Total Net Position	<u><u>\$ 9,136,193</u></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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				
Conservation of Natural Resources	\$ 841,146	\$ 103,804	\$ 47,948	\$ (689,394)
Interest on Long-Term Debt	36,198	-	-	(36,198)
Total Governmental Activities	<u>\$ 877,344</u>	<u>\$ 103,804</u>	<u>\$ 47,948</u>	<u>\$ (725,592)</u>
General Revenues				
Taxes				\$ 879,915
Non-restricted Grants and Contributions				6,287
Interest Earnings				271
Miscellaneous Revenues				<u>38,431</u>
Total General Revenues				<u>\$ 924,904</u>
Change in Net Position				<u>\$ 199,312</u>
Net Position - January 1				<u>\$ 8,816,827</u>
Prior Period Adjustment				<u>\$ 120,054</u>
Net Position - January 1, as restated				<u>\$ 8,936,881</u>
Net Position - December 31				\$ 9,136,193

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

BURLEIGH COUNTY WATER RESOURCE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2021

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 2,493,341
Intergovernmental Receivable	8,504
Taxes Receivable	7,502
Special Assessments Receivable	<u>1,318,197</u>
 Total Assets	 <u><u>\$ 3,827,544</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 34,793
Salaries Payable	<u>561</u>
 Total Liabilities	 <u>\$ 35,354</u>
 Deferred Inflows of Resources:	
Taxes Receivable	\$ 7,502
Special Assessments Receivable	<u>1,318,197</u>
 Total Deferred Inflows of Resources	 <u>\$ 1,325,699</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 1,361,053</u>
 Fund Balances	
Restricted	
Conservation of Natural Resources	\$ 2,460,867
Debt Service	<u>5,624</u>
 Total Fund Balances	 <u>\$ 2,466,491</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 3,827,544</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, 2021

Total Fund Balances for Governmental Funds	\$ 2,466,491
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Total *net position* reported for governmental 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.	7,399,075
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Certain receivables 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 revenues in the funds.

Property Taxes Receivable	\$ 7,502	
Special Assessments Receivable	<u>1,318,197</u>	1,325,699

Long-term liabilities applicable to the Water District'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.

Long-Term Debt	<u>(2,055,072)</u>
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Total Net Position of Governmental Activities	<u>\$ 9,136,193</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, 2021

	General Fund
Revenues	
Taxes	\$ 977,850
Intergovernmental	158,039
Interest Income	271
Miscellaneous	38,431
	<hr/>
Total Revenues	\$ 1,174,591
	<hr/>
Expenditures	
Current	
Payroll	\$ 18,797
Management Services	35,295
McDowell Dam - Capital Improvements	148,421
Projects	305,960
Design/Special Assessment	45,274
Drainage Complaints	6,457
Legal Fees	11,451
Engineering Administration	24,848
Miscellaneous	57,372
Debt Service	
Principal	125,000
Interest	34,649
	<hr/>
Total Expenditures	\$ 813,524
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 361,067
	<hr/>
Net Change in Fund Balances	\$ 361,067
	<hr/>
Fund Balance - January 1	\$ 2,105,424
	<hr/>
Fund Balance - December 31	\$ 2,466,491
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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, 2021

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 361,067
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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.

Capital Additions	\$ 45,281	
Depreciation Expense	<u>(232,552)</u>	(187,271)

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

Repayment of Debt	125,000
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Bond discounts are amortized over the life of the bond as interest expense using the straight-line method.

(1,549)

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 Change in Taxes Receivable	\$ (2,374)	
Net Change in Special Assessments Receivable	<u>(95,561)</u>	<u>(97,935)</u>

Change in Net Position of Governmental Activities	<u>\$ 199,312</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, 2021

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 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 District's 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.

BURLEIGH COUNTY WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

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.

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:

ASSET	YEARS
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).

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.

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net position of the District as of January 1, 2021 has been restated for a capital asset adjustment as shown below. The results of the adjustment increased the beginning net position of the District.

Beginning Net Position, as Previously Reported	\$ 8,816,827
Prior Period Adjustments	
Capital Asset, Net	120,054
Net Position January 1, as Restated	\$ 8,936,881

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that 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, 2021, the District's carrying amount of deposits totaled \$2,493,341, and the bank balances totaled \$2,506,532. 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.

BURLEIGH COUNTY WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

NOTE 4 CAPITAL ASSETS

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

	Balance Restated	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 112,482	\$ -	\$ -	\$ -	\$ 112,482
Construction in Progress	120,054	45,281	-	-	165,335
Total Capital Assets, Not Being Depreciated	\$ 232,536	\$ 45,281	\$ -	\$ -	\$ 277,817
Capital assets, being depreciated					
Infrastructure	\$ 6,679,993	\$ -	\$ -	\$ -	\$ 6,679,993
Land Improvements	1,810,034	-	-	-	1,810,034
Building	187,660	-	-	-	187,660
Office Furniture & Equip.	162,207	-	-	-	162,207
Total Capital Assets, Being Depreciated	\$ 8,839,894	\$ -	\$ -	\$ -	\$ 8,839,894
Less accumulated depreciation					
Infrastructure	\$ 230,788	\$ 164,679	\$ -	\$ -	\$ 395,467
Land Improvements	989,289	57,723	-	-	1,047,012.00
Building	151,018	1,411	-	-	152,429.00
Office Furniture & Equip.	114,987	8,739	-	-	123,726.00
Total Accumulated Depreciation	\$ 1,486,082	\$ 232,552	\$ -	\$ -	\$ 1,718,634
Total Capital Assets Being Depreciated, Net	\$ 7,353,812	\$ (232,552)	\$ -	\$ -	\$ 7,121,260
Total Capital Assets, Net	\$ 7,586,348	\$ (187,271)	\$ -	\$ -	\$ 7,399,075

Depreciation expense was charged to conservation of natural resources.

NOTE 5 LONG-TERM LIABILITIES

During the year ended December 31, 2021 the following changes occurred in liabilities reported in the Statement of Net Position:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long Term Debt					
Loans Payable	\$ 160,000	\$ -	\$ 10,000	\$ 150,000	\$ 10,000
Bonds Payable	2,045,000	-	115,000	1,930,000	105,000
Bond Discount	(26,477)	-	1,549	(24,928)	(1,549)
Total Long Term Debt	\$ 2,178,523	\$ -	\$ 126,549	\$ 2,055,072	\$ 113,451

Debt Service requirement on long-term debt at December 31, 2021 are as follows:

Year Ending December 31	Loans Payable		Bonds Payable		Bond Discount
	Principal	Interest	Principal	Interest	
2022	\$ 10,000	\$ 3,750	\$ 105,000	\$ 31,480	\$ 1,549
2023	10,000	3,500	105,000	30,230	1,549
2024	10,000	3,250	110,000	28,930	1,549
2025	15,000	3,000	110,000	27,580	1,549
2026	15,000	2,625	110,000	26,068	1,549
2027-2031	75,000	7,500	585,000	100,910	7,747
2032-2036	15,000	375	490,000	49,779	5,897
2037-2041	-	-	315,000	11,794	3,539
Total	\$ 150,000	\$ 24,000	\$ 1,930,000	\$ 306,771	\$ 24,928

NOTE 6 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 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRF for liability coverage. The coverage by NDRF is limited to losses of \$2,000,000.

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 the District with blanket fidelity bond coverage in the amount of \$1,222,704 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 8 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, 2021.

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, 2021

	Original Budget	Final Budget	Actual	Favorable/ (Unfavorable) Variance with Final Budget
Revenues				
Taxes	\$ 757,675	\$ 757,675	\$ 977,850	\$ 220,175
Intergovernmental	55,000	55,000	158,039	103,039
Interest Income	2,000	2,000	271	(1,729)
Miscellaneous	32,000	32,000	38,431	6,431
Total Revenues	\$ 846,675	\$ 846,675	\$ 1,174,591	\$ 327,916
Expenditures				
Current				
Payroll	\$ 30,000	\$ 30,000	\$ 18,797	\$ 11,203
Management Services	48,000	48,000	35,295	12,705
McDowell Dam - Capital Improvements	250,000	250,000	148,421	101,579
Projects	350,000	350,000	305,960	44,040
Design/Special Assessment	-	-	45,274	(45,274)
Drainage Complaints	57,950	57,950	6,457	51,493
Legal Fees	24,000	24,000	11,451	12,549
Engineering Administration	18,000	18,000	24,848	(6,848)
Miscellaneous	68,725	68,725	57,372	11,353
Debt Service				
Principal	-	-	125,000	(125,000)
Interest	-	-	34,649	(34,649)
Total Expenditures	\$ 846,675	\$ 846,675	\$ 813,524	\$ 33,151
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 361,067	\$ 361,067
Net Changes in Fund Balances	\$ -	\$ -	\$ 361,067	\$ 361,067
Fund Balance - January 1	\$ 2,105,424	\$ 2,105,424	\$ 2,105,424	\$ -
Fund Balance - December 31	\$ 2,105,424	\$ 2,105,424	\$ 2,466,491	\$ 361,067

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, 2021

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.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of 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, 2021, 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 August 31, 2022.

Report on 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) 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 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.

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 were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Burleigh County Water Resource District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Burleigh County Water Resource District's response to the findings identified in our audit and 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 the response.

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
August 31, 2022

BURLEIGH COUNTY WATER RESOURCE DISTRICT

Summary of Auditor's Results
For the Year Ended December 31, 2021

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, 2021

2021-001 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.

Effect

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

Cause

The Burleigh County Water Resource District has no full-time staff. They outsource their secretarial bookkeeping duties to a private company, which has limited staff, making segregating of duties difficult to accomplish.

Criteria

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

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

Thank you for the recommendation. The Burleigh County Water Resource District has received this same material weakness recommendation in the past. A lack of resources to employ permanent staff and the use of consultants for office administration limits the ability to truly segregate these functions. The Burleigh County Water Resource District has taken steps to mitigate the situation by having the Secretary/Treasurer Board Position review monthly balance sheets, financial transactions, bank statements, invoices, etc. separate from office administration consultant. These reviews are documented via electronic edits, presented at monthly board meetings, and approved by the full board via a formal motion.

2021-002 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition

Burleigh County Water Resource District had capital assets recorded at the incorrect value for 2020 and 2021. A prior period adjustment of \$120,054 was necessary to increase the beginning balance of net capital assets. A current adjustment of \$45,281 was needed to increase the ending net capital assets for 2021. Adjustments were proposed and accepted by Burleigh County Water Resource District Management.

Effect

The financial statements may have been materially misstated if the capital assets had not been adjusted during the audit.

Cause

The Burleigh County Water Resource District's management does not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

Criteria

The Burleigh County Water Resource District is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the GAAP basis of accounting.

Prior Recommendation

No.

Recommendation

We recommend Burleigh County Water Resource District review the capital asset listing at the end of the year to ensure the capital asset listing is accurate and free of material misstatement.

Burleigh County Water Resource District's Response

Thank you for the recommendation. The Burleigh County Water Resource District will review options and incorporate procedures to monitor and adjust capital asset listings and balances on a regular basis.



GOVERNANCE COMMUNICATION

August 31, 2022

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, Bismarck, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burleigh County Water Resource District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Burleigh County Water Resource District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all material misstatements and determined the uncorrected misstatements effect is immaterial to the financial statements taken as a whole. The schedule below list all corrected and uncorrected misstatements detected as a result of audit procedures.

2021 Adjustments	Audit Adjustments	
	Debit	Credit
Fund Level Adjustments		
<u>To Record Audit Found Payables</u>		
Expenditures	22,381	-
Accounts Payable	-	22,381
 <u>To Reclassify Restricted Conservation of Natural Resources Fund Balance to Debt Service Fund Balance</u>		
Fund Balance - CNR	5,624	-
Fund Balance - DS	-	5,624
 Government Wide Adjustment		
<u>To Reclassify Restricted Conservation of Natural Resources Net Position to Debt Service Net Position</u>		
Net Position - CNR	5,624	-
Net Position - DS	-	5,624
 <u>To Restate Beginning Balance</u>		
Capital Assets, Net	120,054	-
Beginning Net Position	-	120,054
 <u>To Record Audit Found Capital Asset Additions</u>		
Capital Assets, Net	45,281	-
Net Position	-	45,281
 Passed 2021 Adjustment		
<u>To Record Interest Payable</u>		
Expenditure	6,524	-
Interest Payable	-	6,524

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 representation from management that are included in the management representation letter August 31, 2022.

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 Burleigh County Water Resource 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.

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.

Other Matters

We applied certain limited procedures to the *Budgetary Comparison Schedule* and *notes to the required supplementary information*, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Burleigh County Water Resource District 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
August 31, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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