



Financial Statements
December 31, 2016
Burke County

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Chairman
Commissioner
Commissioner

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 Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Burke County, Bowbells, ND, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Burke County, Bowbells, ND, as of December 31, 2016, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burke County, Bowbells, ND's financial statements. The county officials, budgetary comparison schedules and schedule of employer's share of net pension liability and employer contributions are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedules and the schedule of employer's share of net pension liability and employer contributions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and schedule of employer's share of net pension liability and employer contributions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The county officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of Burke County, Bowbells, ND's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burke County, Bowbells, ND's internal control over financial reporting and compliance.



Bismarck, North Dakota
February 14, 2018

Burke County
Statement of Net Position – Modified Cash Basis
December 31, 2016

	Primary Government	Component Units
	Governmental Activities	Water Resource District
Assets		
Cash and investments	\$ 11,272,281	\$ 16,169
Capital assets, not being depreciated		
Land	4,043	-
Construction in progress	8,605,264	-
Capital assets (net of accumulated depreciation)		
Buildings	335,744	-
Vehicles and equipment	1,115,111	-
Infrastructure	13,778,100	-
Total capital assets	23,838,262	-
Total assets	\$ 35,110,543	\$ 16,169
Net Position		
Net investment in capital assets	\$ 23,838,262	\$ -
Restricted for		
Health and welfare	76,758	-
Unrestricted	11,195,523	16,169
Total net position	\$ 35,110,543	\$ 16,169

Burke County
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Job Development Authority	Water Resource District
Primary government							
Governmental activities							
General government	\$ 1,895,609	\$ 422,250	\$ 24,606	\$ -	\$ (1,448,753)	\$ -	\$ -
Public safety	667,057	5,430	42,444	-	(619,183)	-	-
Highways	4,490,786	217,644	408,213	19,892	(3,845,037)	-	-
Health and welfare	329,028	130	63,251	-	(265,647)	-	-
Conservation of natural resources	117,614	-	-	-	(117,614)	-	-
Economic development	74,406	-	-	-	(74,406)	-	-
Other	96,807	-	-	-	(96,807)	-	-
Total primary government	<u>\$ 7,671,307</u>	<u>\$ 645,454</u>	<u>\$ 538,514</u>	<u>\$ 19,892</u>	<u>(6,467,447)</u>	<u>-</u>	<u>-</u>
Component units							
Job Development Authority	\$ 94,730	\$ -	\$ -	\$ -	-	(94,730)	-
Water Resource District	15,648	-	-	-	-	-	(15,648)
Total component units	<u>\$ 110,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(94,730)</u>	<u>(15,648)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					1,077,436	3,638	6,740
Property taxes, levied for special purposes					711,696	-	-
Nonrestricted grants and contributions					6,943,536	-	-
Earnings on investments					53,824	-	40
Miscellaneous revenue					186,263	-	-
Total general revenues					<u>8,972,755</u>	<u>3,638</u>	<u>6,780</u>
Loss on disposal of fixed assets					<u>(30,555)</u>	<u>-</u>	<u>-</u>
Change in net position					<u>2,474,753</u>	<u>(91,092)</u>	<u>(8,868)</u>
Net position - January 1					<u>32,635,790</u>	<u>91,092</u>	<u>25,037</u>
Net position - December 31					<u>\$ 35,110,543</u>	<u>\$ -</u>	<u>\$ 16,169</u>

Burke County
Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2016

	<u>General</u>	<u>County Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Investments	\$ 8,566,819	\$ 1,196,080	\$ 1,509,382	\$ 11,272,281
Fund Balances				
Restricted for				
Health and welfare	\$ 76,758	\$ -	\$ -	\$ 76,758
Assigned for				
General government	-	-	363,215	363,215
Public safety	72,199	-	-	72,199
Highways	-	1,196,080	581,976	1,778,056
Health and welfare	-	-	269,597	269,597
Conservation of natural resources	79,898	-	294,214	374,112
Unassigned	8,337,964	-	380	8,338,344
Total fund balances	<u>\$ 8,566,819</u>	<u>\$ 1,196,080</u>	<u>\$ 1,509,382</u>	<u>\$ 11,272,281</u>

Burke County

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis

December 31, 2016

Total fund balances for governmental funds		\$ 11,272,281
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	\$ 30,827,886	
Less accumulated depreciation	<u>(6,989,624)</u>	
Net capital assets		<u>23,838,262</u>
Total net position of governmental activities		<u><u>\$ 35,110,543</u></u>

Burke County
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash
Basis
Year Ended December 31, 2016

	<u>General</u>	<u>County Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,180,919	\$ 276,137	\$ 332,076	\$ 1,789,132
Licenses, permits and fees	339,055	-	130	339,185
Intergovernmental	3,358,643	3,594,858	548,441	7,501,942
Charges for services	83,195	217,644	-	300,839
Fines and forfeits	5,430	-	-	5,430
Interest income	53,824	-	-	53,824
Miscellaneous	179,149	6,978	136	186,263
Total revenues	<u>5,200,215</u>	<u>4,095,617</u>	<u>880,783</u>	<u>10,176,615</u>
Expenditures				
Current				
General government	1,468,147	-	407,247	1,875,394
Public safety	590,529	-	-	590,529
Highways	-	2,407,355	486,037	2,893,392
Health and welfare	-	-	329,028	329,028
Conservation of natural resources	74,972	-	42,642	117,614
Economic development	74,406	-	-	74,406
Other	22,508	-	74,299	96,807
Capital outlay	60,352	3,104,247	5,995	3,170,594
Total expenditures	<u>2,290,914</u>	<u>5,511,602</u>	<u>1,345,248</u>	<u>9,147,764</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,909,301</u>	<u>(1,415,985)</u>	<u>(464,465)</u>	<u>1,028,851</u>
Other Financing Sources (Uses)				
Transfers in	-	1,634,407	1,202,760	2,837,167
Transfers out	<u>(2,091,360)</u>	<u>(44,556)</u>	<u>(701,251)</u>	<u>(2,837,167)</u>
Total other financing sources and uses	<u>(2,091,360)</u>	<u>1,589,851</u>	<u>501,509</u>	<u>-</u>
Net Change in Fund Balances	<u>817,941</u>	<u>173,866</u>	<u>37,044</u>	<u>1,028,851</u>
Fund Balance - January 1	<u>7,748,878</u>	<u>1,022,214</u>	<u>1,472,338</u>	<u>10,243,430</u>
Fund Balance - December 31	<u>\$ 8,566,819</u>	<u>\$ 1,196,080</u>	<u>\$ 1,509,382</u>	<u>\$ 11,272,281</u>

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, 2016

Net change in fund balance - total governmental funds \$ 1,028,851

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	\$ 3,170,594	
Current year depreciation expense	(1,694,137)	
Loss on disposal of capital assets	<u>(30,555)</u>	
		<u>1,445,902</u>

Change in net position of governmental activities \$ 2,474,753

Burke County
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds – Modified Cash Basis
December 31, 2016

Assets

Cash and investments	<u>\$ 938,147</u>
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Liabilities

Due to other governments	<u>\$ 938,147</u>
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Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the activities of Burke 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 Units

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

Discretely Presented Component Units – The component unit columns in the combined financial statements includes the financial data of the County's two component units. These component units are reported in separate columns to emphasize that they are 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.

Burke County Job Development Authority – The County Commissioners appoint a voting majority of the members of the Job Development Authority. The County has the authority to approve or modify the Job Development Authority's operational budget. The County Commissioners must approve the tax levy requested by the Job Development Authority.

Component Unit Financial Statements- The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the individual component units can be obtained from the Burke County Auditor at P.O. Box 310, Bowbells, ND 58721.

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 generally 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 instead 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 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 and are included on the statement of net position. 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:

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

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. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. 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 resources are available for use, it is the County's policy is to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts. 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 a maturity date in excess of 90 days, stated at fair value.

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. 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 estimated fair market value at the date of donation.

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:

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture and equipment	5
Vehicles and equipment	6-20
Infrastructure	50

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’s fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 9, is shown as additional information to the users of the financial statements.

Note 2 - Legal Compliance - Budgets

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.

Note 3 - 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.

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.

The bank balances, were covered by FDIC or collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016, Burke County Water Resource District, a discretely presented component unit of Burke County, had deposits with a bank balance and carrying balance of \$16,169. The bank balances were covered by Federal Depository Insurance.

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, 2016:

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 1,529,155</u>	<u>\$ 4,659,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,188,310</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 - Taxes 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 years ended December 31, 2016:

<u>Governmental Activities</u>	<u>Balance January 1</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	8,558,067	3,043,931	2,996,734	8,605,264
Total capital assets not being depreciated	<u>8,562,110</u>	<u>3,043,931</u>	<u>2,996,734</u>	<u>8,609,307</u>
Capital assets being depreciated				
Buildings	793,045	-	-	793,045
Furniture and equipment	44,042	-	-	44,042
Vehicles and equipment	2,321,973	233,752	279,951	2,275,774
Infrastructure	16,216,073	2,889,645	-	19,105,718
Total capital assets, being depreciated	<u>19,375,132</u>	<u>3,123,397</u>	<u>279,951</u>	<u>22,218,579</u>
Less accumulated depreciation for				
Buildings	443,861	13,440	-	457,301
Furniture and equipment	44,042	-	-	44,042
Vehicles and equipment	1,061,626	348,432	249,395	1,160,663
Infrastructure	3,995,353	1,332,265	-	5,327,618
Total accumulated depreciation	<u>5,544,882</u>	<u>1,694,137</u>	<u>249,395</u>	<u>6,989,624</u>
Total capital assets being depreciated, net	<u>13,830,250</u>	<u>1,429,260</u>	<u>30,556</u>	<u>15,228,955</u>
Governmental activities - capital assets, net	<u>\$ 22,392,360</u>	<u>\$ 4,473,191</u>	<u>\$ 3,027,290</u>	<u>\$ 23,838,262</u>

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

<u>Governmental Activities</u>	
General government	\$ 20,215
Public safety	76,528
Highways	<u>1,597,394</u>
Total depreciation expense - governmental activities	<u>\$ 1,694,137</u>

Note 6 - 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, 2016:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,091,360
County Road and Bridge	1,634,407	44,556
Other Governmental Funds	1,202,760	701,251
	<u>1,202,760</u>	<u>701,251</u>
Total transfers	<u>\$ 2,837,167</u>	<u>\$ 2,837,167</u>

The inter-fund transfers consist of budgeted transfers and transfers of interest income allocated to the funds.

Note 7 - Related Organization

Burke County is also responsible for levying a property tax for the senior citizens and the Historical Society but the County's accountability for these entities does not extend beyond levying the tax. In 2016, the County remitted the following amounts to these entities:

<u>Organization</u>	<u>Balance</u>
Senior citizens	\$ 75,323
Historical society	4,978

Note 8 - 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.

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 general liability and automobile coverage and to \$2,533,767 for inland marine coverage.

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.

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

Note 9 - 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 seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include 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 will be 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. 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.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Net Pension Liability

At December 31, 2016, the Employer's proportionate share of the net pension liability was \$1,543,928. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2016, the Employer's proportion was 0.158417 percent. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases (Payroll Growth)	4.50%
Investment Rate of Return	8.00%

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.60%
International Equity	21%	7.30%
Private Equity	5%	10.90%
Domestic Fixed Income	17%	1.49%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.24%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
County's proportionate share of the NDPERS net pension liability	\$ 2,190,032	\$ 1,543,928	\$ 999,552

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 10 - Commitments and Subsequent Events

At December 31, 2016, the County had approximately \$413,036 of commitments outstanding related to construction projects. The County also entered into a construction totaling \$411,946 subsequent to year-end.

On June 20, 2017, the County authorized the issuance of its State Aid Certificate of Indebtedness in the principal amount of not to exceed \$1,500,000 for the purpose of financing the elevator expansion of the Burke county Courthouse in Bowbells, North Dakota.

On September, 11, 2017, the County entered into a seven year municipal lease agreement in the amount of \$217,177.



Supplementary Information
December 31, 2016
Burke County

Burke County
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 328,075	\$ 328,075	\$ 1,085,074	\$ 756,999
Licenses, permits and fees	263,500	263,500	336,055	72,555
Intergovernmental	2,299,035	2,293,185	3,291,704	998,519
Charges for services	30,200	35,200	49,116	13,916
Fines and forfeits	1,200	1,200	5,430	4,230
Interest income	30,000	30,000	53,824	23,824
Miscellaneous	15,000	15,000	157,837	142,837
Total revenues	<u>2,967,010</u>	<u>2,966,160</u>	<u>4,979,040</u>	<u>2,012,880</u>
Expenditures				
Current				
General government	1,426,276	1,427,176	1,032,280	394,896
Public safety	773,570	773,570	563,178	210,392
Economic development	95,708	95,708	74,406	21,302
Conservation	-	-	222	(222)
Other	-	-	22,508	(22,508)
Capital outlay	-	-	60,352	(60,352)
Total expenditures	<u>2,295,554</u>	<u>2,296,454</u>	<u>1,752,946</u>	<u>543,508</u>
Excess of Revenues over Expenditures	<u>671,456</u>	<u>669,706</u>	<u>3,226,094</u>	<u>2,556,388</u>
Other Financing Uses				
Transfers out	(2,520,000)	(2,520,000)	(2,268,552)	251,448
Total other financing uses	<u>(2,520,000)</u>	<u>(2,520,000)</u>	<u>(2,268,552)</u>	<u>251,448</u>
Net Change in Fund Balances	(1,848,544)	(1,850,294)	957,542	2,807,836
Fund Balance - January 1	<u>7,380,422</u>	<u>7,380,422</u>	<u>7,380,422</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,531,878</u>	<u>\$ 5,530,128</u>	<u>\$ 8,337,964</u>	<u>\$ 2,807,836</u>
Differences between budgetary and modified cash basis fund balance:				
General Fund			\$ 8,337,964	
Insurance Reserve Fund			54,909	
Compensation Health Care Insurance			21,849	
County Agent Fund			79,898	
911 System Fund			13,941	
Homeland Security Fund			24,429	
Extension Office Fund			33,829	
GAAP fund balance (combined with General Fund formodified cash basis presentation)			<u>\$ 8,566,819</u>	

Burke County
 Budgetary Comparison Schedule – County Road and Bridge Fund
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 7,000	\$ 7,000	\$ 276,137	\$ 269,137
Intergovernmental	1,350	1,350	3,594,858	3,593,508
Charges for services	193,000	193,000	217,644	24,644
Miscellaneous	500	500	6,978	6,478
Total revenues	<u>201,850</u>	<u>201,850</u>	<u>4,095,617</u>	<u>3,893,767</u>
Expenditures				
Current				
Highways	1,932,084	1,932,084	2,407,355	(475,271)
Capital outlay	-	-	3,104,247	(3,104,247)
Total expenditures	<u>1,932,084</u>	<u>1,932,084</u>	<u>5,511,602</u>	<u>(3,579,518)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,730,234)</u>	<u>(1,730,234)</u>	<u>(1,415,985)</u>	<u>314,249</u>
Other Financing Sources				
Transfers in	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,589,851</u>	<u>89,851</u>
Total other financing sources	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,589,851</u>	<u>89,851</u>
Net Change in Fund Balances	(230,234)	(230,234)	173,866	404,100
Fund Balance - January 1,	<u>1,022,214</u>	<u>1,022,214</u>	<u>1,022,214</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 791,980</u>	<u>\$ 791,980</u>	<u>\$ 1,196,080</u>	<u>\$ 404,100</u>

Burke County
Schedule of Employer's Share of Net Pension Liability and Employer Contributions
Year Ended December 31, 2016

**Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years**

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2015	0.154300%	\$ 1,049,214	\$ 1,374,623	76.33%	77.15%
NDPERS	6/30/2016	<u>0.158417%</u>	<u>\$ 1,543,928</u>	<u>\$ 1,596,469</u>	<u>96.71%</u>	<u>70.46%</u>

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years**

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (a/d)
NDPERS	12/31/2015	\$ 130,260	\$ 130,260	\$ -	\$ 1,829,494	7.12%
NDPERS	12/31/2016	<u>\$ 115,582</u>	<u>\$ 115,582</u>	<u>\$ -</u>	<u>\$ 1,623,343</u>	<u>7.12%</u>

Note 1 - Schedule of Employer Pension Liability and Contributions

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Burke County will present information for those years for which information is available.

Note 2 - Changes of Assumptions

Amounts reported reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



**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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Burke County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Burke County’s basic financial statements, and have issued our report thereon dated February 14, 2018.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of audit findings listed as 2016-B and 2016-C to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings listed as 2016-A and 2016-D to be significant deficiencies.

Compliance and Other Matters

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

Burke County's Responses to Findings

Burke County's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. Burke County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota
February 14, 2018

Financial Statement Audit Findings

2016-A Segregation of Duties - Significant Deficiency

Condition - The County has a lack of segregation of duties in certain areas 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’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 – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, 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.

Response – Burke County recognizes 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.

2016-B Department Controls over Cash – Material Weakness

Condition: The County has a lack of effective internal controls related to the receipting process in various departments of the County that collect funds and remit them to the Treasurer’s office. Specifically, it was noted that there have been significant increases in the activity and funds handled directly by departments such as the Recorder’s Office and the Sheriff’s Office. These departments have limited staff to handle the transactions and do not maintain detailed records of all transactions to support the activity.

Criteria: A good system of internal accounting control contemplates an adequate paper trail and proper segregation of duties so no one individual handles a transaction from beginning to end to mitigate abuse or fraud.

Cause: The departments have limited staff available to properly segregate the duties related to the cash receipt process. The procedures followed for receipting cash also involve several manual steps which result in an inadequate audit trail.

Effect: Inadequate controls over cash receipts could affect the County’s ability to detect errors or fraud.

Recommendation: We recommend the County eliminate as many manual procedures related to receipting cash as possible and maintain detailed records of all transactions handled in the departments. We also recommend the duties of entering and adjusting charges in the system, taking customer payments, receipting payments, and preparing the deposits be segregated. The County should also determine if there are additional controls that can be implemented to mitigate the risks due to limited staff in the departments.

Response – The Burke County Commissioners will continue to meet with the departments to address controls over cash and to see that this deficiency is corrected.

2016-C Recording of Transactions - Material Weakness

Condition – We identified a misstatement in the County’s financial statements causing us to propose a material audit adjustment.

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

Cause – The County has not trained staff in the recording of certain transactions.

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.

Response – The staff at the County does not have the proper training to make all of the adjustments that are necessary for an audit ready trial balance and it is not cost-effective for an organization of our size to obtain all of the training necessary. We will continue to try to identify all of the items that need to be adjusted at year end and make the necessary adjustments.

2016-D Preparation of Financial Statements - Significant Deficiency

Condition –With the switch to modified cash basis of accounting it is believed that Burke County could prepare the financial statements without any material misstatements. However, there is still a risk over the preparation of the financial statements because of the likelihood that the County would not be able to prepare all of the accompanying notes to the financial statements without the assistance of auditors.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements.

Cause – The County has no trained staff in GASB reporting standards.

Effect – With the switch to modified cash basis of accounting it is believed that Burke County could prepare the financial statements without any material misstatements. However, it is still considered a finding because of the likelihood that the County would not be able to prepare all of the accompanying notes to the financial statements without the assistance of auditors.

Recommendation – This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Since this is not an unusual circumstance, Burke County feels able to accept this degree of risk.