Burleigh County

Bismarck, North Dakota

Audit Report

For the Year Ended December 31, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

BURLEIGH COUNTY
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For the Year Ended December 31, 2018

COUNTY OFFICIALS

Jim Peluso	Commissioner - Chairman
Jerry Woodcox	Commissioner
Brian Bitner	Commissioner
Kathleen Jones	Commissioner
Mark Armstrong	Commissioner
Kevin Glatt	Auditor/Treasurer
Pat Heinert	Sheriff
Debbie Kroshus	Recorder
Richard Riha	State's Attorney

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Rick Kremer	Audit In-Charge

STATE AUDITOR
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Burleigh County
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burleigh County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Burleigh 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burleigh County, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2019 on our consideration of Burleigh County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burleigh County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 24, 2019

BURLEIGH COUNTY
Statement of Net Position
December 31, 2018

	Primary Government		Component Unit	
	Governmental Activities		Water Resource District	
ASSETS				
Cash and Investments	$	61,613,344	$	3,917,468
Accounts Receivable		288,977		-
Intergovernmental Receivable		4,178,338		23,928
Inventories		1,439,869		-
Taxes Receivable		197,647		8,010
Special Assessments Receivable		2,010,678		-
Capital Assets, Net		139,119,304		3,622,351
Total Assets	$	208,848,157	$	7,571,757
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pension and OPEB	$	11,907,284	$	-
LIABILITIES				
Accounts Payable	$	2,262,210	$	26,657
Salaries Payable		941,148		-
Retainages Payable		344,161		36,240
Interest Payable		382,530		-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt		3,524,597		50,335
Compensated Absences Payable		137,701		-
Due After One Year				
Long Term Debt		60,283,026		830,545
Compensated Absences Payable		1,239,304		-
Net Pension and OPEB Liability		28,632,581		-
Total Liabilities	$	97,747,258	$	943,777
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	$	5,182,741	$	-
Derived from Pension and OPEB		1,596,746		-
Grants Received in Advance		-		1,784,402
Total Deferred Inflows of Resources	$	6,779,487	$	1,784,402
NET POSITION				
Net Investment In Capital Assets	$	74,967,520	$	3,586,111
Restricted				
Debt Service		18,482,938		-
Highways and Bridges		3,119,677		-
Culture and Recreation		8,303,183		-
Conservation of Resources/Econ. Dev.		-		1,257,467
Other		473,505		-
Capital Projects		6,281,061		-
Unrestricted		4,600,812		-
Total Net Position	$	116,228,696	$	4,843,578

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

BURLEIGH COUNTY
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government – Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit – Water Resource Board
Primary Government						
Governmental Activities						
General Government	$ 7,618,690	$ 1,694,197	$ 40,715	$ -	$ (5,883,778)	$ -
Public Safety	20,418,643	5,433,467	94,806	-	(14,890,370)	-
Highways and Bridges	10,833,559	1,661,076	7,049,441	983,904	(1,139,138)	-
Health and Welfare	8,637,937	4,249	7,491,515	-	(1,142,173)	-
Culture and Recreation	881,429	-	-	-	(881,429)	-
Conservation and Economic Development	1,058,596	141,305	-	-	(917,291)	-
Other	1,181,484	-	-	-	(1,181,484)	-
Interest on Long Term Debt	2,236,735	-	-	-	(2,236,735)	-
Total Primary Government	$ 52,867,073	$ 8,934,294	$ 14,676,477	$ 983,904	$ (28,272,398)	$ -
Component Unit						
Water Resource District	$ 559,183	$ 141,984	$ -	$ 511,591	$ -	$ 94,392
General Revenues						
Property taxes					$ 17,683,763	$ 731,908
Sales taxes					8,486,944	-
Non restricted grants and contributions					4,139,747	91,510
Interest Income					691,238	2,836
Miscellaneous revenues					1,037,670	41,044
Total General Revenues					$ 32,039,362	$ 867,298
Special Item						
Loss on Impairment of Construction in Progress					$ -	$ (195,560)
Change in Net Position					$ 3,766,964	$ 766,130
Net Position - January 1					$ 112,124,013	$ 4,077,448
Prior Period Adjustments					337,719	-
Net Position - January 1, as restated					$ 112,461,732	$ 4,077,448
Net Position - December 31					$ 116,228,696	$ 4,843,578

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

BURLEIGH COUNTY

Balance Sheet – Governmental Funds
December 31, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	$ 17,450,931	$ 21,809,460	$ 559,529	$ 21,793,424	$ 61,613,344
Accounts Receivable	63,114	225,150	713	-	288,977
Intergovernmental Receivable	1,463,568	1,143,742	1,571,028	-	4,178,338
Interfund Receivable	-	-	4,068,545	-	4,068,545
Taxes Receivable	155,692	39,772	2,183	-	197,647
Special Assessment Receivable	-	-	770,000	1,240,678	2,010,678
Inventories	-	1,439,869	-	-	1,439,869
Total Assets	$ 19,133,305	$ 24,657,993	$ 6,971,998	$ 23,034,102	$ 73,797,398
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable	$ 485,889	$ 1,094,011	$ 682,310	$ -	$ 2,262,210
Salaries Payable	569,401	371,747	-	-	941,148
Total Liabilities	$ 1,055,290	$ 1,465,758	$ 682,310	$ -	$ 3,203,358
Deferred Inflows of Resources					
Taxes Receivable	$ 155,692	$ 39,772	$ 2,183	$ 1,933	$ 199,580
Special Assessment Receivable	-	-	770,000	1,238,745	2,008,745
Taxes Received in Advance	3,919,583	1,154,442	8,627	100,089	5,182,741
Interfund Payable	-	-	-	4,068,545	4,068,545
Total Deferred Inflow Of Resources	$ 4,075,275	$ 1,194,214	$ 780,810	$ 5,409,312	$ 11,459,611
Total Liabilities And Deferred Inflows Of Resources	$ 5,130,565	$ 2,659,972	$ 1,463,120	$ 5,409,312	$ 14,662,969
FUND BALANCE					
Nonspendable					
Inventory	$ -	$ 1,439,869	$ -	$ -	$ 1,439,869
Restricted					
Capital Project Funds	-	-	6,288,698	-	6,288,698
Conservation & Econ. Develop.	-	201,114	-	-	201,114
Culture and Recreation	-	8,295,907	-	-	8,295,907
Debt Service	-		-	17,624,790	17,624,790
General Government	-	755,709	-	-	755,709
Health and Welfare	-	1,182,698	-	-	1,182,698
Highways and Bridges	-	4,701,980	-	-	4,701,980
Other	-	655,253	-	-	655,253
Public Safety	-	3,106,119	-	-	3,106,119
Committed					-
Jail Commissary	-	306,608	-	-	306,608
Parking Lot	-	59,051	-	-	59,051
Provident Building	-	1,644,249	-	-	1,644,249
Unassigned					
General Fund	14,002,740	-	-	-	14,002,740
Negative Funds	-	(350,536)	(779,820)	-	(1,130,356)
Total Fund Balances	$ 14,002,740	$ 21,998,021	$ 5,508,878	$ 17,624,790	$ 59,134,429
Total Liabilities and Fund Balances	$ 19,133,305	$ 24,657,993	$ 6,971,998	$ 23,034,102	$ 73,797,398

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

BURLEIGH COUNTY
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2018

Total *Fund Balances* for Governmental Funds			$	59,134,429
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.				139,119,304
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.				
Taxes Receivable	$	197,647		
Special Assessments Receivable		2,010,678		2,208,325
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.				
Deferred Inflows of Resources	$	(1,596,746)		
Deferred Outflows of Resources		11,907,284		10,310,538
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long- term, are reported in the statement of net position.				
Long-Term Debt	$	(63,807,623)		
Interest Payable		(382,530)		
Retainage Payable		(344,161)		
Compensated Absences Payable		(1,377,005)		
Net Pension and OPEB Liability		(28,632,581)		(94,543,900)
Total Net Position of Governmental Activities			$	116,228,696

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

BURLEIGH COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Property Taxes	$ 14,701,027	$ 2,740,682	$ 241,176	$ -	$ 17,682,885
Sales Taxes	-	-	41,877	8,445,067	8,486,944
Special Assessments	-	-	31,712	443,332	475,044
Licenses, Permits and Fines	189,167	7,050	-	-	196,217
Intergovernmental Revenue	3,096,405	15,709,875	9,944		18,816,224
Charges for Services	4,295,567	4,442,510	-	-	8,738,077
Interest Income	438,524	232,028	12,701	7,985	691,238
Miscellaneous	26,095	770,118	713	240,744	1,037,670
Total Revenues	$ 22,746,785	$ 23,902,263	$ 338,123	$ 9,137,128	$ 56,124,299
EXPENDITURES					
Current					
General Government	$ 6,238,941	$ 552,788	$ -	$ -	$ 6,791,729
Public Safety	14,684,415	2,241,040	-	-	16,925,455
Highways and Bridges	-	10,140,456	-	-	10,140,456
Health and Welfare	191,494	7,577,601	-	-	7,769,095
Culture and Recreation	335,679	359,161	-	-	694,840
Conservation and Economic Development	100,425	914,456	-	-	1,014,881
Other	-	1,131,309	14,731	-	1,146,040
Capital Outlay	-	-	6,251,965	-	6,251,965
Debt Service					
Principal	-	-	-	6,149,128	6,149,128
Interest	-	-	-	2,080,160	2,080,160
Total Expenditures	$ 21,550,954	$ 22,916,811	$ 6,266,696	$ 8,229,288	$ 58,963,749
Excess (Deficiency) of Revenues Over Expenditures	$ 1,195,831	$ 985,452	$ (5,928,573)	$ 907,840	$ (2,839,450)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	$ -	$ -	$ -	$ 8,395,000	$ 8,395,000
Issuance Costs	-	-	-	(51,962)	(51,962)
Bond Discount	-	-	-	(83,950)	(83,950)
Bond Premium	-	-	-	104,747	104,747
Transfers In	3,126,155	7,342,507	5,467,139	1,007,196	16,942,997
Transfers Out	(105,000)	(10,262,860)	-	(6,575,137)	(16,942,997)
Total Other Financing Sources (Uses)	$ 3,021,155	$ (2,920,353)	$ 5,467,139	$ 2,795,894	$ 8,363,835
Net Change in Fund Balances	$ 4,216,986	$ (1,934,901)	$ (461,434)	$ 3,703,734	$ 5,524,385
Fund Balances - January 1	$ 9,785,754	$ 23,932,922	$ 5,970,312	$ 13,921,056	$ 53,610,044
Fund Balances - December 31	$ 14,002,740	$ 21,998,021	$ 5,508,878	$ 17,624,790	$ 59,134,429

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

BURLEIGH COUNTY
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, 2018

Net Change in *Fund Balances* - Total Governmental Funds			$	5,524,385
The change in net position reported for governmental activities in the statement of activities is different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Current Year Capital Outlay	$	9,042,789		
Current Year Depreciation Expense		(4,661,398)		4,381,391
In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.				(375,501)
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.				
Debt Issuance		(8,415,797)		
Repayment of Debt		6,149,128		
Amortization of Bond Discount		(23,242)		(2,289,911)
The net pension and OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.				
Increase in Net Pension and OPEB Liability	$	(2,529,730)		
Decrease in Deferred Outflows of Resources		(335,008)		
Increase in Deferred Inflows of Resources		(708,345)		(3,573,083)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.				
Decrease in Compensated Absences	$	15,477		
Increase in Interest Payable		(81,371)		
Increase in Retainage Payable		(344,161)		(410,055)
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.				
Increase in Taxes Receivable	$	878		
Increase in Special Assessments Receivable		508,860		509,738
Change in Net Position of Governmental Activities			$	3,766,964

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

	Agency Funds
ASSETS	
Cash and investments	$ 36,129,052
LIABILITIES	
Due to other governments	$ 36,129,052

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria in GASB Statement No. 61 to be considered in determining financial accountability. These criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit.

Discretely Presented Component Unit

The component unit column in the government wide financial statements includes the financial data of the County's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Burleigh County Water Resource District. The Burleigh County Water Resource District ("Water Resource District") governing board is appointed by the County's governing body. The County's governing body has the authority to disapprove, amend, or approve the Water Resource District budget.

Complete financial statements of the Water Resource District are included in these financial statements. Additional information may be obtained from the Burleigh County Water Resource District: 1720 Burnt Boat Drive, Ste 205; Bismarck, ND 58503.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including 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 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.

C. 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

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.

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

Capital Projects Fund - This fund accounts for the costs associated with construction of buildings and infrastructure.

Debt Service Fund - This fund accounts for the costs associated with long-term debt obligations.

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.

D. Cash and Investments

Cash include amounts in demand deposits, money market accounts and short-term certificates of deposit. Cash includes certificates of deposit with maturities of 3 months or less.

The investments consist of an investment in an investment pool stated at market value, and certificates of deposit with maturities of greater than 3 months.

E. Inventories

Inventories are valued using the first in first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

F. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 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:

Infrastructure	40 – 50 years
Land Improvements	15 – 40 years
Buildings	40 years
Building Improvements	15 – 20 years
Office Equipment & Furn.	3 – 10 years
Vehicles	3 – 10 years
Machinery & Equipment	3 – 15 years

G. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the County. The employees may carry forward unused leave not to exceed 240 hours.

Compensation for unused sick leave will be granted to all full-time employees upon termination of employment of 5 or more years. Employees may carry forward unlimited unused sick leave. The severance payment will be based on 25% of accumulated sick leave for employees hired prior to January 1, 1991 and 10% of accumulated sick leave for those hired on or after January 1, 1991.

H. 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. Premiums and discounts received on debt issuances are reported as other financing sources (uses). Issuance costs are reported as debt service expenditures.

I. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Fund Balances

Minimum Fund Balance Policy. The County will maintain a minimum unassigned fund balance in its General Fund ranging from 15 percent to 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum 25 percent range, the County will replenish shortages/deficiencies using the budget strategies and time frames described below.

The following budgetary strategies shall be utilized by the County to replenish funding deficiencies:

- Reduce recurring expenditures to eliminate any structural deficit
- Increase revenues or pursue other funding sources
- Some combination of the two options above.

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between 15 percent and 25 percent shall be replenished over a period not to exceed one year
- Deficiency resulting in a minimum fund balance between 10 percent and 15 percent shall be replenished over a period not to exceed three years
- Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years

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

Nonspendable Balances. Nonspendable fund balance is shown for inventory in the special revenue fund.

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

Committed Fund Balances. Committed fund balance is committed by the highest level of decision making authority (governing board).

Unassigned Fund Balances. Unassigned fund balance is reported in the general fund and for negative fund balances at year-end.

L. Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance 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 and state grants or reimbursements.

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

M. 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.

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were necessary to properly report the beginning balances of construction in progress and office furniture depreciation as outlined in the table below.

	Amounts
Beginning Net Position, as previously reported	$ 112,124,013
Adjustments to restate the January 1, 2017 Net Position	
Capital Assets, Net	337,719
Net Position January 1, 2018, as restated	$ 112,461,732

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 County would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At year ended December 31, 2018, the County’s carrying amount of deposits totaled $96,131,467, and the bank balances totaled $93,608,885. Of the bank balances, $42,347,268 was covered by Federal Depository Insurance and $21,186,209 was at the Bank of North Dakota, which is backed by the full faith and credit of the state of North Dakota. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Water Resource District's carrying amount of deposits totaled $3,917,468, and the bank balances totaled $3,917,817. 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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.
(e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Investment Type	
Government Obligation Bonds	$ 3,690,526
Municipal Bonds	6,116,366
Total	$ 9,806,892

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2018:

Asset	**Quotes Prices in Active Markets Level 1**	**Significant Other Obervable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
General Obligation Bonds	$ 3,690,526	$ -	$ -	$ 3,690,526
Municipal Bonds	-	6,116,366	-	6,116,366
Total	$ 3,690,526	$ 6,116,366	$ -	$ 9,806,892

NOTE 5: 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 6: CAPITAL ASSETS

Primary Government

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

Primary Government	Bal Jan 1 Restated	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	$ 7,639,554	$ 42,480	$ -	$ -	$ 7,682,034
Construction in Progress	1,684,055	6,864,814	-	(2,113,641)	6,435,228
Total Capital Assets, Not Being Depreciated	$ 9,323,609	$ 6,907,294	$ -	$ (2,113,641)	$ 14,117,262
Capital assets, being depreciated					
Infrastructure	$ 69,795,889	$ 606,034	$ -	$ 2,113,641	$ 72,515,564
Land Improvements	6,564,747	79,492	-	-	6,644,239
Building	91,795,960	-	-	-	91,795,960
Machinery and Equipment	12,067,202	1,227,319	880,703	-	12,413,818
Furniture and Equipment	4,640,952	222,650	41,535	-	4,822,067
Total Capital Assets, Being Depreciated	$ 184,864,750	$ 2,135,495	$ 922,238	$ 2,113,641	$ 188,191,648
Less accumulated depreciation					
Infrastructure	$ 37,370,529	$ 1,396,528	$ -	$ -	$ 38,767,057
Land Improvements	1,704,371	228,085	-	-	1,932,456
Building	11,329,689	1,797,816	-	-	13,127,505
Machinery and Equipment	5,415,872	871,143	507,203	-	5,779,812
Furniture and Equipment	3,254,485	367,826	39,535	-	3,582,776
Total Accumulated Depreciation	$ 59,074,946	$ 4,661,398	$ 546,738	$ -	$ 63,189,606
Total Capital Assets Being Depreciated, Net	$ 125,789,804	$ (2,525,903)	$ 375,500	$ 2,113,641	$ 125,002,042
Total Capital Assets, Net	$ 135,113,413	$ 4,381,391	$ 375,500	$ -	$ 139,119,304

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

General Government	$ 248,878
Public Safety	1,864,013
Highways and Bridges	2,359,535
Health and Welfare	3,016
Culture and Recreation	185,956
Total Depreciation Expense	$ 4,661,398

Water Resource District

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

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	$ 112,481	$ -	$ -	$ -	$ 112,481
Construction in Progress	635,282	575,877	195,560	-	1,015,599
Total Capital Assets, Not Being Depreciated	$ 747,763	$ 575,877	$ 195,560	$ -	$ 1,128,080
Capital assets, being depreciated					
Infrastructure	$ 1,608,191	$ -	$ -	$ -	$ 1,608,191
Land Improvements	1,810,033	-	-	-	1,810,033
Building	187,660	-	-	-	187,660
Office Furniture & Equip.	144,209	-	-	-	144,209
Total Capital Assets, Being Depreciated	$ 3,750,093	$ -	$ -	$ -	$ 3,750,093
Less accumulated depreciation					
Infrastructure	$ 93,490	$ 40,205	$ -	$ -	$ 133,695
Land Improvements	816,120	57,723	-	-	873,843
Building	146,388	1,645	-	-	148,033
Office Furniture & Equip.	93,033	7,218	-	-	100,251
Total Accumulated Depreciation	$ 1,149,031	$ 106,791	$ -	$ -	$ 1,255,822
Total Capital Assets Being Depreciated, Net	$ 2,601,062	$ (106,791)	$ -	$ -	$ 2,494,271
Total Capital Assets, Net	$ 3,348,825	$ 469,086	$ 195,560	$ -	$ 3,622,351

NOTE 7: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Sales Tax Bonds	$ 59,360,205	$ 8,395,000	$ 5,849,128	$ 61,906,077	$ 3,254,372
Special Assessment Bonds	2,540,000	-	300,000	2,240,000	290,000
Bond Discount	(382,493)	(83,950)	(23,242)	(443,201)	(37,233)
Bond Premium	-	104,747	-	104,747	17,458
Total Long-Term Debt	61,517,712	8,415,797	6,125,886	63,807,623	3,524,597
Compensated Absences *	1,392,482	-	15,477	1,377,005	137,701
Net Pension & OPEB Liability	26,102,851	2,529,730	-	28,632,581	-
Total Primary Government	$ 89,013,045	$ 10,945,527	$ 6,141,363	$ 93,817,209	$ 3,662,298

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Debt Service requirement on long-term debt at December 31, 2018 are as follows:

Year Ending	Sales Tax Bonds		Spec. Assmt. Bonds		Bond	Bond
Dec 31	Principal	Interest	Principal	Interest	Discount	Premium
2019	$ 3,254,372	$ 2,426,777	$ 290,000	$ 44,359	$ 37,233	$ 17,458
2020	3,319,819	2,297,244	295,000	39,115	37,233	17,458
2021	4,704,978	2,186,094	250,000	34,054	37,233	17,458
2022	4,859,112	1,996,498	235,000	29,444	36,985	17,458
2023	5,007,979	1,813,506	195,000	25,110	36,595	17,458
2024 - 2028	16,596,546	6,213,168	900,000	62,663	123,307	17,457
2029 - 2033	14,583,771	3,814,164	75,000	1,875	96,365	-
2034 - 2038	9,579,500	604,509	-	-	38,250	-
Total	$ 61,906,077	$ 21,351,960	$ 2,240,000	$ 236,620	$ 443,201	$ 104,747

Operating Lease Payments

The County entered into a 20 year lease on September 15, 1999 with the Burleigh County 4-H Council for renting office space. For the year ended December 31, 2018, rental payments totaled $43,644. The remaining rental payments at December 31, 2018 is outlined below:

Year Ending Dec 31	Amount
2019	$ 43,644
2020	32,733
Total	$ 76,377

Water Resource District

During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Loans Payable	$ 192,000	$ -	$ 11,000	$ 181,000	$ 11,000
Bonds Payable	735,000	-	25,000	710,000	40,000
Bond Discount	(10,785)	-	(665)	(10,120)	(665)
Total Long Term Debt	$ 916,215	$ -	$ 35,335	$ 880,880	$ 50,335

Debt Service requirement on long-term debt at December 31, 2018 are as follows:

Year Ending	Loans Payable		Bonds Payable		Bond
Dec 31	Principal	Interest	Principal	Interest	Discount
2019	$ 11,000	$ 4,520	$ 40,000	$ 17,563	$ 665
2020	10,000	4,250	40,000	16,637	665
2021	10,000	4,000	40,000	15,713	665
2022	10,000	3,750	40,000	14,787	665
2023	10,000	3,500	40,000	13,863	665
2024 - 2028	70,000	13,000	235,000	53,538	3,325
2029 - 2033	60,000	3,750	225,000	21,437	2,930
2034 - 2038	-	-	50,000	1,500	540
Total	$ 181,000	$ 36,770	$ 710,000	$ 155,038	$ 10,120

NOTE 8: LEASE PAYMENTS RECEIVABLE

Operating Leases - The County has five leases of building and tower space with other entities. Lease revenues in 2018 were $309,662. Future minimum lease revenue is as follows:

Year Ended December 31	Amount
2019	352,334
2020	199,964
2021	139,793
2022	46,875
Total	$ 738,966

NOTE 9: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 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 contributions 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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the County reported a liability of $27,430,719 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on its share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the County's proportion was 1.625419 percent, which was an increase of .073497 percent from its proportion measurement as of June 30, 2017.

For the year ended December 31, 2018, the County recognized pension expense of $4,755,842. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 72,610	$ 933,246
Changes of Assumptions	9,901,918	391,520
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	133,453
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,041,254	87,840
Employer Contributions Subsequent to the Measurement Date	623,328	-
Total	$ 11,639,110	$ 1,546,059

$623,328 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$ 3,053,851
2020	2,689,370
2021	2,304,090
2022	1,305,701
2023	116,711
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost–of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Proportionate Share of the Net Pension Liability	$ 37,273,247	$ 27,430,719	$ 19,217,446

Pension Plan Fiduciary Net Position

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

NOTE 10: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2018, the County reported a liability of $1,201,862 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the County's proportion was 1.526042 percent, which was an increase of .061623% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County recognized OPEB expense of $154,087. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 35,981	$ 24,832
Changes of Assumptions	98,614	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	25,855
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	33,775	-
Employer Contributions Subsequent to the Measurement Date	99,804	-
Total	$ 268,174	$ 50,687

$99,804 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2019	$ 15,643
2020	15,643
2021	15,643
2022	27,053
2023	24,959
2024	15,780
Thereafter	2,962

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the County's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net OPEB Liability	$ 1,520,643	$ 1,201,862	$ 928,584

NOTE 11: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

	Transfers In	Transfers Out
General Fund	$ 3,126,155	$ 105,000
Special Revenue Fund	7,342,507	10,262,860
Capital Project Fund	5,467,139	-
Debt Service Fund	1,007,196	6,575,137
Total Transfers	$ 16,942,997	$ 16,942,997

Transfers are primarily used to move funds between highway gas tax to road and bridge department, move excess social serviced funds to the general fund, and to move funds between debt service and capital project funds for construction costs. The remaining transfers are for various purposes.

NOTE 12: CONSTRUCTION COMMITMENTS

Burleigh County had one open construction commitment as of December 31, 2018 as follows:

	Amended Contract	Complete	Retainage	Balance to Finish
Old Detention Center Remodel	$ 6,883,227	$ 5,046,671	$ 344,161	$ 2,180,717

NOTE 13: RISK MANAGEMENT

Burleigh 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. Burleigh County pays an annual premium to NDIRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and $6,043,904 for public assets (mobile equipment and portable property).

Burleigh County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Burleigh County has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health, dental, vision, cancer, and various other types of insurance.

NOTE 14: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Municipal Industrial Development (MIDA) Bonds and obtained community development block grant loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds and loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018 there were 6 outstanding issuances with a balance of $57,998,906. Additionally, there were 21 issuances with an unknown amount outstanding, with an original issuance amount of $141,210,003.

NOTE 15: TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2018, local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

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 may is exempt.

Improvements to Commercial and Residential Buildings and Structures

Under NDCC §57-02.2-03, improvements to commercial and residential buildings and structures as defined may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements.

The total reduction in property tax revenue due to tax abatements is as follows:

Charitable Organizations	$ 4,909,745
Improvements to Commercial and Residential Buildings and Structures	398,829
Total Reduction in Property Tax Revenue	$ 5,308,574

BURLEIGH COUNTY
Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	$ 14,368,000	$ 14,368,000	$ 14,701,027	$ 333,027
Licenses, Permits and Fines	196,000	196,000	189,167	(6,833)
Intergovernmental Revenue	2,810,000	2,810,000	3,096,405	286,405
Charges for Services	4,313,000	4,313,000	4,295,567	(17,433)
Interest Income	275,000	275,000	438,524	163,524
Miscellaneous	17,000	17,000	26,095	9,095
Total Revenues	$ 21,979,000	$ 21,979,000	$ 22,746,785	$ 767,785
EXPENDITURES				
Current				
General Government	$ 6,650,984	$ 6,650,984	$ 6,238,941	$ 412,043
Public Safety	15,846,455	15,846,455	14,684,415	1,162,040
Health and Welfare	100,425	100,425	191,494	(91,069)
Culture and Recreation	100,425	100,425	335,679	(235,254)
Conservation and Economic Development	94,879	94,879	100,425	(5,546)
Total Expenditures	$ 22,793,168	$ 22,793,168	$ 21,550,954	$ 1,242,214
Excess (Deficiency) of Revenues Over Expenditures	$ (814,168)	$ (814,168)	$ 1,195,831	$ 2,009,999
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 2,904,000	$ 2,904,000	$ 3,126,155	$ 222,155
Transfers out	(205,000)	(205,000)	(105,000)	100,000
Total Other Financing Sources and Uses	$ 2,699,000	$ 2,699,000	$ 3,021,155	$ 322,155
Net Change in Fund Balances	$ 1,884,832	$ 1,884,832	$ 4,216,986	$ 2,332,154
Fund Balance - January 1	$ 9,785,754	$ 9,785,754	$ 9,785,754	$ -
Fund Balance - December 31	$ 11,670,586	$ 11,670,586	$ 14,002,740	$ 2,332,154

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

BURLEIGH COUNTY
Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	$ 2,747,418	$ 2,755,400	$ 2,740,682	$ (14,718)
Licenses, Permits and Fines	4,200	4,200	7,050	2,850
Intergovernmental Revenue	15,015,273	15,503,273	15,709,875	206,602
Charges for Services	10,248,800	10,248,800	4,442,510	(5,806,290)
Interest Income	130,000	130,000	232,028	102,028
Miscellaneous	461,800	461,800	770,118	308,318
Total Revenues	$ 28,607,491	$ 29,103,473	$ 23,902,263	$ (5,201,210)
EXPENDITURES				
Current				
General Government	$ 550,480	$ 583,500	$ 552,788	$ 30,712
Public Safety	4,289,000	4,396,000	2,241,040	2,154,960
Highways and Bridges	17,177,458	17,196,458	10,140,456	7,056,002
Health and Welfare	8,185,625	8,185,625	7,577,601	608,024
Culture and Recreation	388,704	396,686	359,161	37,525
Conservation and Economic Development	954,045	986,752	914,456	72,296
Other	1,192,735	1,192,735	1,131,309	61,426
Total Expenditures	$ 32,738,047	$ 32,937,756	$ 22,916,811	$ 10,020,945
Excess (Deficiency) of Revenues Over Expenditures	$ (4,130,556)	$ (3,834,283)	$ 985,452	$ (15,222,155)
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 6,707,000	$ 6,707,000	$ 7,342,507	$ 635,507
Transfers Out	(9,400,565)	(9,888,565)	(10,262,860)	(374,295)
Total Other Financing Sources (Uses)	$ (2,693,565)	$ (3,181,565)	$ (2,920,353)	$ 261,212
Net Change in Fund Balances	$ (6,824,121)	$ (7,015,848)	$ (1,934,901)	$ (14,960,943)
Fund Balance - January 1	$ 23,932,922	$ 23,932,922	$ 23,932,922	$ -
Fund Balance - December 31	$ 17,108,801	$ 16,917,074	$ 21,998,021	$ (14,960,943)

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

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

	County's Proportion of the Net Pension Liability (Asset)	County's Proportionate Share of the Net Pension Liability (Asset)	County's Covered-Employee Payroll	County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	1.625419%	$ 27,430,719	$ 16,698,206	164.27%	62.80%
2017	1.551922%	24,944,480	15,842,687	157.45%	61.98%
2016	1.480684%	14,430,709	14,921,800	96.71%	70.46%
2015	1.434633%	9,755,259	12,780,838	76.33%	77.15%
2014	1.475901%	9,367,859	12,432,688	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	$ 1,229,894	$ 1,123,082	$ 106,812	$ 16,698,206	6.73%
2017	1,148,788	1,210,248	(61,460)	15,842,687	7.64%
2016	1,080,314	1,057,662	22,652	14,921,800	7.09%
2015	970,807	1,010,081	(39,274)	12,780,838	7.90%
2014	885,207	885,207	-	12,432,688	7.12%

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

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

	County's Proportion of the Net OPEB Liability (Asset)	County's Proportionate Share of the Net OPEB (Asset)	County's Covered-Employee Payroll	County's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	1.526042%	$ 1,201,862	$ 16,698,206	7.20%	61.89%
2017	1.464419%	1,158,371	15,842,687	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	$ 195,861	$ 179,819	16,042	$ 16,698,206	1.08%
2017	184,160	193,776	(9,616)	15,842,687	1.22%

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

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The County commission adopts an "appropriated budget" on the modified accrual 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 County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of County commissioners, on or before the October meeting shall 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
- Each budget is controlled by the County auditor 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.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County revenues, expenditures, and transfers budget for various funds as follows:

	REVENUES / TRANSFERS IN		
	Original Budget	Budget Amendment	Amended Budget
Special Revenue Fund	$ 35,314,491	$ 495,982	$ 35,810,473

	EXPENDITURES / TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Special Revenue Fund	$ 42,166,612	$ 687,709	$ 42,854,321
Debt Service Fund	-	1,009,100	1,009,100

NOTE 3: SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

NOTE 4: PENSION AND OPEB - CHANGES OF ASSUMPTIONS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 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.

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Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Burleigh County
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burleigh County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Burleigh County's basic financial statements, and have issued our report thereon dated July 24, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burleigh 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*.

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

Fargo, North Dakota
July 24, 2019

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	_____	Yes	X	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

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GOVERNANCE COMMUNICATION

Board of County Commissioners
Burleigh County
Bismarck, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Burleigh County, North Dakota, for the year ended December 31, 2018 which collectively comprise Burleigh County's basic financial statements, and have issued our report thereon dated July 24, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated April 8, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures that were corrected by management. These adjustments account for Burleigh County's off-book accounts for the detention center remodel into its financial statements.

Expenditures	7,861,864	
Cash	750,700	
Revenue		248,729
Other Financing Sources		8,363,835

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2019.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

The following presents our informal recommendation:

* * * * * * * * * *

FRAUD RISK ASSESSMENT

Burleigh County does not currently prepare a fraud risk assessment of the entire entity. If Burleigh County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

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

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

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

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 24, 2019

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