

**OFFICE OF  
STATE AUDITOR**

**AUDIT REPORT**

**SIoux COUNTY  
FORT YATES, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



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SIOUX COUNTY  
Fort Yates, North Dakota

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For the Years Ended December 31, 2011

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SIOUX COUNTY  
Fort Yates, North Dakota

**COUNTY OFFICIALS**

December 31, 2011

Dusty Kraft  
Glen Bahm  
Lary Silbernagel

Barbara Hettich  
Sandra Waliser  
Frank Landeis  
Sandra Waliser  
John Gosbee

Commissioner - Chairman  
Commissioner - Vice Chairman  
Commissioner

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

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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**INDEPENDENT AUDITOR'S REPORT**

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Board of County Commissioners  
Sioux County  
Fort Yates, North Dakota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sioux County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of Sioux 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 23 through 27 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.

**SIOUX COUNTY**

Independent Auditor's Report - Continued

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux County's financial statements. The schedule of fund activity arising from cash transactions is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity arising from cash transactions is not fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson  
State Auditor

February 12, 2013

SIOUX COUNTY  
Fort Yates, North Dakota

STATEMENT OF NET ASSETS  
December 31, 2011

	Primary Government	Component Units	
	Governmental Activities	Fair Board	Water Resource District
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 1,108,201	\$ -	\$ 3,167
Intergovernmental Receivable	196,520	-	-
Due from County	-	-	245
Taxes Receivable	26,298	248	190
Capital Assets (net of accumulated depreciation):			
Land	13,525	-	-
Buildings	345,930	-	-
Machinery and Equipment	167,712	-	-
Vehicles	30,443	-	-
Infrastructure	1,294,122	-	-
Total Capital Assets	<u>\$ 1,851,732</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 3,182,751</u>	<u>\$ 248</u>	<u>\$ 3,602</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 73,141	\$ -	\$ -
Interest Payable	2,597	-	-
Cash Over-Draft Liability	-	4,704	-
Long-Term Liabilities:			
Due Within One Year:			
Leases Payable	40,165	-	-
Compensated Absences Payable	2,435	-	-
Due After One Year:			
Leases Payable	105,076	-	-
Compensated Absences Payable	21,919	-	-
Total Liabilities	<u>\$ 245,333</u>	<u>\$ 4,704</u>	<u>\$ -</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 1,706,491	\$ -	\$ -
Restricted for:			
Public Safety	44,255	-	-
Highways and bridges	112,494	-	-
Health and Welfare	161,853	-	-
Culture and Recreation	21,111	(4,456)	-
Conservation of Natural Resources	50,460	-	3,602
Emergencies	(32,296)	-	-
Unrestricted	<u>873,050</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 2,937,418</u>	<u>\$ (4,456)</u>	<u>\$ 3,602</u>

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

SIOUX COUNTY  
Fort Yates, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary	Component Units	
				Governmental Activities	Fair Board	Water Resource District
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General government	\$ 499,749	\$ 12,344	\$ 95,853	\$ (391,552)		
Public safety	93,405	31,496	1,623	(60,286)		
Highways and bridges	542,972	29,756	320,122	(193,094)		
Flood control	-	-	10,000	10,000		
Health and welfare	600,155	-	598,563	(1,592)		
Culture and recreation	13,656	-	-	(13,656)		
Conservation of natural resources	103,827	46,000	-	(57,827)		
Interest & fiscal charges on long-term debt	3,380	-	-	(3,380)		
<b>Total Primary Government</b>	<b>\$ 1,857,144</b>	<b>\$ 119,596</b>	<b>\$ 1,026,161</b>	<b>\$ (711,387)</b>		
<u>Component Units:</u>						
Fair board	\$ 3,203	\$ -	\$ -	\$ (3,203)	\$ -	
Water resource district	1,335	-	-	-	(1,335)	
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes	\$ 72,185	\$ 3,627	\$ 2,391			
Property taxes; levied for special purposes	302,810	-	-			
Non restricted grants and contributions	695,398	-	-			
Unrestricted investment earnings	3,765	-	-			
Miscellaneous revenue	58,835	1,690	-			
<b>Total General Revenues</b>	<b>\$ 1,132,993</b>	<b>\$ 5,317</b>	<b>\$ 2,391</b>			
<b>Change in Net Assets</b>	<b>\$ 421,606</b>	<b>\$ 2,114</b>	<b>\$ 1,056</b>			
Net Assets - January 1	\$ 2,518,028	\$ (6,570)	\$ 2,546			
Prior Period Adjustment	(2,216)	-	-			
<b>Net Assets - January 1, as restated</b>	<b>\$ 2,515,812</b>	<b>\$ (6,570)</b>	<b>\$ 2,546</b>			
<b>Net Assets - December 31</b>	<b>\$ 2,937,418</b>	<b>\$ (4,456)</b>	<b>\$ 3,602</b>			

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

SIOUX COUNTY  
Fort Yates, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011

	General	Unorganized Road	Highway Tax Distribution	Social Service	Emergency Poor	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash and investments	\$ 683,333	\$ -	\$ 80,977	\$ 58,556	\$ 108,289	\$ 177,046	\$ 1,108,201
Intergovernmental receivable	157,101	16,800	22,619	-	-	-	196,520
Due from other funds	31,489	-	-	-	-	-	31,489
Taxes receivable	5,442	4,222	-	3,401	3,628	9,605	26,298
<b>Total Assets</b>	<b>\$ 877,365</b>	<b>\$ 21,022</b>	<b>\$ 103,596</b>	<b>\$ 61,957</b>	<b>\$ 111,917</b>	<b>\$ 186,651</b>	<b>\$ 1,362,508</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts payable	\$ 42,747	\$ 30,394	\$ -	\$ -	\$ -	\$ -	\$ 73,141
Due to other funds	-	13,748	-	-	-	17,741	31,489
Deferred revenue	5,442	4,222	-	3,401	3,628	9,605	26,298
<b>Total Liabilities</b>	<b>\$ 48,189</b>	<b>\$ 48,364</b>	<b>\$ -</b>	<b>\$ 3,401</b>	<b>\$ 3,628</b>	<b>\$ 27,346</b>	<b>\$ 130,928</b>
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,255	\$ 44,255
Highways and bridges	-	-	103,596	-	-	12,764	116,360
Health and welfare	-	-	-	58,556	108,289	-	166,845
Culture and recreation	-	-	-	-	-	21,111	21,111
Conservation of natural resources	-	-	-	-	-	49,854	49,854
Emergency	-	-	-	-	-	32,669	32,669
<u>Unassigned:</u>							
General	829,176	-	-	-	-	16,393	845,569
Negative Fund Balances	-	(27,342)	-	-	-	(17,741)	(45,083)
<b>Total Fund Balances</b>	<b>\$ 829,176</b>	<b>\$ (27,342)</b>	<b>\$ 103,596</b>	<b>\$ 58,556</b>	<b>\$ 108,289</b>	<b>\$ 159,305</b>	<b>\$ 1,231,580</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 877,365</b>	<b>\$ 21,022</b>	<b>\$ 103,596</b>	<b>\$ 61,957</b>	<b>\$ 111,917</b>	<b>\$ 186,651</b>	<b>\$ 1,362,508</b>

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

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SIOUX COUNTY  
Fort Yates, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

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Total *Fund Balances* for Governmental Funds \$ 1,231,580

Total *net assets* reported for government activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 2,910,783	
Less Accumulated Depreciation	<u>(1,059,051)</u>	
Net Capital Assets		1,851,732

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds. 26,298

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at December 31, 2011 are:

Capital Leases Payable	\$ (145,241)	
Interest Payable	(2,597)	
Compensated Absences	<u>(24,354)</u>	
Total Long-Term Liabilities		<u>(172,192)</u>

Total Net Assets of Governmental Activities \$ 2,937,418

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

SIOUX COUNTY  
Fort Yates, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	General	Unorganized Road	Highway Tax Distribution	Social Service	Emergency Poor	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 78,240	\$ 77,485	\$ -	\$ 46,571	\$ 49,853	\$ 154,705	\$ 406,854
Intergovernmental	634,687	189,224	269,207	596,463	-	31,978	1,721,559
Charges for services	11,424	29,756	-	-	-	78,416	119,596
Interest income	3,765	-	-	-	-	-	3,765
Miscellaneous	45,562	-	-	-	-	13,273	58,835
<b>Total Revenues</b>	<b>\$ 773,678</b>	<b>\$ 296,465</b>	<b>\$ 269,207</b>	<b>\$ 643,034</b>	<b>\$ 49,853</b>	<b>\$ 278,372</b>	<b>\$ 2,310,609</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	\$ 395,566	\$ -	\$ -	\$ -	\$ -	\$ 94,424	\$ 489,990
Public safety	64,664	-	-	-	-	23,141	87,805
Highways and bridges	-	374,197	190,488	-	-	24,370	589,055
Health and welfare	1,204	-	-	605,443	2,239	-	608,886
Culture and recreation	-	-	-	-	-	13,656	13,656
Conserv. of natural resources	38,640	-	-	-	-	55,927	94,567
<b>Debt Service:</b>							
Principal	12,324	28,650	-	-	-	-	40,974
Interest and fees	783	-	-	-	-	-	783
<b>Total Expenditures</b>	<b>\$ 513,181</b>	<b>\$ 402,847</b>	<b>\$ 190,488</b>	<b>\$ 605,443</b>	<b>\$ 2,239</b>	<b>\$ 211,518</b>	<b>\$ 1,925,716</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 260,497	\$ (106,382)	\$ 78,719	\$ 37,591	\$ 47,614	\$ 66,854	\$ 384,893
<b>Other Financing Sources (Uses):</b>							
Transfers in	\$ -	\$ 80,000	\$ -	\$ 50,000	\$ -	\$ -	\$ 130,000
Lease proceeds	-	153,891	-	-	-	-	153,891
Transfers out	(80,000)	-	-	-	(50,000)	-	(130,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (80,000)</b>	<b>\$ 233,891</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ (50,000)</b>	<b>\$ -</b>	<b>\$ 153,891</b>
<b>Net Change in Fund Balances</b>	<b>\$ 180,497</b>	<b>\$ 127,509</b>	<b>\$ 78,719</b>	<b>\$ 87,591</b>	<b>\$ (2,386)</b>	<b>\$ 66,854</b>	<b>\$ 538,784</b>
Fund Balance - January 1	\$ 648,679	\$ (154,851)	\$ 24,877	\$ (29,035)	\$ 110,675	\$ 94,667	\$ 695,012
Prior Period Adjustment	-	-	-	-	-	(2,216)	(2,216)
<b>Fund Balances - Jan. 1, as restated</b>	<b>\$ 648,679</b>	<b>\$ (154,851)</b>	<b>\$ 24,877</b>	<b>\$ (29,035)</b>	<b>\$ 110,675</b>	<b>\$ 92,451</b>	<b>\$ 692,796</b>
<b>Fund Balance - December 31</b>	<b>\$ 829,176</b>	<b>\$ (27,342)</b>	<b>\$ 103,596</b>	<b>\$ 58,556</b>	<b>\$ 108,289</b>	<b>\$ 159,305</b>	<b>\$ 1,231,580</b>

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

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SIOUX COUNTY  
Fort Yates, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

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Net Change in *Fund Balances* - Total Governmental Funds \$ 538,784

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 117,700	
Current Year Depreciation Expense	<u>(94,566)</u>	23,134

The net effect of miscellaneous transactions involving capital assets is to decrease net capital assets. (6,100)

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt issuance exceeded debt repayment.

Repayment of Debt - Lease		40,974
Lease Issuance		<u>(153,891)</u>

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. This consists of the net increase in compensated absences.

Net Decrease in Compensated Absences		13,162
Net Increase in interest payable		<u>(2,598)</u>

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. This consists of the decrease in taxes receivable. (31,859)

Change in Net Assets of Governmental Activities \$ 421,606

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

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SIOUX COUNTY  
Fort Yates, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2011

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	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 273,251</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 273,251</u>

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

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SIOUX COUNTY  
Fort Yates, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Sioux County, Fort Yates, North Dakota, 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 Sioux County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Sioux 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 Sioux County.

Based on these criteria, there are two discretely presented component units to be included within Sioux County as a reporting entity.

**COMPONENT UNITS**

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

Discretely Presented Component Units: The component unit columns in the basic financial statements include the financial data of the county's component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

Sioux County Water Resource District - The County's governing board appoints a voting majority of the members of the Sioux County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District.

Sioux County Fair Association - The County's governing board appoints a voting majority of the members of the Sioux County Fair Association. The county has the authority to approve or modify the Fair Association's operational and capital budgets. The county also must approve the tax levy established by the Fair Association.

Component Unit Financial Statements: The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Sioux County Auditor Sioux County, PO Box 603, Ft. Yates, ND, 58324.

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

Related Organizations - The County is accountable for the following legally separate entities because the commissioners appoint a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	<b>2011</b>
Weed Control	\$36,058
Senior Citizens	6,025

**B. Basis of Presentation**

*Government-wide statements:* The statement of net assets and the statement of activities display information about the primary government, Sioux County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, when applicable, to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

*Highway Tax Distribution Fund.* This fund accounts for repair and improvement of highways that are legally restricted from state highway tax distribution revenue sources.

*Unorganized Road Fund.* This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*Social Service Fund.* This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*Emergency Poor Fund.* This fund accounts for the taxes levied for social welfare programs that are transferred to the social welfare fund to help finance the costs of providing social service benefits and programs to needy residents of the county. The major source of revenue is a restricted tax levy.

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

All governmental and internal service funds of the County and the discretely presented component units follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County does not apply FASB pronouncements issued after November 30, 1989.

D. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2011 consist of certificates of deposit stated at fair value.

E. Capital Assets

**PRIMARY GOVERNMENT:**

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

## **SIOUX COUNTY**

### Notes to the Financial Statements - Continued

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General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. 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. Interest incurred during the construction phase of capital assets is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<b>Assets</b>	<b>Years</b>
Buildings	10-50
Machinery and Equipment	5-15
Infrastructure	50-100
Vehicles	3-10
Office Equipment	3-5

#### F. Compensated Absences

Eligible employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Vacation benefits may be accrued to a maximum of three hundred hours. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of three hundred hours. Sick leave benefits are allowed to accumulate to an unlimited number of days. Unused sick leave benefiterers are not paid off at the time of termination of employment or retirement. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

#### G. 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 assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

#### H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

#### ***Fund Balance Spending Policy:***

It is the policy of Sioux 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.

#### ***Major Special Revenue Fund Purposes & Revenue Sources:***

Purposes and major revenue sources of the major special revenue funds (Unorganized Road, Highway Tax Distribution, Social Service and Emergency Poor) are disclosed in more detail in Note 1B in the discussion of major funds.

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Sioux County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2011.

Restricted Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for debt service, public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, and emergencies. Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

Unassigned Fund Balances:

Unassigned fund balances at year-end 2011 consist of an amount in the general fund totaling \$829,176, a negative cash balance of \$27,342 in the special revenue unorganized road fund, and an amount reported for negative cash balances totaling \$17,741 in the non-major special revenue funds for the comprehensive health fund, capital improvement and the insurance reserve fund.

Net Assets Equity:

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.

Invested in capital assets, net of related debt, is reported for capital assets less accumulated depreciation and any related debt (loans payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, emergencies, health & welfare, culture & recreation, conservation of resources, flood control, debt services, and general government (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund. The unrestricted net assets are available to meet the district's ongoing obligations.

I. 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: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2011 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$620,014	\$(145,014)	\$475,000
Unorganized Road	529,500	(177,500)	352,000
Highway Tax Distribution	168,000	23,000	191,000
Emergency Poor	500	1,500	2,000

CONTINUED ON NEXT PAGE....

**SIoux COUNTY**

Notes to the Financial Statements - Continued

CONTINUED FROM PREVIOUS PAGE....

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
County Road	20,000	5,000	25,000
Township Road	30,000	(27,400)	2,600
Comprehensive Health	60,000	(6,000)	54,000
Insurance Reserve	25,000	10,000	15,000
911 Wireless	15,000	(5,000)	10,000
911	15,000	5,500	20,500
County Library	36,698	(22,698)	14,000
FICA/Oasis	31,000	6,000	25,000
County Emergency	6,000	6,000	-
Weed	30,210	5,790	36,000
County Extension Special	5,000	15,000	20,000
County Recorder Special	800	800	1,400

**NOTE 3: DEPOSITS**

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

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

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

At year ended December 31, 2011 the county's carrying amount of deposits was \$1,379,915 and the bank balances totaled \$1,375,693. Of the bank balances, \$314,762 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,060,931 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2011, the Sioux County Water Resource District's deposits, Sioux County Library and the Sioux County Fair Association deposits totaling were entirely covered by Federal Depository Insurance.

Credit Risk:

The county may invest idle funds as authorized in North Dakota Statutes, as follows:

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

**SIoux COUNTY**

## Notes to the Financial Statements - Continued

As of December 31, 2011, the county had certificates of deposit totaling \$13,598 all of which were considered deposits.

Concentration of Credit Risk:

The county does not have a limit on the amount it may invest in any one issuer.

**NOTE 4: TAXES RECEIVABLE**

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due for interest from banks and charges for services provide prior to year-end, but not received until after year-end.

**NOTE 6: INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state aid and other state and federal grants.

**NOTE 7: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2011 for the primary government:

<b>Primary Government (2011):</b>	<b>Balance 1-1-11</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-11</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,525	\$ -	\$ -	\$ 13,525
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 592,008	\$ -	\$ -	\$ 592,008
Machinery and Equipment	699,226	117,700	(38,000)	778,926
Vehicles	160,050	-	(26,000)	134,050
Infrastructure	1,392,274	-	-	1,392,274
<b>Total Capital Assets, Being Depreciated</b>	<b>\$2,777,223</b>	<b>\$ 66,335</b>	<b>\$(64,000)</b>	<b>\$2,897,258</b>
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 228,991	\$ 17,088	\$ -	\$ 246,079
Furniture and Equipment	592,729	55,985	(37,500)	611,214
Vehicles and Machinery	116,435	7,571	(20,400)	103,606
Infrastructure	84,230	13,923	-	98,153
<b>Total Accumulated Depreciation</b>	<b>\$1,022,384</b>	<b>\$ 94,567</b>	<b>\$(57,900)</b>	<b>\$1,059,051</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$1,821,174</b>	<b>\$ 23,133</b>	<b>\$ (6,100)</b>	<b>\$1,838,207</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$1,834,699</b>	<b>\$ 23,133</b>	<b>\$ (6,100)</b>	<b>\$1,851,732</b>

**SIOUX COUNTY**

Notes to the Financial Statements - Continued

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2011:

<b>Governmental Activities:</b>	<b>2011</b>
General Government	\$ 8,995
Highways	76,310
Conservation of Natural Resources	9,261
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$94,567</b>

**NOTE 8: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

**NOTE 9: LEASES PAYABLE**

**Capital Leases** - Sioux County had lease agreements outstanding for a motor grader, and a modular trailer for the audit period. These lease agreements qualify as capital leases for accounting purposes.

**NOTE 10: LONG-TERM DEBT**

Primary Government:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2011; the following changes occurred in governmental activities long-term liabilities for the primary government:

	<b>Balance 1-1-11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12-31-11</b>	<b>Due Within One Year</b>
Capital Leases	\$32,323	\$153,892	\$40,974	\$145,241	\$40,165
Compensated Absences *	37,516	-	13,162	24,354	2,435
<b>Total – Primary Government</b>	<b>\$69,839</b>	<b>\$153,892</b>	<b>\$54,136</b>	<b>\$169,595</b>	<b>\$42,600</b>

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

Outstanding governmental activities debt at December 31, 2011 is comprised of the following individual issues:

**Leases Payable:**

\$134,640 Lease from Butler for a Cat 140H Motor Grader. Payments are \$28,650 annually through 2014. This is a rental agreement.	\$105,991
\$39,250 John Deere Wheel Loader. Payments are \$14,458 annually through 2013. Interest at 5.05%.	<u>39,250</u>
<b>Total Capital Leases</b>	<b><u>\$145,241</u></b>

Debt service requirements on governmental activity long-term debt at December 31, 2011 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Leases Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 36,772	\$ 6,337
2013	39,586	3,523
2014	41,119	1,990
2015	27,764	888
<b>Total</b>	<b>\$145,241</b>	<b>\$12,738</b>

**SIoux COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 11: TRANSFERS**

There were transfers in and transfers out reported in the basic financial statements of the governmental funds for the year ended December 31, 2011:

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental funds for the year ended December 31, 2011:

2011	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ -	\$ 80,000
Unorganized Road	80,000	-
Social Welfare	50,000	-
Emergency Poor	-	50,000
<b>Total Transfers</b>	<b>\$130,000</b>	<b>\$130,000</b>

**NOTE 12: PENSION PLAN****North Dakota Public Employees' Retirement System**

Sioux County participates in the Deferred Compensation Section 457 plan through Hartford and administered by the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Sioux County. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' 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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

The County matches up to \$50 dollars per month for full time employees and \$37.50 for part time employees. Employees are able to contribute more if they deem necessary. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Sioux County's total contributions including any employee additional contributions to NDPERS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$26,410, \$23,850, and \$23,625, respectively.

**SIoux COUNTY**

## Notes to the Financial Statements - Continued

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

**NOTE 13: RISK MANAGEMENT**

Sioux 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Sioux County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$875,607 for public assets (mobile equipment and portable property).

Sioux County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Sioux 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 Sioux County with blanket fidelity bond coverage in the amount of \$500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

**NOTE 14: DEFICIT FUND BALANCES**

At December 31, 2011, the following funds had deficit fund balances for the County and net assets equity for the component unit.

<b>County Funds</b>	<b>2011</b>
Unorganized Road	\$(27,342)
Comprehensive Health	(4,007)
Insurance Reserve	(9,403)
Capital Improvement	(4,331)
<b>Component Unit</b>	<b>2011</b>
County Fair Association	\$ (4,704)

**NOTE 15: JOINT VENTURE****Primary Government:**

Morton County entered into an agreement with Grant, Mercer, Oliver and Sioux Counties for the operation of the Custer District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property tax valuation of each county.

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

Summary financial information for the year ended December 31, 2010, the most current information available, is as follows:

Assets	\$ 834,661
Total Revenues	\$2,780,248
Total Expenses	2,795,540
Net Increase in Equity	\$ (15,292)

Detailed financial information for the Health Unit can be obtained from the Custer District Health Unit, Mandan, North Dakota.

**NOTE 16: PRIOR PERIOD ADJUSTMENT**

There were prior period adjustments for the period ending December 31, 2011 for Governmental Wide Activities and Government Fund Statements involving adjustments to the beginning fund balance to remove one agency fund (senior citizens) from the reported government funds.

	<b>Amounts</b>
Net Assets Equity as previously reported	\$2,518,028
<b>Adjustments to restate the January 1, 2010 net assets equity for the following:</b>	
Net Adjustments to fund balances (reclass)	(2,216)
Net Assets Equity January 1, 2010 as restated	\$2,515,812

	<b>Amounts</b>
Total Governmental Fund Balance as previously reported	\$695,012
<b>Adjustments to restate the January 1, 2010 Total Governmental Fund Balance for the following:</b>	
Other Governmental Funds	(2,216)
Total Governmental Fund Balance, January 1, 2010 as restated	\$692,796

**NOTE 17: BUDGET TO ACTUAL RECONCILIATION**

The county entered into a lease for the purchase of a motor grader during 2011. The lease proceeds and corresponding highway expenditures were reported on the statement of revenues, expenditures and changes in fund balance – governmental funds for the unorganized road fund, but were not reported on the budgetary comparison schedule for the unorganized road fund. The county did not originally budget for these funds and these transactions were not recorded on the county's general ledger. The differences are as follows:

<b>Miscellaneous Road Fund</b>	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual</b>
Expenditures	\$402,847	\$(153,891)	\$248,956
Lease Proceeds	153,891	(153,891)	-

SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 69,250	\$ 69,250	\$ 78,240	\$ 8,990
Intergovernmental	427,499	566,050	634,687	68,637
Charges for services	11,200	11,200	11,424	224
Interest income	5,000	5,000	3,765	(1,235)
Miscellaneous	60,500	60,500	45,562	(14,938)
<b>Total Revenues</b>	<b>\$ 573,449</b>	<b>\$ 712,000</b>	<b>\$ 773,678</b>	<b>\$ 61,678</b>
<u>Expenditures:</u>				
Current:				
General government	\$ 493,134	\$ 348,120	\$ 395,566	\$ (47,446)
Public safety	71,517	71,517	64,664	6,853
Health and welfare	2,950	2,950	1,204	1,746
Conservation of natural resources	52,413	52,413	38,640	13,773
Debt Service:				
Principal	-	-	12,324	(12,324)
Interest	-	-	783	(783)
<b>Total Expenditures</b>	<b>\$ 620,014</b>	<b>\$ 475,000</b>	<b>\$ 513,181</b>	<b>\$ (38,181)</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (46,565)</b>	<b>\$ 237,000</b>	<b>\$ 260,497</b>	<b>\$ 23,497</b>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (80,000)	\$ (80,000)
<b>Net Change in Fund Balances</b>	<b>\$ (46,565)</b>	<b>\$ 237,000</b>	<b>\$ 180,497</b>	<b>\$ (56,503)</b>
Fund Balances - January 1	\$ 648,679	\$ 648,679	\$ 648,679	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 602,114</b>	<b>\$ 885,679</b>	<b>\$ 829,176</b>	<b>\$ (56,503)</b>

The notes to the required supplementary information are an integral part of this statement.

SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED ROAD FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 84,125	\$ 84,125	\$ 77,485	\$ (6,640)
Intergovernmental	45,500	45,500	189,224	143,724
Charges for services	26,000	26,000	29,756	3,756
Miscellaneous	44,375	133,375	-	(133,375)
<b>Total Revenues</b>	<b>\$ 200,000</b>	<b>\$ 289,000</b>	<b>\$ 296,465</b>	<b>\$ 7,465</b>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 529,500	\$ 352,000	\$ 220,306	\$ 131,694
Debt Service:				
Principal	-	-	28,650	(28,650)
<b>Total Expenditures</b>	<b>\$ 529,500</b>	<b>\$ 352,000</b>	<b>\$ 248,956</b>	<b>\$ 103,044</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (329,500)</b>	<b>\$ (63,000)</b>	<b>\$ 47,509</b>	<b>\$ 110,509</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 80,000	\$ 80,000
<b>Net Change in Fund Balances</b>	<b>\$ (329,500)</b>	<b>\$ (63,000)</b>	<b>\$ 127,509</b>	<b>\$ 190,509</b>
<b>Fund Balances - January 1</b>	<b>\$ (154,851)</b>	<b>\$ (154,851)</b>	<b>\$ (154,851)</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ (484,351)</b>	<b>\$ (217,851)</b>	<b>\$ (27,342)</b>	<b>\$ 190,509</b>

The notes to the required supplementary information are an integral part of this statement.

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SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY TAX FUND  
For the Year Ended December 31, 2011

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 286,900	\$ 270,000	\$ 269,207	\$ (793)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 168,000	\$ 191,000	\$ 190,488	\$ 512
Excess (Deficiency) of Revenues Over Expenditures	\$ 118,900	\$ 79,000	\$ 78,719	\$ (281)
Fund Balances - January 1	\$ 24,877	\$ 24,877	\$ 24,877	\$ -
Fund Balances - December 31	\$ 143,777	\$ 103,877	\$ 103,596	\$ (281)

The notes to the required supplementary information are an integral part of this statement.

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SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE FUND  
For the Year Ended December 31, 2011

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,000	\$ 45,000	\$ 46,571	\$ 1,571
Intergovernmental	650,000	650,000	596,463	(53,537)
Total Revenues	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 643,034</u>	<u>\$ (51,966)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ -	\$ -	\$ 605,443	\$ (605,443)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 37,591</u>	<u>\$ (657,409)</u>
Fund Balances - January 1	<u>\$ (29,035)</u>	<u>\$ (29,035)</u>	<u>\$ (29,035)</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 665,965</u>	<u>\$ 665,965</u>	<u>\$ 58,556</u>	<u>\$ (607,409)</u>

The notes to the required supplementary information are an integral part of this statement.

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SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
EMERGENCY POOR FUND  
For the Year Ended December 31, 2011

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,500	\$ 45,500	\$ 49,853	\$ 4,353
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 500	\$ 2,000	\$ 2,239	\$ (239)
Excess (Deficiency) of Revenues Over Expenditures	\$ 45,000	\$ 43,500	\$ 47,614	\$ 4,114
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (50,000)	\$ -	\$ (50,000)	\$ (50,000)
Net Change in Fund Balances	\$ (5,000)	\$ 43,500	\$ (2,386)	\$ (45,886)
Fund Balances - January 1	\$ 110,675	\$ 110,675	\$ 110,675	\$ -
Fund Balances - December 31	\$ 105,675	\$ 154,175	\$ 108,289	\$ (45,886)

The notes to the required supplementary information are an integral part of this statement.

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SIOUX COUNTY  
Fort Yates, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2011

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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: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2011, Sioux County had the following fund expenditures in excess of budgeted amounts:

<b>Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund	\$475,000	\$513,181	\$ (38,181)
Social Service	-	605,443	(605,443)
Emergency Fund	2,000	2,239	(239)
County Road	25,000	25,833	(833)
Township Road	2,600	2,613	(13)
Insurance Reserve	15,000	15,050	(50)
911 Fund	20,500	20,776	(276)
Weed Control/Leafy Spurge	36,000	36,058	(58)
County Recorder Special	1,400	1,422	(22)

No remedial action is anticipated or required regarding these excess expenditures

SIOUX COUNTY  
Fort Yates, North Dakota  
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-11
<b>Major Funds:</b>						
General Fund	\$ 552,726.45	\$ 714,043.88	\$ -	\$ 80,000.00	\$ 471,948.67	\$ 714,821.66
<b>Special Revenue Funds:</b>						
Unorganized Road	\$ (30,590.20)	\$ 289,370.75	\$ 80,000.00	\$ -	\$ 352,528.07	\$ (13,747.52)
Social Service	(41,711.83)	655,710.79	50,000.00	-	605,443.07	58,555.89
Emergency Poor	110,674.72	49,853.57	-	50,000.00	2,239.32	108,288.97
Highway Tax	4,296.06	267,169.11	-	-	190,487.84	80,977.33
<b>Total Major Funds</b>	<b>\$ 595,395.20</b>	<b>\$ 1,976,148.10</b>	<b>\$ 130,000.00</b>	<b>\$ 130,000.00</b>	<b>\$ 1,622,646.97</b>	<b>\$ 948,896.33</b>
<b>Nonmajor Special Revenue Funds:</b>						
County Road	\$ 9,053.87	\$ 20,787.72	\$ -	\$ -	\$ 25,832.74	\$ 4,008.85
Township Road	5,307.15	6,060.89	-	-	2,613.00	8,755.04
Comprehensive Health	(14,642.94)	64,127.59	-	-	53,491.85	(4,007.20)
Insurance Reserve	(19,386.07)	25,033.51	-	-	15,050.06	(9,402.62)
911 Wireless	11,355.33	11,963.55	-	-	9,190.70	14,128.18
911 Fund	31,384.88	18,427.15	-	-	20,776.34	29,035.69
Library CD's	13,598.07	-	-	-	-	13,598.07
Library	1,592.18	19,576.85	-	-	13,655.74	7,513.29
FICA Matching	16,131.46	22,158.72	-	-	24,460.63	13,829.55
County Emergency	27,622.96	5,046.41	-	-	-	32,669.37
Weed Control/Leafy Spurge	27,806.00	54,314.52	-	-	36,057.81	46,062.71
Hazardous Chemical	1,090.60	-	-	-	-	1,090.60
County Extension Special	915.07	22,746.01	-	-	19,869.47	3,791.61
Capital Improvement	(10,434.13)	6,103.67	-	-	-	(4,330.46)
Register of Deeds Special	1,958.40	2,026.00	-	-	1,421.92	2,562.48
<b>Total Special Revenue Funds</b>	<b>\$ 103,352.83</b>	<b>\$ 278,372.59</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 222,420.26</b>	<b>\$ 159,305.16</b>
<b>Total Governmental Funds</b>	<b>\$ 698,748.03</b>	<b>\$ 2,254,520.69</b>	<b>\$ 130,000.00</b>	<b>\$ 130,000.00</b>	<b>\$ 1,845,067.23</b>	<b>\$ 1,108,201.49</b>
<b>Agency Funds:</b>						
State Revenue	\$ 17.97	\$ 2,606.02	\$ -	\$ -	\$ 2,604.98	\$ 19.01
State Fines	70.00	70.00	-	-	140.00	-
State General (210)	195.00	505.00	-	-	700.00	-
Game and Fish	77.85	2,398.00	-	-	2,364.00	111.85
FICA Withholding	4.05	105,609.89	-	-	105,609.90	4.04
Domestic Violence (202)	35.00	595.00	-	-	630.00	-
Displaced Homemakers (203)	-	15.00	-	-	15.00	-
Motion (206)	30.00	-	-	-	30.00	-
Indigent Civil Legal (204)	45.00	90.00	-	-	135.00	-
Crime Victims	375.00	175.00	-	-	-	550.00
Federal Withholding	(0.45)	59,009.00	-	-	59,009.00	(0.45)
State Withholding	2,372.66	8,358.00	-	-	9,048.00	1,682.66
90% Rental	1,309.82	528.68	-	-	-	1,838.50
Estimated Taxes	133,417.12	171,217.17	-	-	133,018.78	171,615.51
Custer District Health	1,597.27	11,574.88	-	-	11,035.00	2,137.15
Mobile Home Tax	4,050.91	1,210.44	-	-	2,524.04	2,737.31
Cedar Soil District	847.97	4,914.18	-	-	3,400.00	2,362.15
Flex Plan	(1,167.27)	5,858.00	-	-	5,725.14	(1,034.41)
Rural Fire Dist # 2	944.74	5,400.90	-	-	3,570.00	2,775.64
SPECIAL MASTER	296.50	1,200.00	-	-	1,395.50	101.00
Sheriff's Fund	1,475.82	860.00	-	-	7,991.49	(5,655.67)
Ambulance	1,898.67	12,751.85	-	-	12,060.00	2,590.52

Continued on next page...

SIOUX COUNTY  
Fort Yates, North Dakota  
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-11
<b>Agency Funds (Cont.):</b>						
Horizons	\$ 4,653.97	\$ -	\$ -	\$ -	\$ 4,653.97	\$ -
Solen School	9,954.13	41,662.20	-	-	38,550.00	13,066.33
Fort Yates School	29,647.03	92,746.62	-	-	93,775.00	28,618.65
Selfridge School	10,024.94	184,275.88	-	-	181,630.00	12,670.82
Selfridge Build	634.28	15,104.51	-	-	14,880.00	858.79
Solen City	2,434.94	6,624.24	-	-	4,000.00	5,059.18
Solen/Special	692.23	2,118.14	-	-	1,050.00	1,760.37
Fort Yates	4,340.13	8,734.78	-	-	9,900.00	3,174.91
Menz Township	4,299.48	12,810.61	-	-	-	17,110.09
Selfridge	4,487.33	8,405.56	-	-	6,800.00	6,092.89
Senior Citizens	660.40	6,728.34	-	-	6,025.00	1,363.74
Sel/Lagoon/Spec	1,203.40	2,711.67	-	-	2,275.00	1,640.07
<b>Total Agency Funds</b>	<b>\$ 220,925.89</b>	<b>\$ 776,869.56</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 724,544.80</b>	<b>\$ 273,250.65</b>
<b>Total Primary Government</b>	<b>\$ 919,673.92</b>	<b>\$ 3,031,390.25</b>	<b>\$ 130,000.00</b>	<b>\$ 130,000.00</b>	<b>\$ 2,569,612.03</b>	<b>\$ 1,381,452.14</b>
<b>Component Units:</b>						
County Fair	\$ (6,896.18)	\$ 5,394.69	\$ -	\$ -	\$ 3,202.81	\$ (4,704.30)
Water Board	1,911.14	2,590.90	-	-	1,334.65	3,167.39
<b>Total Component Units</b>	<b>\$ (4,985.04)</b>	<b>\$ 7,985.59</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,537.46</b>	<b>\$ (1,536.91)</b>
<b>Total Reporting Entity</b>	<b>\$ 914,688.88</b>	<b>\$ 3,039,375.84</b>	<b>\$ 130,000.00</b>	<b>\$ 130,000.00</b>	<b>\$ 2,574,149.49</b>	<b>\$ 1,379,915.23</b>

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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

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Board of County Commissioners  
Sioux County  
Fort Yates, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise Sioux County's basic financial statements and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Sioux County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sioux County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sioux County's internal control over financial reporting.

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 or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* identified as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sioux 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, 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*.

We noted certain matters that we reported to management of Sioux County, North Dakota in a separate letter dated February 12, 2013.

This report is intended solely for the information and use of management, the board of county commissioners, and others within the county, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the printed name and title.

Robert R. Peterson  
State Auditor

February 12, 2013

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SIOUX COUNTY  
Fort Yates, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2011

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of Report Issued?

Governmental Activities	Unqualified
Discretely Presented Component Units	Unqualified
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   No

Significant deficiencies identified not considered to be material weaknesses?   X   Yes        No

Noncompliance material to financial statements noted?        Yes   X   No

**Section II - Financial Statement Findings**

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**2011-01 – LACK OF SEGREGATION OF DUTIES – COUNTY / COMPONENT UNITS**

**Condition:**

Sioux County, Sioux County Water Resource District, and the Sioux County Fair Board essentially have one person primarily responsible for the accounting functions at each entity. A lack of segregation of duties exists as one employee is responsible to issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and compile payroll.

**Effect:**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Sioux County's, Sioux County Water Resource District's, and Sioux County Fair's financial condition, whether due to error or fraud.

**Cause:**

Due to the client's size, complexity, organizational structure and the economic realities the entity's face, it is presently not economically feasible to hire the amount of staff it would need to appropriately segregate duties.

**Criteria:**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of all entities involved.

**SIOUX COUNTY**Schedule of Findings and Questioned Costs - Continued

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**Recommendation:**

Due to the size, complexity, and the economic realities of Sioux County, Sioux County Water Resource District, and the Sioux County Fair Board it is presently not feasible to obtain proper separation of duties. We recommend segregating the accounting duties as much as possible between the Auditor/Treasurer and that if it becomes feasible in the future; additional employees that are hired see that the duties are segregated to the fullest extent possible to reduce the potential risk of loss.

**Views of Responsible Officials / Planned Corrective Actions:**

While we concur with the recommendation that the duties aren't segregated to the extent necessary, due to the size of the staff the entities have there is no way that duties can be properly segregated due to cost benefit considerations. We will segregate duties to the extent we can.