

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**SIoux COUNTY
FORT YATES, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



SIOUX COUNTY
Fort Yates, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2012

	<u>Page(s)</u>
County Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Net Position	10
Notes to the Financial Statements	11 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	23 - 27
Notes to Required Supplementary Information	28
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	29 - 30
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	31 - 32
Schedule of Findings and Questioned Costs	33 - 38

SIOUX COUNTY
Fort Yates, North Dakota

COUNTY OFFICIALS

December 31, 2012

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
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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SIoux COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux County's basic 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 basic financial statements.

The *schedule of fund activity arising from cash transactions* 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the schedule of fund activity arising from cash transactions* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2014 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 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 Sioux County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
April 2, 2014

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government	Component Units	
	Governmental Activities	Fair Board	Water Resource District
ASSETS			
Cash and Investments	\$ 1,617,950	\$ -	\$ 4,426
Accounts Receivable	14,997	-	-
Intergovernmental Receivable	1,106,193	-	-
Taxes Receivable	38,906	375	244
Capital Assets (net of accumulated depreciation):			
Land	13,525	-	-
Intangibles	5,270	-	-
Buildings	328,844	-	-
Machinery and Equipment	159,308	-	-
Vehicles	44,426	-	-
Infrastructure	2,440,838	-	-
Total Capital Assets	<u>\$ 2,992,211</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 5,770,257</u>	<u>\$ 375</u>	<u>\$ 4,670</u>
LIABILITIES			
Accounts Payable	\$ 20,289	\$ -	\$ -
Interest Payable	2,222	-	-
Cash Over-Draft Liability	-	2,644	-
Long-Term Liabilities:			
Due Within One Year:			
Leases Payable	39,586	-	-
Compensated Absences Payable	10,607	-	-
Due After One Year:			
Leases Payable	68,883	-	-
Compensated Absences Payable	10,607	-	-
Total Liabilities	<u>\$ 152,194</u>	<u>\$ 2,644</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 2,883,742	\$ -	\$ -
Restricted for:			
General Government	35,751		
Public Safety	36,727	-	-
Highways and Bridges	1,199,586	-	-
Health and Welfare	137,394	-	-
Culture and Recreation	23,222	-	-
Conservation of Natural Resources	44,792	-	4,670
Emergencies	38,239	-	-
Unrestricted	<u>1,218,610</u>	<u>(2,269)</u>	<u>-</u>
Total Net Position	<u>\$ 5,618,063</u>	<u>\$ (2,269)</u>	<u>\$ 4,670</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Fair Board	Water Resource District
Primary Government:							
Governmental Activities:							
General Government	\$ 495,593	\$ 17,187	\$ 87,622	\$ -	\$ (390,784)		
Public Safety	90,670	29,429	7,123	-	(54,118)		
Highways and Bridges	501,302	98,594	1,456,567	1,132,708	2,186,567		
Health and Welfare	606,875	-	486,288	-	(120,587)		
Culture and Recreation	17,137	-	7,808	-	(9,329)		
Conservation of Natural Resources	157,674	39,744	43,820	-	(74,110)		
Interest & Fiscal Charges on Long-Term Debt	6,873	-	-	-	(6,873)		
Total Primary Government	\$1,876,124	\$ 184,954	\$ 2,089,228	\$1,132,708	\$ 1,530,766		
Component Units:							
Fair Board	\$ 4,286	\$ -	\$ -	\$ -	\$ (4,286)	\$ -	
Water Resource District	1,272	-	-	-	-	(1,272)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 83,932	\$ 4,019	\$ 2,340
Property taxes; levied for special purposes					324,532	-	-
Non restricted grants and contributions					690,045	-	-
Unrestricted investment earnings					9,093	-	-
Miscellaneous revenue					36,320	2,454	-
Total General Revenues					\$ 1,143,922	\$ 6,473	\$ 2,340
Change in Net Position					\$ 2,674,688	\$ 2,187	\$ 1,068
Net Position - January 1					\$ 2,937,418	\$ (4,456)	\$ 3,602
Prior Period Adjustment					5,957	-	-
Net Position - January 1, as restated					\$ 2,943,375	\$ (4,456)	\$ 3,602
Net Position - December 31					\$ 5,618,063	\$ (2,269)	\$ 4,670

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, 2012

	General	Unorganized Road	Highway Tax Distribution	Social Service	Weed	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash and Investments	\$ 971,408	\$ 129,491	\$ 210,912	\$ -	\$ 43,548	\$ 262,591	\$ 1,617,950
Accounts Receivable	-	-	-	-	14,997	-	14,997
Intergovernmental Receivable	183,630	804,992	26,617	90,954	-	-	1,106,193
Due from Other Funds	56,315	-	-	-	-	-	56,315
Taxes Receivable	10,115	5,915	-	4,393	781	17,702	38,906
Total Assets	\$ 1,221,468	\$ 940,398	\$ 237,529	\$ 95,347	\$ 59,326	\$ 280,293	\$ 2,834,361
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 14,534	\$ 5,755	\$ 20,289
Due to Other Funds	-	-	-	53,456	-	2,859	56,315
Total Liabilities	\$ -	\$ -	\$ -	\$ 53,456	\$ 14,534	\$ 8,614	\$ 76,604
<u>Deferred Inflows of Resources:</u>							
Taxes Receivable	\$ 10,115	\$ 5,915	\$ -	\$ 4,393	\$ 781	\$ 17,702	\$ 38,906
Total Liabilities and Deferred Inflows of Resources	\$ 10,115	\$ 5,915	\$ -	\$ 57,849	\$ 15,315	\$ 26,316	\$ 115,510
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,706	\$ 29,706
Public Safety	-	-	-	-	-	36,727	36,727
Highways and Bridges	-	934,483	237,529	-	-	28,303	1,200,315
Health and Welfare	-	-	-	37,498	-	102,128	139,626
Culture and Recreation	-	-	-	-	-	22,222	22,222
Conservation of Natural Resources	-	-	-	-	44,011	-	44,011
Emergency	-	-	-	-	-	37,750	37,750
Unassigned:							
General	1,211,353	-	-	-	-	-	1,211,353
Negative Fund Balances	-	-	-	-	-	(2,859)	(2,859)
Total Fund Balances	\$ 1,211,353	\$ 934,483	\$ 237,529	\$ 37,498	\$ 44,011	\$ 253,977	\$ 2,718,851
Total Liabilities and Fund Balances	\$ 1,211,353	\$ 934,483	\$ 237,529	\$ 90,954	\$ 58,545	\$ 262,591	\$ 2,795,455

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

SIOUX COUNTY
Fort Yates, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* for Governmental Funds \$ 2,718,851

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

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

Cost of Capital Assets	\$ 4,154,239	
Less Accumulated Depreciation	<u>(1,162,028)</u>	
Net Capital Assets		2,992,211

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. 38,906

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 position. Balances at December 31, 2012 are:

Capital Leases Payable	\$ (108,469)	
Interest Payable	(2,222)	
Compensated Absences	<u>(21,214)</u>	
Total Long-Term Liabilities		<u>(131,905)</u>

Total Net Position of Governmental Activities \$ 5,618,063

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, 2012

	General	Unorganized Road	Highway Tax Distribution	Social Service	Weed	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 79,258	\$ 76,106	\$ -	\$ 45,672	\$ 8,114	\$ 186,706	\$ 395,856
Intergovernmental	787,253	1,237,980	295,049	483,824	-	58,268	2,862,374
Charges for Services	14,631	98,594	-	-	39,744	31,985	184,954
Interest Income	5,679	-	-	-	-	3,414	9,093
Miscellaneous	2,160	6,853	-	-	-	27,307	36,320
Total Revenues	\$ 888,981	\$ 1,419,533	\$ 295,049	\$ 529,496	\$ 47,858	\$ 307,680	\$ 3,488,597
Expenditures:							
Current:							
General Government	\$ 384,037	\$ -	\$ -	\$ -	\$ -	\$ 104,595	\$ 488,632
Public Safety	74,475	-	-	-	-	35,749	110,224
Highways and Bridges	-	413,688	161,123	-	-	16,215	591,026
Health and Welfare	916	-	-	604,905	-	2,009	607,830
Culture and Recreation	-	-	-	-	-	17,137	17,137
Conserv. of Natural Resources	48,940	-	-	-	49,910	49,564	148,414
Debt Service:							
Principal	-	52,947	-	-	-	-	52,947
Interest and Fees	-	7,248	-	-	-	-	7,248
Total Expenditures	\$ 508,368	\$ 473,883	\$ 161,123	\$ 604,905	\$ 49,910	\$ 225,269	\$ 2,023,458
Excess (Deficiency) of Revenues Over Expenditures	\$ 380,613	\$ 945,650	\$ 133,926	\$ (75,409)	\$ (2,052)	\$ 82,411	\$ 1,465,139
Other Financing Sources (Uses):							
Transfers In	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital Lease	-	16,175	-	-	-	-	16,175
Transfers Out	-	-	-	-	-	(50,000)	(50,000)
Total Other Financing Sources and Uses	\$ -	\$ 16,175	\$ -	\$ 50,000	\$ -	\$ (50,000)	\$ 16,175
Net Change in Fund Balances	\$ 380,613	\$ 961,825	\$ 133,926	\$ (25,409)	\$ (2,052)	\$ 32,411	\$ 1,481,314
Fund Balance - January 1	\$ 829,176	\$ (27,342)	\$ 103,596	\$ 58,556	\$ 46,063	\$ 221,531	\$ 1,231,580
Prior Period Adjustment	1,564	-	7	4,351	-	35	5,957
Fund Balances - Jan. 1, as restated	\$ 830,740	\$ (27,342)	\$ 103,603	\$ 62,907	\$ 46,063	\$ 221,566	\$ 1,237,537
Fund Balance - December 31	\$ 1,211,353	\$ 934,483	\$ 237,529	\$ 37,498	\$ 44,011	\$ 253,977	\$ 2,718,851

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

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,481,314

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

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

Current Year Capital Outlay	\$ 1,257,055	
Current Year Depreciation Expense	<u>(113,576)</u>	1,143,479

The net effect of miscellaneous transactions involving capital assets is to decrease net capital assets. (3,000)

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

Repayment of Debt - Lease	\$ 52,947	
Lease Issuance	<u>(16,175)</u>	36,772

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 Change in Compensated Absences	\$ 3,140	
Net Change in Interest Payable	<u>375</u>	3,515

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. 12,608

Change in Net Position of Governmental Activities \$ 2,674,688

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

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Investments	<u>\$ 216,318</u>
 <u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 216,318</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

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:

	2012
Weed	\$35,376
Senior Citizens	8,000

B. Basis of Presentation

Government-wide statements: The statement of net position 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 non-exchange 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 non-major 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.

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.

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

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.

Weed Fund. This fund accounts for the taxes levied for weed and leafy splurge service within the county. The major source of revenue is charges for service.

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. Non-exchange 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 position 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.

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.

D. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and money market accounts, and amounts in certificate of deposits with maturities of less than 3 months.

The investments of the county during the year ended December 31, 2012 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

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

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:

Assets	Years
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 position. When applicable, bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balances / Net Position

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.

SIOUX COUNTY

Notes to the Financial Statements - Continued

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 Weed) are disclosed in more detail in Note 1B in the discussion of major funds.

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	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 (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes	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, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

Restricted fund balances are shown by primary function on the balance sheet for general government, 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 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures). Restricted fund balances total \$1,510,357 at December 31, 2012.

SIoux COUNTY

Notes to the Financial Statements - Continued

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, unorganized roads and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2012 consist of an amount in the general fund totaling \$1,211,353 and an amount reported for negative cash balances totaling negative \$2,859 in the non-major special revenue funds for the county extension special and capital improvement funds.

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.

The county implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of net assets was reported in the applicable categories of net assets. Under the provisions of GASB 63, the net assets statement was changed to the statement of net position, and net assets equity was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

Net investment in capital assets 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 position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is shown by primary and is restricted for general government, public safety, highways and bridges, health & welfare, culture & recreation, conservation of resources, and emergencies.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and for amounts in negative fund balances in two non-major special revenue funds. The unrestricted net position is available to meet the County'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.

SIOUX COUNTY

Notes to the Financial Statements - Continued

NOTE 2: PRIOR PERIOD ADJUSTMENT

There were prior period adjustments for the period ending December 31, 2012 for Governmental Wide Activities and Government Fund Statements involving adjustments to the beginning fund balance to remove misstated voided checks.

	Amounts
Total Governmental Fund Balance as previously reported	\$1,231,580
Adjustments to restate the January 1, 2012	
Total Governmental Fund Balance for the following:	
General Fund	1,564
Highway Tax	7
Social Service	4,351
Other Governmental Funds	35
Total Governmental Fund Balance, January 1, 2012 as restated	<u>\$1,237,537</u>

	Amounts
Total Governmental Activities as previously reported	\$2,937,418
Adjustments to restate the January 1, 2012	
Total Governmental Activities for the following:	
General Fund	1,564
Highway Tax	7
Social Service	4,351
Other Governmental Funds	35
Total Governmental Activities, January 1, 2012 as restated	<u>\$2,943,375</u>

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, 2012 the county's carrying amount of deposits was \$1,836,049 and the bank balances totaled \$1,853,628. Of the bank balances, \$318,426 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,535,202 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2012, 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.

SIoux COUNTY

Notes to the Financial Statements - Continued

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.

As of December 31, 2012, the county had certificates of deposit totaling \$13,624 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 charges for services provided by the weed fund.

NOTE 6: DUE TO / FROM OTHER FUNDS

The due to other funds reported in the other governmental funds represent the amount of negative cash at year-end that was covered by the general fund (\$56,315) in the social service, county extension and capital improvement funds (\$56,315).

NOTE 7: 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.

SIOUX COUNTY

Notes to the Financial Statements - Continued

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012 for the primary government:

Primary Government (2012):	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
<i>Capital assets not being depreciated:</i>				
<i>Permanent Easement</i>	\$ -	\$ 5,270	\$ -	\$ 5,270
Land	13,525	-	-	13,525
Total Capital Assets, Not Being Depreciated	\$ 13,525	\$ 5,270	\$ -	\$ 18,795
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 592,008	\$ -	\$ -	\$ 592,008
Machinery and Equipment	778,926	54,979	(13,600)	820,305
Vehicles	134,050	24,443	-	158,493
Infrastructure	1,392,274	1,172,363	-	2,564,637
Total Capital Assets, Being Depreciated	\$2,897,258	\$1,251,785	\$(13,600)	\$4,135,443
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 246,078	\$ 17,087	\$ -	\$ 263,165
Machinery and Equipment	611,214	60,384	(10,600)	660,998
Vehicles	103,606	10,460	-	114,066
Infrastructure	98,152	25,646	-	123,798
Total Accumulated Depreciation	\$1,059,050	\$ 113,577	\$(10,600)	\$1,162,027
Total Capital Assets Being Depreciated, Net	\$1,838,208	\$1,138,208	\$ (3,000)	\$2,973,416
Governmental Activities Capital Assets, Net	\$1,851,733	\$1,143,478	\$ (3,000)	\$2,992,211

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2012:

Governmental Activities:	2012
General Government	\$ 6,329
Public Safety	4,889
Highways	93,099
Conservation of Natural Resources	9,260
Total Depreciation Expense - Governmental Activities	\$113,577

NOTE 9: 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 10: LEASES PAYABLE

Capital Leases - Sioux County had lease agreements outstanding for a motor grader and a wheel loader for the audit period. These lease agreements qualify as capital leases for accounting purposes. See Note 11 for the description of the payments and amortization schedule.

NOTE 11: LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2012; the following changes occurred in governmental activities long-term liabilities for the primary government:

SIOUX COUNTY

Notes to the Financial Statements - Continued

	Balance 1-1-12	Additions	Reductions	Balance 12-31-12	Due Within One Year
Capital Leases	\$145,241	\$16,175	\$52,947	\$108,469	\$39,586
Compensated Absences *	24,354	-	3,140	21,214	10,607
Total – Primary Government	\$169,568	\$16,175	\$56,087	\$129,683	\$50,193

* 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, 2012 is comprised of the following individual issues:

Leases Payable:

\$134,640 Lease from Butler for a 140H Motor Grader. Payments are \$28,650 annually through 2014. This is a rental agreement. \$ 80,731

\$39,250 John Deere Wheel Loader. Payments are \$14,458 annually through 2013. Interest at 5.05%. 27,738

Total Capital Leases \$108,469

Debt service requirements on governmental activity long-term debt at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Leases Payable	
	Principal	Interest
2013	\$ 39,586	\$3,523
2014	41,120	1,990
2015	27,763	889
Total	\$108,469	\$6,402

NOTE 12: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the road accounts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

NOTE 13: TRANSFERS

There were transfers in and transfers out reported in the basic financial statements of the governmental funds for the year ended December 31, 2012:

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, 2012:

2012	Transfers In	Transfers Out
Major Funds:		
Social Welfare	\$50,000	\$ -
Emergency Poor	-	50,000
Total Transfers	\$50,000	\$50,000

NOTE 14: 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, 2012, 2011, and 2010 were \$19,500, \$26,410, and \$23,850, respectively.

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 15: 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 \$963,107 for public assets (mobile equipment and portable property).

SIoux COUNTY

Notes to the Financial Statements - Continued

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 \$300,000 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 16: DEFICIT CASH FUND BALANCES

At December 31, 2012, the following funds had deficit fund balances.

County Funds	2012
Social Service	\$(53,456)
County Extension	(1,916)
Capital Improvement	(943)
Component Unit	2012
County Fair Association	\$ (2,269)

NOTE 17: 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.

Summary financial information for the year ended December 31, 2012, the most current information available, is as follows:

Assets	\$ 705,467
Liabilities	228,218
Net Position	\$ 477,249
Beginning Net Position	\$ 429,570
Total Revenues	2,224,935
Total Expenses	2,177,256
Ending Net Position	\$ 477,249

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

NOTE 19: BUDGET TO ACTUAL RECONCILIATION

The county entered into a lease for the purchase of a John Deere Tractor during 2012. 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:

Unorganized Road Fund	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$473,883	\$(16,175)	\$457,708
Lease Proceeds	16,175	(16,175)	-

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 70,500	\$ 70,500	\$ 79,258	\$ 8,758
Intergovernmental	533,777	533,777	787,253	253,476
Charges for Services	13,600	13,600	14,631	1,031
Interest Income	6,500	6,500	5,679	(821)
Miscellaneous	6,900	6,900	2,160	(4,740)
Total Revenues	\$ 631,277	\$ 631,277	\$ 888,981	\$ 257,704
<u>Expenditures:</u>				
Current:				
General Government	\$ 526,874	\$ 526,874	\$ 384,037	\$ 142,837
Public Safety	83,156	83,156	74,475	8,681
Health and Welfare	2,950	2,950	916	2,034
Conservation of Natural Resources	56,125	56,125	48,940	7,185
Total Expenditures	\$ 669,105	\$ 669,105	\$ 508,368	\$ 160,737
Excess (Deficiency) of Revenues Over Expenditures	\$ (37,828)	\$ (37,828)	\$ 380,613	\$ 418,441
Fund Balances - January 1	\$ 830,740	\$ 830,740	\$ 830,740	\$ -
Fund Balances - December 31	\$ 792,912	\$ 792,912	\$ 1,211,353	\$ 418,441

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 74,524	\$ 74,524	\$ 76,106	\$ 1,582
Intergovernmental	421,976	421,976	1,237,980	816,004
Charges for Services	20,000	20,000	98,594	78,594
Miscellaneous	6,000	6,000	6,853	853
Total Revenues	\$ 522,500	\$ 522,500	\$ 1,419,533	\$ 897,033
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 372,500	\$ 372,500	\$ 397,513	\$ (25,013)
Debt Service:				
Principal	-	-	52,947	(52,947)
Total Expenditures	\$ 372,500	\$ 372,500	\$ 457,708	\$ (85,208)
Excess (Deficiency) of Revenues Over Expenditures	\$ 150,000	\$ 150,000	\$ 961,825	\$ 811,825
Fund Balances - January 1	\$ (27,342)	\$ (27,342)	\$ (27,342)	\$ -
Fund Balances - December 31	\$ 122,658	\$ 122,658	\$ 934,483	\$ 811,825

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 295,049	\$ 145,049
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 173,000	\$ 173,000	\$ 161,123	\$ 11,877
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,000)	\$ (23,000)	\$ 133,926	\$ 156,926
Fund Balances - January 1	\$ 103,603	\$ 103,603	\$ 103,603	\$ -
Fund Balances - December 31	\$ 80,603	\$ 80,603	\$ 237,529	\$ 156,926

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,000	\$ 45,000	\$ 45,672	\$ 672
Intergovernmental	675,000	675,000	483,824	(191,176)
Total Revenues	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>\$ 529,496</u>	<u>\$ (190,504)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ -	\$ -	\$ 604,905	\$ (604,905)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>\$ (75,409)</u>	<u>\$ (795,409)</u>
Fund Balances - January 1	<u>\$ 62,907</u>	<u>\$ 62,907</u>	<u>\$ 62,907</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 782,907</u>	<u>\$ 782,907</u>	<u>\$ 37,498</u>	<u>\$ (745,409)</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
WEED FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,000	\$ 4,000	\$ 8,114	\$ 4,114
Charges for Services	-	-	39,744	39,744
Total Revenues	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 47,858</u>	<u>\$ 43,858</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 30,210	\$ 30,210	\$ 49,910	\$ (19,700)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,210)</u>	<u>\$ (26,210)</u>	<u>\$ (2,052)</u>	<u>\$ 24,158</u>
Fund Balances - January 1	<u>\$ 46,063</u>	<u>\$ 46,063</u>	<u>\$ 46,063</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 19,853</u>	<u>\$ 19,853</u>	<u>\$ 44,011</u>	<u>\$ 24,158</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

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 2012, Sioux County had the following fund expenditures in excess of budgeted amounts:

Fund	Budget	Actual	Excess
Unorganized Road (Major)	\$372,500	\$473,883	\$ (101,383)
Social Service (Major)	-	604,905	(604,905)
Weed Control (Major)	30,210	49,910	(19,700)
Comprehensive Health	-	49,209	(49,209)
Township Road	-	780	(780)
Insurance Reserve	-	27,931	(27,931)
911 Wireless	-	16,164	(16,164)
911 Fund	-	13,830	(13,830)
County Library	-	17,137	(17,137)
Emergency Poor	-	2,009	(2,009)
County Extension Special	-	49,564	(49,564)

There will be a recommendation given regarding the overspent funds

SIOUX COUNTY
Fort Yates, North Dakota
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-12
Major Funds:						
General Fund 714821.56)	\$ 716,385.59	\$ 862,450.60	\$ -	\$ -	\$ 551,113.59	\$ 1,027,722.60
Special Revenue Funds:						
Unorganized Road	\$ (13,747.52)	\$ 631,341.19	\$ -	\$ -	\$ 488,102.43	\$ 129,491.24
Social Service	62,906.49	438,542.54	50,000.00	-	604,905.37	(53,456.34)
Highway Tax	80,984.33	291,050.14	-	-	161,122.77	210,911.70
Weed Control/Leafy Spurge	46,062.71	32,861.46	-	-	35,376.32	43,547.85
Total Major Funds	\$ 892,591.60	\$ 2,256,245.93	\$ 50,000.00	\$ -	\$ 1,840,620.48	\$ 1,358,217.05
Nonmajor Special Revenue Funds:						
County Road	\$ 4,008.85	\$ 25,113.79	\$ -	\$ -	\$ 15,434.62	13,688.02
Township Road	8,755.04	6,639.62	-	-	780.00	14,614.66
Comprehensive Health	(4,007.20)	63,566.10	-	-	49,208.90	10,350.00
Insurance Reserve	(9,402.62)	41,044.82	-	-	27,930.78	3,711.42
911 Wireless	14,128.18	10,217.81	-	-	16,163.64	8,182.35
911 Fund	29,035.69	18,003.45	-	-	13,830.28	33,208.86
Library CD's	13,598.07	25.95	-	-	-	13,624.02
Library	7,513.29	18,221.87	-	-	17,137.04	8,598.12
FICA Matching	13,829.55	22,944.63	-	-	25,809.56	10,964.62
Emergency Poor	108,288.97	45,848.95	-	50,000.00	2,009.47	102,128.45
County Emergency	32,669.37	5,080.43	-	-	-	37,749.80
Hazardous Chemical	1,090.60	-	-	-	-	1,090.60
County Extension Special	3,826.61	43,820.83	-	-	49,563.57	(1,916.13)
Capital Improvement	(4,330.46)	3,387.57	-	-	-	(942.89)
Register of Deeds Special	2,562.48	3,763.75	-	-	1,646.11	4,680.12
Total Special Revenue Funds	\$ 221,566.42	\$ 307,679.57	\$ -	\$ 50,000.00	\$ 219,513.97	\$ 259,732.02
Total Governmental Funds	\$ 1,114,158.02	\$ 2,563,925.50	\$ 50,000.00	\$ 50,000.00	\$ 2,060,134.45	\$ 1,617,949.07
Agency Funds:						
State Revenue	\$ 19.01	\$ 2,622.46	\$ -	\$ -	\$ 2,592.05	\$ 49.42
Game and Fish	111.85	1,586.00	-	-	1,267.00	430.85
FICA Withholding	4.04	96,700.72	-	-	96,732.70	(27.94)
Domestic Violence (202)	-	1,400.00	-	-	1,085.00	315.00
Crime Victims	550.00	350.00	-	-	35.00	865.00
Federal Withholding	(0.45)	52,869.10	-	-	52,869.10	(0.45)
State Withholding	1,682.66	5,370.40	-	-	5,539.64	1,513.42
90% Rental	1,838.50	513.48	-	-	-	2,351.98
Estimated Taxes	171,615.51	168,672.07	-	-	171,217.17	169,070.41
Custer District Health	2,137.15	11,809.98	-	-	13,000.00	947.13
Mobile Home Tax	2,737.31	2,128.74	-	-	2,288.81	2,577.24
Cedar Soil District	2,362.15	6,032.02	-	-	6,100.00	2,294.17
Flex Plan	(1,034.41)	7,710.00	-	-	7,197.93	(522.34)
Rural Fire Dist # 2	2,775.64	6,217.08	-	-	6,500.00	2,492.72
SPECIAL MASTER	101.00	-	-	-	-	101.00
Sheriff's Fund (5656.67)	(5,655.67)	6,728.00	-	-	916.00	156.33
Ambulance	2,590.52	12,998.47	-	-	14,500.00	1,088.99
Solen School	13,066.33	38,681.66	-	-	46,000.00	5,747.99
Fort Yates School	28,618.65	86,924.32	-	-	109,000.00	6,542.97
Selfridge School	12,670.82	185,873.13	-	-	192,194.04	6,349.91
Selfridge Build	858.79	16,081.62	-	-	16,430.41	510.00

Continued on next page....

SIOUX COUNTY
Fort Yates, North Dakota
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-12
CONTINUED....						
<u>Agency Funds (Cont.):</u>						
Solen City	\$ 5,059.18	\$ 5,837.91	\$ -	\$ -	\$ 10,300.00	\$ 597.09
Solen/Special	1,760.37	505.00	-	-	1,910.00	355.37
Fort Yates	3,174.91	5,941.73	-	-	7,700.00	1,416.64
Menz Township	17,110.09	13,176.06	-	-	23,850.47	6,435.68
Selfridge	6,092.89	9,430.28	-	-	12,000.00	3,523.17
Senior Citizens	1,363.74	7,086.46	-	-	8,000.00	450.20
Sel/Lagoon/Spec	1,640.07	1,695.50	-	-	2,650.00	685.57
Total Agency Funds	<u>\$ 273,250.65</u>	<u>\$ 754,942.19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,875.32</u>	<u>\$ 216,317.52</u>
Total Primary Government	<u>\$1,387,408.67</u>	<u>\$3,318,867.69</u>	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>	<u>\$2,872,009.77</u>	<u>\$ 1,834,266.59</u>
<u>Component Units:</u>						
County Fair	\$ (4,704.30)	\$ 6,346.01	\$ -	\$ -	\$ 4,285.74	\$ (2,644.03)
Water Board	3,167.39	2,530.88	-	-	1,271.90	4,426.37
Total Component Units	<u>\$ (1,536.91)</u>	<u>\$ 8,876.89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,557.64</u>	<u>\$ 1,782.34</u>
Total Reporting Entity	<u>\$1,385,871.76</u>	<u>\$3,327,744.58</u>	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>	<u>\$2,877,567.41</u>	<u>\$ 1,836,048.93</u>

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

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

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated April 2, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2012-01, 2012-02, 2012-03 and 2012-04].

SIOUX COUNTY

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies [2012-05 and 2012-06].

Compliance and Other Matters

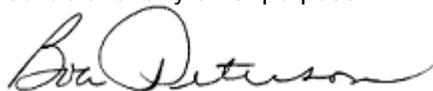
As part of obtaining reasonable assurance about whether Sioux County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

Sioux County's Response to Findings

Sioux County's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Sioux County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
April 2, 2014

SIOUX COUNTY
Fort Yates, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate discretely presented component units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified? X Yes None noted

Significant deficiencies identified not considered to be material weaknesses? X Yes

Noncompliance material to financial statements noted? Yes X None noted

Section II - Financial Statement Findings

2012-01 – 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

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 should have their duties 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.

2012-02 – COMPUTERIZED ACCOUNTING SOFTWARE

Condition:

Sioux County does not use computerized accounting software for general ledger entries, even though the county has general ledger software available for use. The General ledger is maintained on a manual ledger, and the year-end reports are generated using excel spreadsheets by inputting information from the manual ledger. We also noticed at least two different sets of manual ledgers which had discrepancies between them and a significant amount of audit time was spent trying to reconcile cash to the manual general ledger. A total unreconciled difference existed totaling \$3,427 between the manual ledger and the reconciled cash balances.

Effect:

Using a manual general ledger system, the processing time is considerably higher than using a computerized system. Also, the possibility of errors increases significantly using a manual ledger system instead of a computerized general ledger system.

Cause:

The County purchased the computer software in 2011 but has been unable to implement the software due to lack of proper training.

Criteria:

Internal control over the general ledger is weakened because manual ledgers are more prone to manipulations and errors than software based general ledger systems with built-in processing controls. Budget-to-actual statements can be obtained using software based programs which leads to better control over the county budgets. Current Financial position reports of total funds, specific funds, trial balances and a complete general ledger can be created at any point during the year.

Recommendation:

We recommend implementing the general ledger software because computerized accounting programs provide better detailed and accurate fund information; they increase the efficiency of processing individual transactions, and help facilitate the creation and preparation of meaningful general ledger reports such as detailed monthly and annual budget to actual statements. Monthly and annual detailed budget to actual reports may help the Board in monitoring County finances and preparing annual budgets.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. We are currently working on this issue.

SIOUX COUNTY

Schedule of Findings and Questioned Costs - Continued

2012-03–DAILY CASH SHEETS & DEPOSITS/RECONCILIATION BETWEEN OFFICES

Condition:

Per scan of daily cash sheets, the County Treasurer did not prepare cash sheets on a daily basis in accordance with state law. The Treasurer waited until a substantial amount of cash/checks were collected before creating a cash sheet and making a deposit. There is no set time frame when the treasurer will prepare a daily cash sheet, or make deposits. Thus, there was no daily comparison of the amounts reported in the cash balances handled by Treasurer’s Office with the amounts reported in the funds by the Auditor’s Office.

Effect:

The lack of preparation of a daily cash sheet/daily balancing between the auditor and treasurer offices results in non-compliance with state law.

Additionally, internal control over cash and general ledger entries (amounts reported in the funds) are weakened when cash is not deposited in a timely manner, and amounts are not reconciled between the auditor and treasurer offices on a daily basis.

Cause:

The Treasurer did not find it necessary to prepare a cash sheet on days that a deposit was not made, or find it necessary to deposit funds until a significant amount of deposits on hand accumulate.

Criteria:

North Dakota Century Code Section 11-14-10 states “the county treasurer shall prepare a daily statement of all receipts and disbursements and shall transmit a copy of the same to the county auditor together with all warrants and other vouchers paid and duplicate copies of all receipts. The treasurer shall make a distribution on or before the tenth working day of each calendar month to the several county funds and taxing subdivisions of all taxes received and of all other funds that are required by law to be distributed”.

Additionally, proper internal control over cash deposits and general ledger entries are strengthened with timely deposits and daily balancing between the two offices, as potential for loss to error or fraud is lessened.

Recommendation:

We recommend that the County Treasurer prepare cash sheets on a daily basis, even on days when there is little or no cash collected. A copy of the daily cash sheet should be given to the County Auditor to compare with general ledger to ensure that a proper reconciliation of the Treasurer’s Office and the Auditor’s Office receipts and payments is done in accordance with state law and to ensure that the general ledger and cash balances are up-to-date and accurate at all times.

We further recommend that deposits should also be done on a more 'timely' basis to help mitigate the potential loss of funds through fraud or error.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. We are fixing the issue immediately. The comparison of the two offices is being completed currently.

2012-04 – NON-BUDGETED FUND EXPENDITURES & OVERSPENT FUND BUDGETS

Condition:

Sioux County did not budget or amend appropriations/expenditures for the Social Service Fund. The Social service fund reported 2012 expenditures totaling \$604,905. The social service fund was overspent by the total amount of expenditures incurred in 2012.

SIoux COUNTY

Schedule of Findings and Questioned Costs - Continued

Additionally, it was noted that the following special revenue funds were not budgeted in 2012 and overspent as noted: Unorganized Road (\$101,383), Social Service (\$604,905), Weed Control (\$19,700), Comprehensive Health (\$49,209), Township Road (\$780), Insurance Reserve (\$27,931), 911 Wireless (\$16,164), 911 Fund (\$13,830), County Library (\$17,137), Emergency Poor (\$2,009), County Extension Special (\$49,564), respectively.

Effect:

There is a weakened internal control over budgeting, as well as non-compliance with North Dakota Century Code Sections 11-23-02 and 11-23-06 when revenue/appropriation budgets are not complete, and when those fund budgets are overspent.

Cause:

Sioux County was not aware that all special revenue funds (even the social service fund) need to have budgeted appropriations assigned to them.

Criteria:

State law requires that the general fund, all special revenue funds, and debt service funds are budgeted including appropriations/expenditures and the means of financing those expenditures (consisting of revenues and transfers). North Dakota Century Code section 11-23-02 in part states the following:

The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year;
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year;
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year;
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year;
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year;
6. The tax levy request for any funds levying taxes for the ensuing year;
7. The certificate of levy showing the amount levied for each fund and the total amount levied;
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports;
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation for the fund;

Furthermore, North Dakota Century Code section 11-23-06 states that no expenditure should be made in excess of the appropriation.

Recommendation:

We recommend that the social service fund and all other applicable all special revenue funds are budgeted in accordance with state law as outlined in detail at North Dakota Century Code section 11-23-02.

We further recommend that overspent fund appropriated budget amounts are amended in accordance with state law to be in compliance with North Dakota Century Code section 11-23-06.

Views of Responsible Officials / Planned Corrective Actions:

We agree with the recommendation. Sioux County will budget the expenses and revenue for the social service fund next year and will include not just the amount mill levied, but also the amount reimbursed by the state.

SIOUX COUNTY

Schedule of Findings and Questioned Costs - Continued

I agree with the recommendation regarding budgeting each special revenue fund. We are working on this problem, but we have had unforeseen revenue and expenditures the last few years.

2012-05 – IMPROPER CHECK VOIDING

Condition:

Per review of outstanding checks, it was noted that a total of \$24,337 of previously outstanding checks that were voided did not get removed from the bank reconciliation/daily cash sheet prepared by the County Treasurer, or the from the auditor's records. The Auditor voided these checks in their check register, but did not void them on the general ledger (budget-to-actual control schedule) that is used in preparing the financial statements.

Effect:

The cash and expenditures amounts reported by the County are understated and overstated respectively by \$24,337. Cash is understated by the total voided checks that were not removed from the general ledger and the expenditures were overstated by the same amount of voided checks.

Cause:

\$24,337 of previously outstanding checks that were in essence voided did not get removed from the bank reconciliation/cash sheet prepared by the Treasurer or the from the auditor's general ledger.

Criteria:

When a check is voided, the total amount previously booked as expenditure in the general ledger should be removed in order not to overstate expenditures or understate cash. The outstanding check should be removed from the bank reconciliation as the check is not expected to be cashed.

Recommendation:

We recommend that when an outstanding check is voided, the Treasurer removes the voided check from the outstanding checks on the bank reconciliation and from the cash sheet. Also, the Auditor should void all outstanding checks that are voided in the general ledger.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. We will ensure that voided checks are reported correctly.

2012-06 – General Ledger Training & Implementation

Condition:

Sioux County is in the process of attempting to implement general ledger software from Software Innovations as of January 2014 without the proper training for all staff on the software. It is vitally important that all key employees are adequately trained for the reporting system that the County is implementing.

Effect:

Without trained officials in the general ledger software, Sioux County runs the risk of misclassifying general ledger entries, and exposes itself to potential material misappropriation of assets due to fraud because of inadequately trained officials.

Cause:

The client was not aware of possible training available from Software Innovations.

Criteria:

Proper training on how to use the computerized general ledger will ensure that entries are correctly entered and accurate reports may be produced in a timely manner. This will also demonstrate proper strong internal control over the integrity of the financial statements of Sioux County.

SIOUX COUNTY

Schedule of Findings and Questioned Costs - Continued

Recommendation:

We recommend that all County Officials that have a role in the accounting function of the County (Auditor and Treasurer, and any others that may enter data) obtain adequate training in the Software Innovations system used by the County so that accurate and timely entries can be made and reports can be distributed to all decision makers of the County in a timely manner

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. We are currently working on this issue.