

# **OFFICE OF THE STATE AUDITOR**

## **AUDIT REPORT**

### **SIoux COUNTY FORT YATES, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2013**



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SIOUX COUNTY  
Fort Yates, North Dakota

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For the Year Ended December 31, 2013

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SIOUX COUNTY  
Fort Yates, North Dakota

**COUNTY OFFICIALS**

December 31, 2013

Dusty Kraft  
Glen Bahm  
Lary Silbernagel

Barbara Hettich  
Sandra Waliser  
Frank Landeis  
Sandra Waliser  
Colleen Baird

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

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INDEPENDENT AUDITOR'S REPORT

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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, 2013, 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, 2013, 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

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#### **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 22-26 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 December 16, 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  
December 16, 2014

SIOUX COUNTY  
Fort Yates, North Dakota

STATEMENT OF NET POSITION  
December 31, 2013

	Primary Government	Component Units	
	Governmental Activities	Fair Board	Water Resource District
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 2,326,870	\$ 1,656	\$ 2,972
Accounts Receivable	24,960	-	-
Intergovernmental Receivable	346,233	-	-
Taxes Receivable	22,201	262	32
Capital Assets (not being depreciated):			
Land	13,525	-	-
Permanent Easement	5,270	-	-
Capital Assets (being depreciated):			
Buildings	311,757	-	-
Machinery and Equipment	186,023	-	-
Vehicles	153,232	-	-
Infrastructure	2,597,487	-	-
Total Capital Assets	<u>\$ 3,267,294</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Assets</b>	<u><b>\$ 5,987,558</b></u>	<u><b>\$ 1,918</b></u>	<u><b>\$ 3,004</b></u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 20,548	\$ -	\$ -
Interest Payable	414	-	-
Long-Term Liabilities:			
Due Within One Year:			
Leases Payable	14,218	-	-
Compensated Absences Payable	10,172	-	-
Due After One Year:			
Compensated Absences Payable	10,172	-	-
<b>Total Liabilities</b>	<u><b>\$ 55,524</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 3,253,076	\$ -	\$ -
Restricted for:			
General Government	23,349	-	-
Public Safety	33,485	-	-
Highways and Bridges	795,012	-	-
Health and Welfare	84,238	-	-
Culture and Recreation	24,130	1,918	-
Conservation of Natural Resources	62,574	-	3,004
Emergencies	44,233	-	-
Unrestricted	1,611,937	-	-
<b>Total Net Position</b>	<u><b>\$ 5,932,034</b></u>	<u><b>\$ 1,918</b></u>	<u><b>\$ 3,004</b></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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 517,507	\$ 10,302	\$ 1,807	\$ (505,398)		
Public Safety	134,510	29,598	4,750	(100,162)		
Highways and Bridges	556,152	65,534	311,288	(179,330)		
Health and Welfare	637,824	-	499,038	(138,786)		
Culture and Recreation	19,694	-	29,111	9,417		
Conservation of Natural Resources	103,638	-	58,845	(44,793)		
Interest & Fiscal Charges on Long-Term Debt	710	-	-	(710)		
<b>Total Primary Government</b>	<b>\$ 1,970,035</b>	<b>\$ 105,434</b>	<b>\$ 904,839</b>	<b>\$ (959,762)</b>		
<u>Component Units:</u>						
Fair Board	\$ 6,130	\$ -	\$ -		\$ (6,130)	\$ -
Water Resource District	1,666	-	-		-	(1,666)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				\$ 88,875	\$ 3,779	\$ -
Property taxes; levied for special purposes				303,344	-	-
Non restricted grants and contributions				820,446	-	-
Unrestricted investment earnings				3,751	-	-
Miscellaneous revenue				57,316	6,538	-
<b>Total General Revenues</b>				<b>\$ 1,273,732</b>	<b>\$ 10,317</b>	<b>\$ -</b>
<b>Change in Net Position</b>				<b>\$ 313,970</b>	<b>\$ 4,187</b>	<b>\$ (1,666)</b>
<b>Net Position - January 1</b>				<b>\$ 5,618,064</b>	<b>\$ (2,269)</b>	<b>\$ 4,670</b>
<b>Net Position - December 31</b>				<b>\$ 5,932,034</b>	<b>\$ 1,918</b>	<b>\$ 3,004</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, 2013

	General	Unorganized Road	Highway Tax	Social Services	Weed Control	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Investments	\$ 1,342,636	\$ 378,472	\$ 301,535	\$ -	\$ 33,952	\$ 270,275	\$ 2,326,870
Accounts Receivable	-	-	-	-	24,960	-	24,960
Intergovernmental Receivable	209,080	12,186	24,658	100,309	-	-	346,233
Due from Other Funds	55,724	-	-	-	-	-	55,724
Taxes Receivable	4,913	4,863	-	2,570	333	9,522	22,201
<b>Total Assets</b>	<b>\$ 1,612,353</b>	<b>\$ 395,521</b>	<b>\$ 326,193</b>	<b>\$ 102,879</b>	<b>\$ 59,245</b>	<b>\$ 279,797</b>	<b>\$ 2,775,988</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ -	\$ 13,406	\$ -	\$ -	\$ -	\$ 7,142	\$ 20,548
Due to Other Funds	-	-	-	55,724	-	-	55,724
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 13,406</b>	<b>\$ -</b>	<b>\$ 55,724</b>	<b>\$ -</b>	<b>\$ 7,142</b>	<b>\$ 76,272</b>
<b>Deferred Inflows of Resources:</b>							
Taxes Receivable	\$ 4,913	\$ 4,863	\$ -	\$ 2,570	\$ 333	\$ 9,522	\$ 22,201
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 4,913</b>	<b>\$ 18,269</b>	<b>\$ -</b>	<b>\$ 58,294</b>	<b>\$ 333</b>	<b>\$ 16,664</b>	<b>\$ 98,473</b>
<b>Fund Balances:</b>							
<b>Restricted for:</b>							
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,633	\$ 23,633
Public Safety	-	-	-	-	-	33,485	33,485
Highways and Bridges	-	377,252	326,193	-	-	94,014	797,459
Health and Welfare	-	-	-	44,585	-	41,339	85,924
Culture and Recreation	-	-	-	-	-	23,431	23,431
Conservation of Natural Resources	-	-	-	-	58,912	3,329	62,241
Emergency	-	-	-	-	-	43,902	43,902
Unassigned:							
General	1,607,440	-	-	-	-	-	1,607,440
<b>Total Fund Balances</b>	<b>\$ 1,607,440</b>	<b>\$ 377,252</b>	<b>\$ 326,193</b>	<b>\$ 44,585</b>	<b>\$ 58,912</b>	<b>\$ 263,133</b>	<b>\$ 2,677,515</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,612,353</b>	<b>\$ 395,521</b>	<b>\$ 326,193</b>	<b>\$ 102,879</b>	<b>\$ 59,245</b>	<b>\$ 279,797</b>	<b>\$ 2,775,988</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 POSITION  
December 31, 2013

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Total *Fund Balances* for Governmental Funds \$ 2,677,515

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	\$ 4,542,236	
Less Accumulated Depreciation	<u>(1,274,942)</u>	
Net Capital Assets		3,267,294

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. 22,201

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, 2013 are:

Capital Leases Payable	\$ (14,218)	
Interest Payable	(414)	
Compensated Absences	<u>(20,344)</u>	
Total Long-Term Liabilities		<u>(34,976)</u>

Total Net Position of Governmental Activities \$ 5,932,034

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, 2013

	General	Unorganized Road	Highway Tax	Social Services	Weed Control	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	\$ 94,077	\$ 93,543	\$ -	\$ 46,474	\$ 5,532	\$ 169,298	\$ 408,924
Intergovernmental	807,010	68,983	242,305	496,848	-	65,841	1,680,987
Charges for Services	11,244	65,534	-	-	44,299	28,655	149,732
Interest Income	3,727	-	-	-	-	24	3,751
Miscellaneous	46,146	2,025	-	-	-	9,145	57,316
<b>Total Revenues</b>	<b>\$ 962,204</b>	<b>\$ 230,085</b>	<b>\$ 242,305</b>	<b>\$ 543,322</b>	<b>\$ 49,831</b>	<b>\$ 272,963</b>	<b>\$ 2,300,710</b>
<u>Expenditures:</u>							
Current:							
General Government	\$ 415,675	\$ -	\$ -	\$ -	\$ -	\$ 96,273	\$ 511,948
Public Safety	97,724	-	-	-	-	31,897	129,621
Highways and Bridges	-	690,547	153,641	-	-	5,515	849,703
Health and Welfare	2,570	-	-	636,235	-	1,128	639,933
Culture and Recreation	-	-	-	-	-	19,694	19,694
Conservation of Natural Resources	50,148	-	-	-	34,930	9,300	94,378
Debt Service:							
Principal	-	94,251	-	-	-	-	94,251
Interest and Fees	-	2,518	-	-	-	-	2,518
<b>Total Expenditures</b>	<b>\$ 566,117</b>	<b>\$ 787,316</b>	<b>\$ 153,641</b>	<b>\$ 636,235</b>	<b>\$ 34,930</b>	<b>\$ 163,807</b>	<b>\$ 2,342,046</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 396,087	\$ (557,231)	\$ 88,664	\$ (92,913)	\$ 14,901	\$ 109,156	\$ (41,336)
<u>Other Financing Sources (Uses):</u>							
Transfers In	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 100,000
Transfers Out	-	-	-	-	-	(100,000)	(100,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (100,000)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 396,087</b>	<b>\$ (557,231)</b>	<b>\$ 88,664</b>	<b>\$ 7,087</b>	<b>\$ 14,901</b>	<b>\$ 9,156</b>	<b>\$ (41,336)</b>
Fund Balance - January 1	\$ 1,211,353	\$ 934,483	\$ 237,529	\$ 37,498	\$ 44,011	\$ 253,977	\$ 2,718,851
<b>Fund Balance - December 31</b>	<b>\$ 1,607,440</b>	<b>\$ 377,252</b>	<b>\$ 326,193</b>	<b>\$ 44,585</b>	<b>\$ 58,912</b>	<b>\$ 263,133</b>	<b>\$ 2,677,515</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, 2013

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Net Change in *Fund Balances* - Total Governmental Funds \$ (41,336)

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	\$ 387,997	
Current Year Depreciation Expense	<u>(112,915)</u>	275,082

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 of debt repayment.

Repayment of Debt - Lease		94,252
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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	\$ 870	
Net Change in Interest Payable	<u>1,807</u>	2,677

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.

(16,705)

Change in Net Position of Governmental Activities		<u>\$ 313,970</u>
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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 NET POSITION  
FIDUCIARY FUNDS  
December 31, 2013

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	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Investments	<u>\$ 206,319</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 206,319</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, 2013

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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>2013</b>
Weed	\$49,464
Senior Citizens	8,300

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

*Social Services 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 Control 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.

## **SIOUX COUNTY**

### Notes to the Financial Statements - Continued

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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, 2013 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

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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 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.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
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, 2013.

**Restricted Fund Balances – consist of the following items at December 31, 2013:**

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 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements and bond indentures). Restricted fund balances total \$1,070,075 at December 31, 2013.

## **SIOUX COUNTY**

### Notes to the Financial Statements - Continued

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#### 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 services, unorganized roads, highways & bridges, and amounts reported in other grant funds.

#### Unassigned Fund Balances:

Unassigned fund balances at year-end 2013 consist of an amount in the general fund totaling \$1,607,440.

#### 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, 2013. 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.

#### **NOTE 2: 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.

## **SIOUX COUNTY**

### Notes to the Financial Statements - Continued

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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, 2013 the county's carrying amount of deposits was \$2,539,031 and the bank balances totaled \$2,534,782. Of the bank balances, \$290,095 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,244,687 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2013, 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.

As of December 31, 2013, the county had certificates of deposit totaling \$13,648 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 3: 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.

**SIoux COUNTY**

## Notes to the Financial Statements - Continued

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

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due for charges for services provided by the weed fund.

**NOTE 5: 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 (\$55,724) in the social service, county extension and capital improvement funds (\$55,724).

**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, 2013 for the primary government:

<b>Primary Government (2013):</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-13</b>
<i>Capital assets not being depreciated:</i>				
Permanent Easement	\$ 5,270	\$ -	\$ -	\$ 5,270
Land	13,525	-	-	13,525
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 18,795</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,795</b>
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 592,008	\$ -	\$ -	\$ 592,008
Machinery and Equipment	820,305	64,718	-	885,023
Vehicles	158,493	139,144	-	297,637
Infrastructure	2,564,637	184,136	-	2,748,772
<b>Total Capital Assets, Being Depreciated</b>	<b>\$4,135,443</b>	<b>\$387,998</b>	<b>\$ -</b>	<b>\$4,523,441</b>
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 263,165	\$17,086	\$ -	\$ 280,251
Machinery and Equipment	660,998	38,002	-	699,000
Vehicles	114,066	30,339	-	144,405
Infrastructure	123,798	27,488	-	151,286
<b>Total Accumulated Depreciation</b>	<b>\$1,162,027</b>	<b>\$112,915</b>	<b>\$ -</b>	<b>\$1,274,942</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,973,416</b>	<b>\$275,083</b>	<b>\$ -</b>	<b>\$3,248,499</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$2,992,211</b>	<b>\$275,083</b>	<b>\$ -</b>	<b>\$3,267,294</b>

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2013:

<b>Governmental Activities:</b>	<b>2013</b>
General Government	\$ 6,329
Public Safety	4,889
Highways	92,437
Conservation of Natural Resources	9,260
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$112,915</b>

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

**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 one lease agreement outstanding at year-end for a wheel loader. One lease agreement for a motor grader was paid off during 2013. Those lease agreements qualified as capital leases for accounting purposes. See Note 10 for the description of the payments and amortization schedule.

**NOTE 10: LONG-TERM DEBT**

Primary Government:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2013; the following changes occurred in governmental activities long-term liabilities for the primary government:

	<b>Balance 1-1-13</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12-31-13</b>	<b>Due Within One Year</b>
Capital Leases	\$108,469	\$ -	\$94,251	\$14,218	\$14,218
Compensated Absences *	21,214	-	870	20,344	10,172
<b>Total – Primary Government</b>	<b>\$129,683</b>	<b>\$ -</b>	<b>\$95,121</b>	<b>\$34,562</b>	<b>\$25,390</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, 2013 is comprised of the following individual issues:

**Leases Payable:**

\$39,250 John Deere Wheel Loader. One remaining payment totaling \$14,459 in 2014. Interest at 5.05%. \$14,218

Debt service requirements on governmental activity long-term debt at December 31, 2013 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Leases Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$14,218	\$241

**NOTE 11: 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 receivable is measurable but not available.

**SIOUX COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 12: TRANSFERS**

There were transfers in and transfers out reported in the basic financial statements of the governmental funds for the year ended December 31, 2013:

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, 2013:

<b>2013</b>	<b>Transfers In</b>	<b>Transfers Out</b>
Social Welfare	\$100,000	\$ -
Emergency Poor	-	100,000
<b>Total Transfers</b>	<b>\$100,000</b>	<b>\$100,000</b>

**NOTE 13: 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, 2013, 2012, and 2011 were \$22,785, \$19,500, and \$26,410, 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.

**SIoux COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 14: 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 \$1,031,111 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 \$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 15: DEFICIT CASH FUND BALANCES**

At December 31, 2013, the following fund had a deficit cash fund balance.

<b>County Funds</b>	<b>2013</b>
Social Welfare	(\$55,724)

**NOTE 16: 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 year audited, 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.

SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 89,850	\$ 89,850	\$ 94,077	\$ 4,227
Intergovernmental	668,510	668,510	807,010	138,500
Charges for Services	4,100	4,100	11,244	7,144
Interest Income	6,500	6,500	3,727	(2,773)
Miscellaneous	17,244	17,244	46,146	28,902
<b>Total Revenues</b>	<b>\$ 786,204</b>	<b>\$ 786,204</b>	<b>\$ 962,204</b>	<b>\$ 176,000</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 469,824	\$ 469,824	\$ 415,675	\$ 54,149
Public Safety	82,090	82,090	97,724	(15,634)
Health and Welfare	2,760	2,760	2,570	190
Conservation of Natural Resources	57,640	57,640	50,148	7,492
<b>Total Expenditures</b>	<b>\$ 612,314</b>	<b>\$ 612,314</b>	<b>\$ 566,117</b>	<b>\$ 46,197</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ 173,890</b>	<b>\$ 173,890</b>	<b>\$ 396,087</b>	<b>\$ 222,197</b>
Fund Balances - January 1	<b>\$ 1,211,353</b>	<b>\$ 1,211,353</b>	<b>\$ 1,211,353</b>	<b>\$ -</b>
Fund Balances - December 31	<b>\$ 1,385,243</b>	<b>\$ 1,385,243</b>	<b>\$ 1,607,440</b>	<b>\$ 222,197</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 93,000	\$ 93,000	\$ 93,543	\$ 543
Intergovernmental	56,500	56,500	68,983	12,483
Charges for Services	53,000	53,000	65,534	12,534
Miscellaneous	300	300	2,025	1,725
Total Revenues	<u>\$ 202,800</u>	<u>\$ 202,800</u>	<u>\$ 230,085</u>	<u>\$ 27,285</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 572,500	\$ 860,867	\$ 690,547	\$ 170,320
Debt Service:				
Principal	-	-	94,251	(94,251)
Total Expenditures	<u>\$ 572,500</u>	<u>\$ 860,867</u>	<u>\$ 787,316</u>	<u>\$ 73,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (369,700)</u>	<u>\$ (658,067)</u>	<u>\$ (557,231)</u>	<u>\$ 100,836</u>
Fund Balances - January 1	<u>\$ 934,483</u>	<u>\$ 934,483</u>	<u>\$ 934,483</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 564,783</u>	<u>\$ 276,416</u>	<u>\$ 377,252</u>	<u>\$ 100,836</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  
HIGHWAY TAX FUND  
For the Year Ended December 31, 2013

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 173,000	\$ 173,000	\$ 242,305	\$ 69,305
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 173,000	\$ 173,000	\$ 153,641	\$ 19,359
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 88,664	\$ 88,664
Fund Balances - January 1	\$ 237,529	\$ 237,529	\$ 237,529	\$ -
Fund Balances - December 31	\$ 237,529	\$ 237,529	\$ 326,193	\$ 88,664

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

SIOUX COUNTY  
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,000	\$ 45,000	\$ 46,474	\$ 1,474
Intergovernmental	675,000	675,000	496,848	(178,152)
Total Revenues	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>\$ 543,322</u>	<u>\$ (176,678)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 633,000</u>	<u>\$ 633,000</u>	<u>\$ 636,235</u>	<u>\$ (3,235)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ (92,913)</u>	<u>\$ (179,913)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>
Net Change in Fund Balances	<u>\$ 137,000</u>	<u>\$ 137,000</u>	<u>\$ 7,087</u>	<u>\$ (129,913)</u>
Fund Balances - January 1	<u>\$ 37,498</u>	<u>\$ 37,498</u>	<u>\$ 37,498</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 174,498</u>	<u>\$ 174,498</u>	<u>\$ 44,585</u>	<u>\$ (129,913)</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  
WEED CONTROL FUND  
For the Year Ended December 31, 2013

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 5,400	\$ 5,400	\$ 5,532	\$ 132
Charges for Services	35,000	35,000	44,299	9,299
Total Revenues	<u>\$ 40,400</u>	<u>\$ 40,400</u>	<u>\$ 49,831</u>	<u>\$ 9,431</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 35,210	\$ 35,210	\$ 34,930	\$ 280
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,190</u>	<u>\$ 5,190</u>	<u>\$ 14,901</u>	<u>\$ 9,711</u>
Fund Balances - January 1	<u>\$ 44,011</u>	<u>\$ 44,011</u>	<u>\$ 44,011</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 49,201</u>	<u>\$ 49,201</u>	<u>\$ 58,912</u>	<u>\$ 9,711</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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2013

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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 2013, Sioux County had the following fund expenditures in excess of budgeted amounts:

<b>Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
Social Service (Major)	\$633,000	\$636,235	\$3,235
County Extension Special	-	9,301	9,301

There will be a recommendation for overspent funds.

SIOUX COUNTY  
Fort Yates, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-13
<b>Major Funds:</b>						
General Fund	\$ 1,027,722.60	\$ 936,754.40	\$ -	\$ -	\$ 566,117.38	\$ 1,398,359.62
<b>Special Revenue Funds:</b>						
Unorganized Road	\$ 129,491.24	\$ 1,022,891.22	\$ -	\$ -	\$ 773,909.93	\$ 378,472.53
Social Services	(53,456.06)	533,967.10	100,000.00	-	636,235.02	(55,723.98)
Highway Tax	210,911.70	244,264.16	-	-	153,641.06	301,534.80
Weed	43,547.85	39,867.98	-	-	49,463.67	33,952.16
<b>Total Major Funds</b>	<b>\$ 1,358,217.33</b>	<b>\$ 2,777,744.86</b>	<b>\$ 100,000.00</b>	<b>\$ -</b>	<b>\$ 2,179,367.06</b>	<b>\$ 2,056,595.13</b>
<b>Nonmajor Special Revenue Funds:</b>						
County Road	\$ 13,688.02	\$ 30,756.63	\$ -	\$ -	\$ 4,590.85	\$ 39,853.80
Township Road	14,614.66	40,467.89	-	-	924.00	54,158.55
Comprehensive Health	10,350.00	55,417.05	-	-	47,365.90	18,401.15
Insurance Reserve	3,711.42	23,256.00	-	-	17,389.85	9,577.57
911 Wireless	8,182.35	10,719.57	-	-	10,712.14	8,189.78
911 Fund	33,208.86	17,936.00	-	-	19,797.61	31,347.25
Library CD's	13,624.02	23.81	-	-	-	13,647.83
Library	8,598.12	20,878.90	-	-	19,693.87	9,783.15
FICA Matching	10,964.62	25,612.08	-	-	27,016.90	9,559.80
Emergency Poor	102,128.45	21,938.43	-	100,000.00	1,128.24	22,938.64
County Emergency	37,749.80	6,152.04	-	-	-	43,901.84
Hazardous Chemical	1,090.60	-	-	-	-	1,090.60
County Extension Special	(1,916.13)	14,546.39	-	-	9,300.69	3,329.57
Capital Improvement	(942.89)	3,451.44	-	-	-	2,508.55
Register of Deeds Special	4,680.12	1,807.00	-	-	4,500.00	1,987.12
<b>Total Special Revenue Funds</b>	<b>\$ 259,732.02</b>	<b>\$ 272,963.23</b>	<b>\$ -</b>	<b>\$ 100,000.00</b>	<b>\$ 162,420.05</b>	<b>\$ 270,275.20</b>
<b>Total Governmental Funds</b>	<b>\$ 1,617,949.35</b>	<b>\$ 3,050,708.09</b>	<b>\$ 100,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 2,341,787.11</b>	<b>\$ 2,326,870.33</b>
<b>Agency Funds:</b>						
State Revenue	\$ 49.42	\$ 3,287.70	\$ -	\$ -	\$ 3,292.78	\$ 44.34
Game and Fish	430.85	2,280.00	-	-	1,982.00	728.85
FICA Withholding	(27.94)	131,600.42	-	-	131,601.39	(28.91)
Domestic Violence (202)	345.00	805.00	-	-	1,050.00	100.00
Crime Victims	845.00	200.00	-	-	-	1,045.00
Federal Withholding	(0.45)	62,933.41	-	-	62,933.41	(0.45)
State Withholding	1,513.42	6,367.28	-	-	7,587.75	292.95
90% Rental	2,351.98	1,893.60	-	-	-	4,245.58
Estimated Taxes	169,070.41	147,981.62	-	-	168,672.07	148,379.96
Custer District Health	947.13	15,744.68	-	-	15,300.00	1,391.81
Mobile Home Tax	2,577.24	427.25	-	-	1,602.68	1,401.81
Cedar Soil District	2,294.17	8,597.40	-	-	8,000.00	2,891.57
Flex Plan	(522.34)	7,514.00	-	-	8,770.31	(1,778.65)
Rural Fire Dist # 2	2,492.72	6,314.31	-	-	6,500.00	2,307.03
SPECIAL MASTER	101.00	-	-	-	-	101.00
Sheriff's Fund (5656.67)	156.33	312.00	-	-	-	468.33
Ambulance	1,088.99	15,368.83	-	-	15,000.00	1,457.82
Solen School	5,747.99	43,729.80	-	-	45,000.00	4,477.79
Fort Yates School	6,542.97	21,984.69	-	-	23,000.00	5,527.66
Selfridge School	6,349.91	206,564.25	-	-	207,500.00	5,414.16
Selfridge Build	510.00	16,949.79	-	-	17,000.00	459.79

Continued on next page....

SIOUX COUNTY  
Fort Yates, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-13
CONTINUED....						
<u>Agency Funds (Cont.):</u>						
Solen City	\$ 597.09	\$ 12,772.91	\$ -	\$ -	\$ 12,109.38	\$ 1,260.62
Solen/Special	355.37	902.00	-	-	600.00	657.37
Fort Yates	1,416.64	15,343.03	-	-	13,710.78	3,048.89
Menz Township	6,435.68	19,826.70	-	-	6,000.00	20,262.38
Selfridge	3,523.17	8,283.61	-	-	10,500.00	1,306.78
Senior Citizens	450.20	8,459.35	-	-	8,300.00	609.55
Sel/Lagoon/Spec	685.57	1,760.49	-	-	2,200.00	246.06
Total Agency Funds	<u>\$ 216,327.52</u>	<u>\$ 768,204.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,212.55</u>	<u>\$ 206,319.09</u>
Total Primary Government	<u>\$ 1,834,276.87</u>	<u>\$ 3,818,912.21</u>	<u>\$ 100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 3,119,999.66</u>	<u>\$ 2,533,189.42</u>
<u>Component Units:</u>						
County Fair	\$ (2,644.03)	\$ 10,429.79	\$ -	\$ -	\$ 6,129.63	\$ 1,656.13
Water Board	4,426.37	131.18	-	-	1,585.85	2,971.70
Total Component Units	<u>\$ 1,782.34</u>	<u>\$ 10,560.97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,715.48</u>	<u>\$ 4,627.83</u>
Total Reporting Entity	<u>\$ 1,836,059.21</u>	<u>\$ 3,829,473.18</u>	<u>\$ 100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 3,127,715.14</u>	<u>\$ 2,537,817.25</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

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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 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, 2013, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated December 16, 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 [2013-02 and 2012-03].

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 [2013-01 and 2013-04].

## **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

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### **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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-03.

### **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  
December 16, 2014

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SIOUX COUNTY  
Fort Yates, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

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

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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   None noted

Noncompliance material to financial statements noted?  X  Yes   None noted

**Section II - Financial Statement Findings**

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**2013-01 – 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 each entity faces, 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 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 at each entity, there is no way that duties can be properly segregated due to cost benefit considerations. We will segregate duties to the extent we can.

<b>2013-02 – COMPUTERIZED ACCOUNTING SOFTWARE &amp; TRAINING</b>
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#### **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 software was purchased in 2011 with the intent to implement it as their general ledger in 2012 or 2013. Through 2014, the software is not yet being used, and the county is paying \$14,000 in software support each year while the software is not being utilized.

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 substantial amount of audit time was spent trying to reconcile cash to the manual general ledger.

#### **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. An unreconciled difference of \$1,213 existed between ending cash balances and the general ledger total fund balances. Additionally, the county has paid computer support fees on software not being entirely utilized to its potential.

#### **Cause:**

The County purchased the computer software in 2011, but has been unable or unwilling 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. We intend on implementing the software after the current treasurer retires.

**SIOUX COUNTY**

Schedule of Findings and Questioned Costs - Continued

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**2013-03–DAILY CASH SHEETS & DEPOSITS/RECONCILIATION BETWEEN OFFICES**

**Condition:**

Per scan of the 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.

**2013-04 – IMPROPER CHECK VOIDING**

**Condition:**

Per testing of voided checks, it was noted that voided checks were not being properly voided in the check register. One check (#2867) was voided in the register for one amount, but then written again using the same check number to a different vendor for a different amount. Finally, it was noted they didn't properly mark voided checks as "voided" to minimize the risk of theft and fraud.

**SIOUX COUNTY**

Schedule of Findings and Questioned Costs - Continued

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**Effect:**

With having no systematic review of voided checks to verify they are cleared out (zeroed), once they become voided, the county subjects itself to possible misappropriation of funds due to someone attempting to cash in a voided check and the general ledger not showing a difference in the reconciliation to the bank balance as it appears to be in line with the check being expensed.

**Cause:**

The county may have overlooked the vulnerability of lost funds due to not voiding out a voided checks in the system and on the voided checks themselves.

**Criteria:**

Strong internal control over expenditures recognizes that voiding checks in the system as well as on the actual checks themselves is a significant important internal control. 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.