



Sioux County

Fort Yates, North Dakota

Audit Report

For the Year Ended December 31, 2018 and 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

SIoux COUNTY

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SIOUX COUNTY

County Officials and Audit Personnel
December 31, 2018 and 2017

COUNTY OFFICIALS

Larry Silbernagel	Commissioner - Chairman
Kenneth Snider	Commissioner
Terry Comeau	Commissioner
Barbara Hettich/Cassie LeCompte*	County Auditor
Vernetta Iron Eyes	Treasurer/Recorder/Clerk of Court
Frank Landeis	Sheriff
Chris Redmann	State's Attorney

*Barbara Hettich retired from the County Auditor position on March 31, 2019

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Alex Bakken, CPA	Audit In-Charge



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

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, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sioux County, North Dakota, as of and for the year ended December 31, 2018 and December 31, 2017, and the related notes to the financial statements, which collectively comprise Sioux 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sioux County, North Dakota, as of December 31, 2018 and December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, and notes to the required supplementary information* on pages 25-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

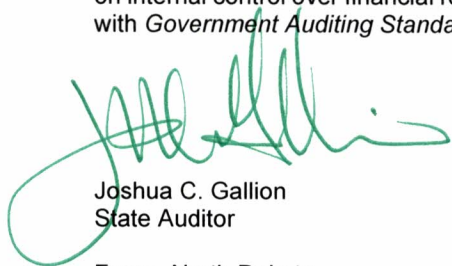
Other Information

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 - cash basis* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity - cash basis* 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 - cash basis* 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 May 20, 2019 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.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 20, 2019

SIOUX COUNTY
Statement of Net Position
December 31, 2018

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 3,546,423	\$ 7,394
Intergovernmental Receivable	246,876	-
Taxes Receivable	25,411	69
Capital Assets, Net	7,048,520	-
Total Assets	\$ 10,867,230	\$ 7,463
LIABILITIES		
Interest Payable	\$ 4,723	-
Long-Term Liabilities		
Due Within One Year		
Leases Payable	40,358	-
Compensated Absences Payable	17,826	-
Due After One Year		
Leases Payable	97,861	-
Compensated Absences Payable	17,827	-
Total Liabilities	\$ 178,595	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 6,910,301	\$ -
Restricted		
Public Safety	34,334	-
Highways and Bridges	163,071	-
Health and Welfare	5,016	-
Capital Projects	2,349	-
Culture and Recreation	48,180	-
Conservation of Natural Resources	73,534	7,463
Emergencies	26,997	-
Unrestricted	3,424,853	-
Total Net Position	\$ 10,688,635	\$ 7,463

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Water Resource District
Primary Government					
General Government	\$ 574,824	\$ 9,970	\$ -	\$ (564,854)	
Public Safety	150,011	38,669	7,031	(104,311)	
Highways and Bridges	727,243	-	236,878	(490,365)	
Health and Welfare	869,664	-	797,965	(71,699)	
Culture and Recreation	9,342	-	-	(9,342)	
Conservation of Natural Resources	159,910	-	94,883	(65,027)	
Interest on Long-Term Debt	4,723	-	-	(4,723)	
Total Primary Government	\$ 2,495,717	\$ 48,639	\$ 1,136,757	\$ (1,310,321)	
Component Unit					
Water Resource District	\$ 327	\$ -	\$ -		\$ (327)
General Revenues					
Property Taxes				\$ 446,545	\$ 1,067
Non restricted grants and contributions				827,793	-
Unrestricted investment earnings				3,593	-
Miscellaneous revenue				47,283	-
Total General Revenues				\$ 1,325,214	\$ 1,067
Change in Net Position				\$ 14,893	\$ 740
Net Position - January 1				\$ 10,673,742	\$ 6,723
Net Position - December 31				\$ 10,688,635	\$ 7,463

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

SIOUX COUNTYBalance Sheet – Governmental Funds
December 31, 2018

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,236,282	\$ 307,792	\$ 2,349	\$ 3,546,423
Intergovernmental Receivable	176,460	70,416	-	246,876
Taxes Receivable	14,592	10,819	-	25,411
Total Assets	<u>\$ 3,427,334</u>	<u>\$ 389,027</u>	<u>\$ 2,349</u>	<u>\$ 3,818,710</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred Inflows of Resources				
Taxes Receivable	\$ 14,592	\$ 10,819	\$ -	\$ 25,411
Fund Balances				
Restricted				
Public Safety	-	34,334	-	34,334
Highways and Bridges	-	171,191	-	171,191
Health and Welfare	-	27,261	-	27,261
Capital Projects	-	-	2,349	2,349
Culture and Recreation	-	47,569	-	47,569
Conservation of Natural Resources	-	73,048	-	73,048
Emergencies	-	26,692	-	26,692
Unassigned				
General	3,412,742	-	-	3,412,742
Negative Fund Balances	-	(1,887)	-	(1,887)
Total Fund Balances	<u>\$ 3,412,742</u>	<u>\$ 378,208</u>	<u>\$ 2,349</u>	<u>\$ 3,793,299</u>
Total Liabilities and Fund Balances	<u>\$ 3,427,334</u>	<u>\$ 389,027</u>	<u>\$ 2,349</u>	<u>\$ 3,818,710</u>

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

SIoux COUNTY

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

Total Fund Balances for Governmental Funds \$ 3,793,299

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. 7,048,520

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 inflow of resources in the funds. 25,411

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position.

Interest Payable	\$ (4,723)	
Capital Lease Payable	(138,219)	
Compensated Absences Payable	(35,653)	(178,595)

Total Net Position of Governmental Activities \$ 10,688,635

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 281,441	\$ 172,029	\$ -	\$ 453,470
Intergovernmental	785,235	1,179,315	-	1,964,550
Charges for Services	9,201	39,438	-	48,639
Interest Income	3,555	38	-	3,593
Miscellaneous	43,315	36	3,932	47,283
Total Revenues	<u>\$ 1,122,747</u>	<u>\$ 1,390,856</u>	<u>\$ 3,932</u>	<u>\$ 2,517,535</u>
EXPENDITURES				
Current				
General Government	564,776	\$ 3,904	\$ -	\$ 568,680
Public Safety	111,680	32,765	-	144,445
Highways and Bridges	-	711,957	-	711,957
Health and Welfare	1,372	874,572	-	875,944
Culture and Recreation	-	9,342	-	9,342
Conserv. of Natural Resources	45,329	114,151	-	159,480
Debt Service				
Principal	-	7,538	-	7,538
Total Expenditures	<u>\$ 723,157</u>	<u>\$ 1,754,229</u>	<u>\$ -</u>	<u>\$ 2,477,386</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 399,590</u>	<u>\$ (363,373)</u>	<u>\$ 3,932</u>	<u>\$ 40,149</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 47,663	\$ -	\$ -	\$ 47,663
Capital Lease	-	145,757	-	145,757
Transfers Out	(5,041)	(42,622)	-	(47,663)
Total Other Financing Sources and Uses	<u>\$ 42,622</u>	<u>\$ 103,135</u>	<u>\$ -</u>	<u>\$ 145,757</u>
Net Change in Fund Balances	<u>\$ 442,212</u>	<u>\$ (260,238)</u>	<u>\$ 3,932</u>	<u>\$ 185,906</u>
Fund Balance - January 1	<u>\$ 2,970,530</u>	<u>\$ 638,446</u>	<u>\$ (1,583)</u>	<u>\$ 3,607,393</u>
Fund Balance - December 31	<u>\$ 3,412,742</u>	<u>\$ 378,208</u>	<u>\$ 2,349</u>	<u>\$ 3,793,299</u>

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

SIoux COUNTY

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

Net Change in Fund Balances - Total Governmental Funds \$ 185,906

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 and capital contribution exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 188,757	
Current Year Depreciation Expense	<u>(216,731)</u>	(27,974)

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.

Debt Issuance		(138,219)
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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 changes in compensated absences, capital leases, and interest expense.

Net Change in Compensated Absences	\$ 6,828	
Net Change in Interest Payable	<u>(4,723)</u>	<u>2,105</u>

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable.

		<u>(6,925)</u>
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Change in Net Position of Governmental Activities

\$ 14,893

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

SIOUX COUNTY
Statement of Net Position
December 31, 2017

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 3,434,966	\$ 6,600
Intergovernmental Receivable	193,187	-
Taxes Receivable	32,336	123
Capital Assets, Net	7,076,494	-
Total Assets	\$ 10,736,983	\$ 6,723
LIABILITIES		
Accounts Payable	\$ 20,760	\$ -
Long-Term Liabilities		
Due Within One Year		
Compensated Absences Payable	21,240	-
Due After One Year		
Compensated Absences Payable	21,241	-
Total Liabilities	\$ 63,241	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 7,076,494	\$ -
Restricted		
Public Safety	28,901	-
Highways and Bridges	326,586	-
Health and Welfare	118,018	-
Culture and Recreation	40,436	-
Conservation of Natural Resources	78,124	6,723
Emergencies	18,547	-
Unrestricted	2,986,636	-
Total Net Position	\$ 10,673,742	\$ 6,723

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

SIOUX COUNTY

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Primary Government						
General Government	\$ 533,406	\$ 13,879	\$ 5,775	\$ -	\$ (513,752)	
Public Safety	177,339	31,244	-	-	(146,095)	
Highways and Bridges	1,093,944	-	670,963	135,009	(287,972)	
Health and Welfare	874,678	-	736,069	-	(138,609)	
Capital Projects	22,168	-	15,269	-	(6,899)	
Culture and Recreation	14,134	-	-	-	(14,134)	
Conservation of Natural Resources	204,167	19,056	117,933	-	(67,178)	
Total Primary Government	\$ 2,919,836	\$ 64,179	\$ 1,546,009	\$ 135,009	\$ (1,174,639)	
Component Unit						
Water Resource District	\$ 937	\$ -	\$ -	\$ -		\$ (937)
General Revenues						
Property Taxes					\$ 519,775	\$ 1,932
Non restricted grants and contributions					689,487	-
Unrestricted investment earnings					3,222	-
Miscellaneous revenue					59,596	-
Total General Revenues					\$ 1,272,080	\$ 1,932
Change in Net Position					\$ 97,441	\$ 995
Net Position - January 1					\$ 10,576,301	\$ 5,728
Net Position - December 31					\$ 10,673,742	\$ 6,723

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

SIOUX COUNTY

Balance Sheet – Governmental Funds

December 31, 2017

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,827,294	\$ 607,672	\$ -	\$ 3,434,966
Intergovernmental Receivable	141,653	51,534	-	193,187
Due from Other Funds	1,583	-	-	1,583
Taxes Receivable	17,725	14,611	-	32,336
Total Assets	\$ 2,988,255	\$ 673,817	\$ -	\$ 3,662,072
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ 20,760	\$ -	\$ 20,760
Due to Other Funds	-	-	1,583	1,583
Total Liabilities	\$ -	\$ 20,760	\$ 1,583	\$ 22,343
Deferred Inflows of Resources				
Taxes Receivable	\$ 17,725	\$ 14,611	\$ -	\$ 32,336
Total Liabilities and Deferred Inflows of Resources	\$ 17,725	\$ 35,371	\$ 1,583	\$ 54,679
Fund Balances				
Restricted				
General Government	\$ -	\$ 742	\$ -	\$ 742
Public Safety	-	28,901	-	28,901
Highways and Bridges	-	329,714	-	329,714
Health and Welfare	-	142,623	-	142,623
Culture and Recreation	-	40,372	-	40,372
Conservation of Natural Resources	-	77,547	-	77,547
Emergencies	-	18,547	-	18,547
Unassigned				
General	2,970,530	-	-	2,970,530
Negative Fund Balances	-	-	(1,583)	(1,583)
Total Fund Balances	\$ 2,970,530	\$ 638,446	\$ (1,583)	\$ 3,607,393
Total Liabilities and Fund Balances	\$ 2,988,255	\$ 673,817	\$ -	\$ 3,662,072

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

SIOUX COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2017

Total Fund Balances for Governmental Funds \$ 3,607,393

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. 7,076,494

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 inflow of resources in the funds. 32,336

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position. (42,481)

Total Net Position of Governmental Activities \$ 10,673,742

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

SIOUX COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2017

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 263,648	\$ 233,083	\$ -	\$ 496,731
Intergovernmental	692,281	1,662,955	15,269	2,370,505
Charges for Services	11,849	52,330	-	64,179
Interest Income	3,222	-	-	3,222
Miscellaneous	54,839	2,666	2,091	59,596
Total Revenues	<u>\$ 1,025,839</u>	<u>\$ 1,951,034</u>	<u>\$ 17,360</u>	<u>\$ 2,994,233</u>
EXPENDITURES				
Current				
General Government	\$ 523,395	\$ 3,308	\$ -	\$ 526,703
Public Safety	114,186	57,587	-	171,773
Highways and Bridges	-	1,139,619	-	1,139,619
Health and Welfare	2,349	868,566	-	870,915
Capital Projects	-	-	22,168	22,168
Culture and Recreation	800	13,334	-	14,134
Conserv. of Natural Resources	50,273	153,463	-	203,736
Total Expenditures	<u>\$ 691,003</u>	<u>\$ 2,235,877</u>	<u>\$ 22,168</u>	<u>\$ 2,949,048</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 334,836</u>	<u>\$ (284,843)</u>	<u>\$ (4,808)</u>	<u>\$ 45,185</u>
Net Change in Fund Balances	<u>\$ 334,836</u>	<u>\$ (284,843)</u>	<u>\$ (4,808)</u>	<u>\$ 45,185</u>
Fund Balance - January 1	<u>\$ 2,635,694</u>	<u>\$ 923,289</u>	<u>\$ 3,225</u>	<u>\$ 3,562,208</u>
Fund Balance - December 31	<u>\$ 2,970,530</u>	<u>\$ 638,446</u>	<u>\$ (1,583)</u>	<u>\$ 3,607,393</u>

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

SIOUX COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 45,185

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 and capital contribution exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 107,200	
Capital Contribution	135,009	
Current Year Depreciation Expense	<u>(206,582)</u>	35,627

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold. (500)

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 change in compensated absences. (5,915)

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 change in taxes receivable. 23,044

Change in Net Position of Governmental Activities \$ 97,441

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

SIOUX COUNTYStatement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2018 and 2017

	<u>Agency Funds</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	<u>\$ 212,444</u>	<u>255,428</u>
LIABILITIES		
Due to Other Governments	<u>\$ 212,444</u>	<u>255,428</u>

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

SIOUX COUNTY

Notes to the Financial Statements

For the Year Ended December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sioux County ("County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 County's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which 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 the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

Component Unit

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

Discretely Presented Component Unit. The component unit column in the basic financial statements includes the financial data of the County's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Sioux County Water Resource District. The County's governing board appoints a voting majority of the members of the Water Resource District's 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.

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SIOUX COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

General Fund - This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the County reports the following fund type:

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

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

The investments of the County during the years ended December 31, 2018 and 2017 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. 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.

SIOUX COUNTY

Notes to the Financial Statements – Continued

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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. If applicable, premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

H. Fund Balances

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

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

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

I. Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted federal & state grants/reimbursements.

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

J. 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.

SIOUX COUNTY

Notes to the Financial Statements – Continued

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: DEPOSITS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial 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 another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2018, the County's carrying amount of deposits totaled \$3,766,262, and the bank balances totaled \$3,783,443. Of the bank balances, \$290,568 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2017, the County's carrying amount of deposits totaled \$3,696,972, and the bank balances totaled \$3,695,246. Of the bank balances, \$285,449 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The County does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

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

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

As of December 31, 2018 and 2017, the County held certificates of deposit in the amount of \$13,760 and \$13,744, respectively, all of which are considered deposits.

SIOUX COUNTY

Notes to the Financial Statements – Continued

NOTE 3: PROPERTY TAXES

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

NOTE 4: CAPITAL ASSETS

Primary Government

Governmental Activities

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

Governmental Activities	Balance 1/1/2018	Increases	Decreases	Transfers	Balance 12/31/18
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 13,525	\$ -	\$ -	\$ -	\$ 13,525
Intangibles	5,270	-	-	-	5,270
Construction in Progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	\$ 18,795	\$ -	\$ -	\$ -	\$ 18,795
<i>Capital Assets Being Depreciated</i>					
Buildings	\$ 645,209	\$ -	\$ -	\$ -	\$ 645,209
Machinery and Equipment	1,319,222	188,757	-	-	1,507,979
Vehicles	287,150	-	-	-	287,150
Infrastructure	6,723,400	-	-	-	6,723,400
Total Capital Assets, Being Depreciated	\$ 8,974,981	\$ 188,757	\$ -	\$ -	\$ 9,163,738
<i>Less Accumulated Depreciation For</i>					
Buildings	\$ 337,602	\$ 12,121	\$ -	\$ -	\$ 349,723
Machinery & Equipment	1,031,238	111,933	-	-	1,143,171
Vehicles	218,064	25,443	-	-	243,507
Infrastructure	330,378	67,234	-	-	397,612
Total Accumulated Depreciation	\$ 1,917,282	\$ 216,731	\$ -	\$ -	\$ 2,134,013
Total Capital Assets Being Depreciated, Net	\$ 7,057,699	\$ (27,974)	\$ -	\$ -	\$ 7,029,725
Total Capital Assets, Net	\$ 7,076,494	\$ (27,974)	\$ -	\$ -	\$ 7,048,520

SIoux COUNTY

Notes to the Financial Statements – Continued

Governmental Activities	Balance 1/1/2017	Increases	Decreases	Transfers	Balance 12/31/17
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 13,525	\$ -	\$ -	\$ -	\$ 13,525
Intangibles	5,270	-	-	-	5,270
Construction in Progress	900,244	135,008	-	(1,035,252)	-
Total Capital Assets, Not Being Depreciated	\$ 919,039	\$ 135,008	\$ -	\$ (1,035,252)	\$ 18,795
<i>Capital Assets Being Depreciated</i>					
Buildings	\$ 592,009	\$ 53,200	\$ -	\$ -	\$ 645,209
Machinery and Equipment	1,278,222	54,000	13,000	-	1,319,222
Vehicles	287,150	-	-	-	287,150
Infrastructure	5,688,148	-	-	1,035,252	6,723,400
Total Capital Assets, Being Depreciated	\$ 7,845,529	\$ 107,200	\$ 13,000	\$ 1,035,252	\$ 8,974,981
<i>Less Accumulated Depreciation For</i>					
Buildings	\$ 325,482	\$ 12,120	\$ -	\$ -	\$ 337,602
Machinery & Equipment	941,955	101,783	12,500	-	1,031,238
Vehicles	192,620	25,444	-	-	218,064
Infrastructure	263,144	67,234	-	-	330,378
Total Accumulated Depreciation	\$ 1,723,201	\$ 206,581	\$ 12,500	\$ -	\$ 1,917,282
Total Capital Assets Being Depreciated, Net	\$ 6,122,328	\$ (99,381)	\$ 500	\$ 1,035,252	\$ 7,057,699
Total Capital Assets, Net	\$ 7,041,367	\$ 35,627	\$ 500	\$ -	\$ 7,076,494

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

Primary Government	2018	2017
General Government	6,329	\$ 6,329
Public Safety	5,566	5,566
Highways	204,406	194,256
Conservation of Natural Resources	430	430
Total Depreciation Expense	\$ 216,731	\$ 206,581

NOTE 5: LONG-TERM LIABILITIES

Primary Government

Governmental Activities

The following changes occurred in long-term liabilities for the years ended 2018 and 2017:

Governmental Activities	1/1/2018 Balance	Increases	Decreases	12/31/2018 Balance	Due Within One Year
Long-Term Debt					
Capital Leases	\$ -	\$ 145,757	\$ 7,538	\$ 138,219	\$ 40,358
Compensated Absences*	42,481	-	6,828	35,653	17,827
Total Long-Term Liabilities	\$ 42,481	\$ 145,757	\$ 14,366	\$ 173,872	\$ 58,185

Primary Government	1/1/2017 Balance	Increases	Decreases	12/31/2017 Balance	Due Within One Year
Compensated Absences*	36,566	5,915	-	42,481	21,240

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

SIoux COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding long-term debt at December 31, 2018 is as follows:

Governmental Activities		
Year Ending December 31	Capital Lease	
	Principal	Interest
2019	\$ 40,358	\$ 5,197
2020	41,537	4,017
2021	27,564	2,441
2022	28,760	1,246
Total	\$ 138,219	\$ 12,901

NOTE 6: TRANSFERS

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

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 47,663	\$ 5,041
Special Revenue Fund	-	42,622
Total Transfers	\$ 47,663	\$ 47,663

Transfers are done primarily for the following reasons:

- Transfer unrestricted revenues to finance various programs.
- Transfer money to close out funds.

NOTE 7: RETIREMENT PLAN

The County participates in the Deferred Compensation Section 457 plan through Mass Mutual and administered by the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota.

The County contributes \$100 dollars per month for full time employees as long as the employee contributes at least \$50. Sioux County's total employer contributions to NDPERS for the fiscal years ended December 31, 2018, 2017, and 2016 were \$20,400, \$16,800, and \$16,500, respectively.

NOTE 8: RISK MANAGEMENT

The 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. The 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 \$1,420,281 for public assets (mobile equipment and portable property).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond

SIoux COUNTY

Notes to the Financial Statements – Continued

coverage in the amount of \$1,425,000 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 9: DEFICIT FUND BALANCES

The County's Capital Projects Fund had a \$1,583 deficit fund balance at December 31, 2017. The County plans to eliminate this deficit with future revenue collections or transfers from other funds.

NOTE 10: 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, 2017, the most current year audited, is as follows:

Total Assets & Deferred Outflows	\$	1,810,292
Total Liabilities & Deferred Inflows		(1,733,108)
Net Position	\$	3,543,400
Total Revenues	\$	2,649,672
Total Expenditures		2,853,688
Change in Net Position	\$	(204,016)

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

SIOUX COUNTYBudgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ 262,123	\$ 262,123	\$ 281,441	\$ 19,318
Intergovernmental	553,605	553,605	785,235	231,630
Charges for Services	6,250	6,250	9,201	2,951
Interest Income	3,000	3,000	3,555	555
Miscellaneous	59,196	59,196	43,315	(15,881)
Total Revenues	<u>\$ 884,174</u>	<u>\$ 884,174</u>	<u>\$ 1,122,747</u>	<u>\$ 238,573</u>
EXPENDITURES				
Current				
General Government	\$ 697,188	697,188	\$ 564,776	\$ 132,412
Public Safety	167,947	167,947	111,680	56,267
Health and Welfare	4,500	4,500	1,372	3,128
Conservation of Natural Resources	57,178	57,178	45,329	11,849
Economic Development	10,000	10,000	-	10,000
Total Expenditures	<u>\$ 936,812</u>	<u>\$ 936,812</u>	<u>\$ 723,157</u>	<u>\$ 213,655</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (52,638)</u>	<u>\$ (52,638)</u>	<u>\$ 399,590</u>	<u>\$ 452,228</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 47,663	\$ 47,663
Transfers out	-	-	(5,041)	(5,041)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,622</u>	<u>\$ 42,622</u>
Net Change in Fund Balances	<u>\$ (52,638)</u>	<u>\$ (52,638)</u>	<u>\$ 442,212</u>	<u>\$ 494,850</u>
Fund Balances - January 1	<u>\$ 2,970,530</u>	<u>\$ 2,970,530</u>	<u>\$ 2,970,530</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 2,917,892</u>	<u>\$ 2,917,892</u>	<u>\$ 3,412,742</u>	<u>\$ 494,850</u>

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

SIOUX COUNTYBudgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ 184,400	\$ 184,400	\$ 172,029	\$ (12,371)
Intergovernmental	1,183,038	1,183,038	1,179,315	(3,723)
Charges for Services	37,000	37,000	39,438	2,438
Interest Income	-	-	38	38
Miscellaneous	-	-	36	36
Total Revenues	<u>\$ 1,404,438</u>	<u>\$ 1,404,438</u>	<u>\$ 1,390,856</u>	<u>\$ (13,582)</u>
EXPENDITURES				
Current				
General Government	\$ 900	900	\$ 3,904	\$ (3,004)
Public Safety	22,000	22,000	32,765	(10,765)
Health and Welfare	843,186	843,186	874,572	(31,386)
Highways and Bridges	921,992	921,992	711,957	210,035
Culture and Recreation	15,200	15,200	9,342	5,858
Conservation of Natural Resources	252,475	252,475	114,151	138,324
Debt Service				
Principal	-	-	7,538	(7,538)
Total Expenditures	<u>\$ 2,055,753</u>	<u>\$ 2,055,753</u>	<u>\$ 1,754,229</u>	<u>\$ 301,524</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (651,316)</u>	<u>\$ (651,316)</u>	<u>\$ (363,373)</u>	<u>\$ 287,943</u>
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	\$ -	\$ -	\$ 145,757	\$ 145,757
Transfers out	-	-	(42,622)	(42,622)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,135</u>	<u>\$ 103,135</u>
Net Change in Fund Balances	<u>\$ (651,316)</u>	<u>\$ (651,316)</u>	<u>\$ (260,238)</u>	<u>\$ 391,078</u>
Fund Balances - January 1	<u>\$ 638,446</u>	<u>\$ 638,446</u>	<u>\$ 638,446</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (12,870)</u>	<u>\$ (12,870)</u>	<u>\$ 378,208</u>	<u>\$ 391,078</u>

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

SIOUX COUNTYBudgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ 275,454	\$ 275,454	\$ 263,648	\$ (11,806)
Intergovernmental	695,000	695,000	692,281	(2,719)
Charges for Services	7,950	7,950	11,849	3,899
Interest Income	3,000	3,000	3,222	222
Miscellaneous	40,500	40,500	54,839	14,339
Total Revenues	<u>\$ 1,021,904</u>	<u>\$ 1,021,904</u>	<u>\$ 1,025,839</u>	<u>\$ 3,935</u>
EXPENDITURES				
Current				
General Government	\$ 692,909	692,909	\$ 523,395	\$ 169,514
Public Safety	160,125	160,125	114,186	45,939
Health and Welfare	4,500	4,500	2,349	2,151
Conservation of Natural Resources	57,178	57,178	50,273	6,905
Economic Development	10,000	10,000	800	9,200
Total Expenditures	<u>\$ 924,712</u>	<u>\$ 924,712</u>	<u>\$ 691,003</u>	<u>\$ 233,709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 97,192</u>	<u>\$ 97,192</u>	<u>\$ 334,836</u>	<u>\$ 237,644</u>
Fund Balances - January 1	<u>\$ 2,635,694</u>	<u>\$ 2,635,694</u>	<u>\$ 2,635,694</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 2,732,886</u>	<u>\$ 2,732,886</u>	<u>\$ 2,970,530</u>	<u>\$ 237,644</u>

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

SIOUX COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ 287,248	\$ 287,248	\$ 233,083	\$ (54,165)
Intergovernmental	1,177,638	1,177,638	1,662,955	485,317
Charges for Services	53,000	53,000	52,330	(670)
Interest Income	30	30	-	(30)
Miscellaneous	-	-	2,666	2,666
Total Revenues	\$ 1,517,916	\$ 1,517,916	\$ 1,951,034	\$ 433,118
EXPENDITURES				
Current				
General Government	\$ 6,300	6,300	\$ 3,308	\$ 2,992
Public Safety	43,000	43,000	57,587	(14,587)
Health and Welfare	843,186	843,186	868,566	(25,380)
Highways and Bridges	959,444	959,444	1,139,619	(180,175)
Culture and Recreation	15,200	15,200	13,334	1,866
Conservation of Natural Resources	252,475	252,475	153,463	99,012
Total Expenditures	\$ 2,119,605	\$ 2,119,605	\$ 2,235,877	\$ (116,272)
Excess (Deficiency) of Revenues Over Expenditures	\$ (601,689)	\$ (601,689)	\$ (284,843)	\$ 316,846
Fund Balances - January 1	\$ 923,289	\$ 923,289	\$ 923,289	\$ -
Fund Balances - December 31	\$ 321,600	\$ 321,600	\$ 638,446	\$ 316,846

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

SIOUX COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The County commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County auditor prepares an annual budget for the general fund, each special revenue fund, and each debt service 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.

SIoux COUNTY

Schedule of Fund Activity – Cash Basis For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-18
General Fund						
General Fund	\$ 2,823,836	\$ 1,087,939	\$ 47,663	\$ -	\$ 723,156	\$ 3,236,282
County Fair	5,041	-	-	5,041	-	-
Total General Fund	\$ 2,828,877.03	\$ 1,087,939.23	\$ 47,662.73	\$ 5,040.73	\$ 723,156.21	\$ 3,236,282.05
Special Revenue Fund						
Library	\$ 26,700	\$ 16,539	\$ -	\$ -	\$ 9,342	\$ 33,897
Library CD's	13,672	-	-	-	-	13,672
Unorganized Road	104,331	191,089	-	-	285,563	9,857
County Road	45,645	20,087	-	-	25,323	40,409
Highway Tax	107,314	203,020	-	-	268,616	41,718
Township Road	56,017	3,089	-	-	14,996	44,109
County Emergency	18,547	8,144	-	-	-	26,692
Social Services	142,623	801,831	-	42,622	874,572	27,260
County Recorder Special	742	1,277	-	-	3,904	(1,886)
County Extension Special	(12,208)	73,932	-	-	106,138	(44,414)
Weed	75,389	14,769	-	-	8,013	82,144
911 Emergency Service Fund	18,176	23,273	-	-	21,116	20,333
911 Wireless	9,484	14,888	-	-	11,649	12,723
Hazardous Chemical	1,241	38	-	-	-	1,278
Total Special Revenue Fund	\$ 607,672	\$ 1,371,975	\$ -	\$ 42,622	\$ 1,629,232	\$ 307,793
Capital Project Fund						
Capital Improvement	\$ (1,583)	\$ 3,932	\$ -	\$ -	\$ -	\$ 2,349
Total Governmental Funds	\$ 3,434,966	\$ 2,463,846	\$ 47,663	\$ 47,663	\$ 2,352,388	\$ 3,546,424
Agency Funds						
State Revenue	\$ 34	\$ 4,300	\$ -	\$ -	\$ 4,294	\$ 39
Custer District Health	1,924	18,449	-	-	18,850	1,523
Flex Plan	(2,012)	4,823	-	-	5,810	(2,999)
Ambulance	14,827	21,800	-	-	35,180	1,447
Senior Citizens	847	12,497	-	-	12,800	544
Crime Victims	1,735	485	-	-	462	1,758
Domestic Violence (202)	70	665	-	-	735	-
90% Rental	813	371	-	-	-	1,183
Cedar Soil District	1,991	12,020	-	-	12,100	1,911
Estimated Taxes	195,364	158,565	-	-	195,422	158,507
Mobile Home Tax	1,170	1,082	-	-	1,170	1,082
Solen City	2,857	3,390	-	-	5,240	1,007
Selfridge	2,832	11,971	-	-	12,878	1,925
Fort Yates	1,020	11,742	-	-	10,665	2,096
FICA Withholding	89	168,452	-	-	168,817	(275)
State Withholding	135	9,152	-	-	6,885	2,402
Federal Withholding	(165)	96,288	-	-	96,924	(801)
Selfridge Build	1,986	19,725	-	-	20,413	1,298
Selfridge School	11,998	133,269	-	-	137,804	7,463
Fort Yates School	4,915	83,504	-	-	84,270	4,149
Solen School	5,473	34,416	-	-	32,790	7,098
Menz Township	4,029	12,781	-	-	1,954	14,856
Rural Fire Dist # 2	1,717	6,122	-	-	5,780	2,059
Sheriff's Fund (5656.67)	1,189	1,100	-	-	250	2,039
Solen/Special	396	2,155	-	-	640	1,911
Sel/Lagoon/Spec	197	47	-	-	-	243
Total Agency Funds	\$ 255,428	\$ 829,170	\$ -	\$ -	\$ 872,133	\$ 212,466
Total Primary Government	\$ 3,690,394	\$ 3,293,017	\$ 47,663	\$ 47,663	\$ 3,224,520	\$ 3,758,890

SIoux COUNTY

Schedule of Fund Activity – Cash Basis For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-17
General Fund						
General Fund	\$ 2,504,220	\$ 1,009,820	\$ -	\$ -	\$ 690,203	\$ 2,823,836
County Fair	1,372	4,469	-	-	800	5,041
Total General Fund	\$ 2,505,592	\$ 1,014,288	\$ -	\$ -	\$ 691,003	\$ 2,828,877
Special Revenue Fund						
Library	\$ 39,755	\$ 279	\$ -	\$ -	\$ 13,334	\$ 26,700
Library CD's	13,672	-	-	-	-	13,672
Unorganized Road	213,093	743,740	-	-	852,502	104,331
County Road	33,926	20,053	-	-	8,333	45,645
Highway Tax	190,314	195,283	-	-	278,283	107,314
Township Road	53,573	2,944	-	-	500	56,017
County Emergency	44,219	-	-	-	25,672	18,547
Social Services	133,354	877,835	-	-	868,566	142,623
County Recorder Special	2,395	1,655	-	-	3,308	742
County Extension Special	(30,803)	124,869	-	-	106,274	(12,208)
Weed	94,959	27,619	-	-	47,189	75,389
911 Emergency Service Fund	20,228	20,065	-	-	22,116	18,176
911 Wireless	8,104	11,180	-	-	9,799	9,484
Hazardous Chemical	1,203	38	-	-	-	1,241
Total Special Revenue Fund	\$ 817,991	\$ 2,025,558	\$ -	\$ -	\$ 2,235,876	\$ 607,672
Capital Project Fund						
Capital Improvement	\$ 3,225	\$ 17,360	\$ -	\$ -	\$ 22,168	\$ (1,583)
Total Governmental Funds	\$ 3,326,807	\$ 3,057,206	\$ -	\$ -	\$ 2,949,047	\$ 3,434,966
Agency Funds						
State Revenue	\$ 1	\$ 4,027	\$ -	\$ -	\$ 3,995	\$ 34
Custer District Health	4,727	18,396	-	-	21,200	1,924
Flex Plan	(2,021)	5,677	-	-	5,668	(2,012)
Ambulance	5,015	20,012	-	-	10,200	14,827
Senior Citizens	2,349	11,398	-	-	12,900	847
Crime Victims	1,210	525	-	-	-	1,735
Domestic Violence (202)	-	525	-	-	455	70
90% Rental	2,008	813	-	-	2,008	813
Cedar Soil District	3,872	11,069	-	-	12,950	1,991
Estimated Taxes	152,298	195,364	-	-	152,298	195,364
Mobile Home Tax	2,911	1,170	-	-	2,911	1,170
Solen City	5,841	9,016	-	-	12,000	2,857
Selfridge	5,533	7,399	-	-	10,100	2,832
Fort Yates	6,331	5,488	-	-	10,800	1,020
FICA Withholding	0	161,419	-	-	161,330	89
State Withholding	2,344	6,414	-	-	8,623	135
Federal Withholding	171	106,953	-	-	107,289	(165)
Selfridge Build	2,390	22,096	-	-	22,500	1,986
Selfridge School	18,617	142,381	-	-	149,000	11,998
Fort Yates School	20,413	74,001	-	-	89,500	4,915
Solen School	15,892	39,081	-	-	49,500	5,473
Menz Township	2,496	13,833	-	-	12,300	4,029
Rural Fire Dist # 2	2,897	5,120	-	-	6,300	1,717
Sheriff's Fund (5656.67)	347	842	-	-	-	1,189
Solen/Special	93	824	-	-	520	396
Sel/Lagoon/Spec	759	196	-	-	759	197
Total Agency Funds	\$ 256,494	\$ 864,040	\$ -	\$ -	\$ 865,107	\$ 255,428
Total Primary Government	\$ 3,583,302	\$ 3,921,246	\$ -	\$ -	\$ 3,814,154	\$ 3,690,394



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

Independent Auditor's Report

Board of County Commissioners
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, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sioux County as of and for the year ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated May 20, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005 that we consider to be material weaknesses.

Compliance and Other Matters

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

SIoux COUNTY

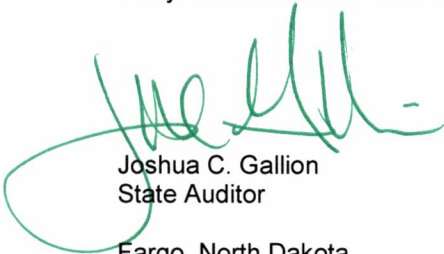
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Sioux County's Response to Findings

Sioux County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 20, 2019

SIOUX COUNTY

Summary of Auditor's Results

For the Year Ended December 31, 2018 and 2017

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None Noted

SIoux COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2018 and 2017

Repeat Findings

2018-001 – LACK OF SEGREGATION OF DUTIES

Condition

Sioux County and the Sioux County Water Resource District have limited staff responsible for the accounting functions at each entity. A lack of segregation of duties exists as limited staff are responsible for issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger, and compiling payroll.

Criteria

Internal control guidance provided by the Committee of Sponsoring Organizations (COSO) indicates that the following functions should be separated: custody of assets, posting, reconciliation, and authorization.

Cause

Sioux County and Sioux County Water Resource District have limited staff which makes segregating duties difficult.

Effect

Limited segregation of duties exposes Sioux County and Sioux County Water Resource District to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

Recommendation

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.

Sioux County's Response

Agree. As of right now, the duties are separated as much as possible with the limited staff.

2018-002 – COMPUTERIZED ACCOUNTING SOFTWARE TRAINING

Condition

Sioux County's software reports do not balance. The Auditor is not correctly using the software. Instead, the Auditor keeps hand written and Excel ledgers to keep track of Sioux County's fund balances. A substantial amount of time was spent in reconciling the hand-written general ledgers to the client created year end worksheets.

To date through most of 2019, the software is not yet being fully used, and Sioux County is paying \$14,500 in software support each year.

Criteria

Internal control guidance provided by COSO indicates that proper controls activities and monitoring should be in place in order to have increased reliability of financial reporting.

Cause

The officials using the software have not been fully trained in how to use it correctly.

SIoux COUNTYSchedule of Audit Findings – Continued

Effect

Hand written ledgers are prone to having an increased risk in fraud or error. \$14,500 per year for software support is an inefficient use of limited county resources if the software is not being used correctly.

Recommendation

We recommend that Sioux County officials obtain software training in order to be able to fully implement the general ledger software. Computerized accounting programs provide better detailed and accurate fund information, increase the efficiency of processing individual transactions, and they 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 will help the Board properly monitor Sioux County's finances and help prepare annual budgets.

Sioux County's Response

Agree. The new auditor will obtain the software training.

2018-003 – SOCIAL SERVICE RECONCILIATION**Condition**

No social service reconciliation exists at December 31, 2018 and December 31, 2017.

Criteria

An adequate checks and balance system is a key element to strong internal controls.

Cause

The Auditor's and Social Services Office do not find it necessary to reconcile on a regular basis.

Effect

Any variances between the Sioux County Social Services department and Sioux County's social services fund will go unnoticed if the two offices do not reconcile regularly. This increases the risk of misstatement due to error or fraud.

Recommendation

We recommend that the Sioux County Social Service Office and Sioux County auditor reconcile the social service fund balance at each month-end.

Sioux County's Response

Agree. At the end of 2018, the expenditures for the social service fund were confirmed with the social service department. In the future, we will also perform a full reconciliation between the two offices.

New Findings**2018-004 – FINANCIAL STATEMENT PREPARATION****Condition**

Sioux County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

SIoux COUNTY
Schedule of Audit Findings – Continued

Criteria

Management of Sioux County is responsible for establishing proper internal control over the preparation of Sioux County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

This deficiency is due to limited resources coupled with the fact that Sioux County may not know how to prepare basic financial statements that comply with GAAP.

Effect

There is an increased risk of material misstatement to the Sioux County's financial statements.

Recommendation

We recognize Sioux County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that leadership be aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

Sioux County's Response

Agree. Sioux County is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future once the new auditor gets fully trained.

2018-005 – ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Sioux County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management of Sioux County does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of the Sioux County's financial statements in accordance with GAAP.

Effect

Inadequate internal controls over recording of transactions affects Sioux County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recognize Sioux County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that leadership be aware of this weakness and that management accepts responsibility for the audit adjustments. We recommend Sioux County implement internal controls to ensure financial statements are free from material misstatement.

Sioux County's Response

Agree. Sioux County does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to obtain further training to try to identify all items in need of adjustment at year end to comply with GAAP.



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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1655 43RD STREET SOUTH, SUITE 203.
FARGO, NORTH DAKOTA 58103

GOVERNANCE COMMUNICATION

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sioux County, North Dakota, for the year ended December 31, 2018 and 2017 which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated May 20, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated March 15, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether 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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sioux County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018 and 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

SIOUX COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures that were corrected by management.

AUDIT ADJUSTMENTS - PRIMARY GOVERNMENT				
	<u>2018</u>		<u>2017</u>	
Intergovernmental Receivable	\$ 246,876		\$ 193,186	
Revenues		\$ 246,876		\$ 193,186
Expenditures	-		20,760	
Accounts Payable		-		20,760

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **MAY 20, 2019**.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

The following presents our informal recommendations:

FRAUD RISK ASSESSMENT

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

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

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

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

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



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 20, 2019

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Division of Local Government Audit

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