



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Southwest Multi-County Correctional Center

Dickinson, North Dakota

Audit Report for the Years Ended December 31, 2018 and 2107

Client Code: PS45060



Photo credit: North Dakota Tourism



Office of the
State Auditor

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

County Officials and Audit Personnel

December 31, 2018 and 2017

COUNTY OFFICIALS

At December 31, 2018

John Plaggemeyer	President
Kenneth Steiner	Vice President
Mike Kasian	Board Member
Lynn Brackel	Board Member
Daryl Dukart	Board Member
Michael Sonsalla	Board Member
Scott Steele	Board Member
Ken Zander	Board Member
Doris Songer	SWMCCC Operations Administrator
Rachelle Juntunen	DWCRC Warden
Connie Monson	Financial Administrator

At December 31, 2017

John Plaggemeyer	President
Kenneth Steiner	Vice President
Mike Kasian	Board Member
Lynn Brackel	Board Member
Daryl Dukart	Board Member
Michael Sonsalla	Board Member
Scott Steele	Board Member
Ken Zander	Board Member
Doris Songer	SWMCCC Operations Administrator
Rachelle Juntunen	DWCRC Warden
Connie Monson	Financial Administrator

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Michael Scherr	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of Center Commissioners
Southwest Multi-County Correctional Center
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southwest Multi-County Correctional Center, North Dakota, as of and for the years ended December 31, 2018 and December 31, 2017, and the related notes to the financial statements, which collectively comprise Southwest Multi-County Correctional Center'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 major fund, and the aggregate remaining fund information of Southwest Multi-County Correctional Center, 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* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020 on our consideration of Southwest Multi-County Correctional Center'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 Southwest Multi-County Correctional Center's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 24, 2020

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Statement of Net Position

December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,798,413
Accounts Receivable	679,913
Other Asset	82,689
Capital Assets	
Nondepreciable	5,750
Depreciable, Net	<u>4,040,661</u>
 Total Assets	 <u>\$ 6,607,426</u>
 LIABILITIES	
Accounts Payable	\$ 109,996
Sales Tax Payable	21
State Tax Payable	11,395
Salaries Payable	196,090
Retirement Plan Payable	333,059
Long-Term Liabilities	
Due Within One Year	
Compensated Absences	108,938
Due After One Year	
Compensated Absences	<u>163,407</u>
 Total Liabilities	 <u>\$ 922,906</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 4,046,411
Unrestricted	<u>1,638,109</u>
 Total Net Position	 <u><u>\$ 5,684,520</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	
Governmental Activities			
Public Safety	<u>\$ 8,841,420</u>	<u>\$ 8,198,542</u>	<u>\$ (642,878)</u>
	General Revenues		
	Interest Income		\$ 9,630
	Miscellaneous Income		<u>502,800</u>
	Total General Revenues		<u>\$ 512,430</u>
	Change in Net Position		<u>\$ (130,448)</u>
	Net Position - January 1		<u>\$ 5,814,968</u>
	Net Position - December 31		<u><u>\$ 5,684,520</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Balance Sheet – Governmental Funds

December 31, 2018

	<u>General</u>
ASSETS	
Cash and Investments	\$ 1,798,413
Accounts Receivable	679,913
Other Asset	<u>82,689</u>
Total Assets	<u><u>\$ 2,561,015</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 109,996
Sales Tax Payable	21
State Tax Payable	11,395
Retirement Plan Payable	333,059
Salaries Payable	<u>196,090</u>
Total Liabilities	<u>\$ 650,561</u>
Fund Balances	
Unassigned	<u>\$ 1,910,454</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,561,015</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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

Total Fund Balances for Governmental Funds	\$ 1,910,454
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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.	4,046,411
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Compensated Absences are not due and payable in the current period accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position.	<u>(272,345)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 5,684,520</u></u>
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The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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

	<u>General</u>
REVENUES	
Charge for Services	\$ 8,198,542
Interest	9,630
Miscellaneous	<u>502,800</u>
Total Revenues	<u>\$ 8,710,972</u>
EXPENDITURES	
Current:	
Public Safety	<u>\$ 8,956,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (245,487)</u>
Fund Balance - January 1	<u>\$ 2,155,941</u>
Fund Balance - December 31	<u><u>\$ 1,910,454</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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 **\$ (245,487)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 294,531	
Current Year Depreciation Expense	<u>(177,958)</u>	116,573

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	<u>86,408</u>
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Change in Net Position of Governmental Activities **\$ (130,448)**

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Statement of Net Position

December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,752,997
Accounts Receivable	656,130
Other Asset	56,163
Capital Assets	
Nondepreciable	5,750
Depreciable, Net	<u>4,012,031</u>
 Total Assets	 <u>\$ 6,483,071</u>
 LIABILITIES	
Accounts Payable	\$ 98,005
Sales Tax Payable	62
State Tax Payable	11,254
Salaries Payable	200,028
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences	116,731
Due After One Year:	
Compensated Absences	<u>175,096</u>
 Total Liabilities	 <u>\$ 601,176</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 4,017,781
Unrestricted	<u>1,864,114</u>
 Total Net Position	 <u><u>\$ 5,881,895</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Public Safety	<u>\$ 8,642,501</u>	<u>\$ 7,991,828</u>	<u>\$ (650,673)</u>
General Revenues			
Interest Income			\$ 5,789
Miscellaneous Income			<u>407,072</u>
Total General Revenues			<u>\$ 412,861</u>
Change in Net Position			<u>\$ (237,812)</u>
Net Position - January 1			<u>\$ 6,119,707</u>
Net Position - December 31			<u><u>\$ 5,881,895</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Balance Sheet – Governmental Funds

December 31, 2017

	<u>General</u>
ASSETS	
Cash and Investments	\$ 1,752,997
Accounts Receivable	656,130
Other Asset	<u>56,163</u>
Total Assets	<u><u>\$ 2,465,290</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 98,005
Sales Tax Payable	62
State Tax Payable	11,254
Salaries Payable	<u>200,028</u>
Total Liabilities	<u>\$ 309,349</u>
Fund Balances	
Unassigned	<u>\$ 2,155,941</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,465,290</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2017

Total Fund Balances for Governmental Funds	\$ 2,155,941
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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.	4,017,781
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Compensated Absences are not due and payable in the current period accordingly are not reported as fund liabilities. All liabilities both current and long term are reported in the statement of net position.	<u>(291,827)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 5,881,895</u></u>
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The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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

	<u>General</u>
REVENUES	
Charge for Services	\$ 7,991,828
Interest	5,790
Miscellaneous	<u>407,072</u>
Total Revenues	<u>\$ 8,404,690</u>
EXPENDITURES	
Current:	
Public Safety	<u>\$ 8,678,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (273,878)</u>
Fund Balance - January 1	<u>\$ 2,429,819</u>
Fund Balance - December 31	<u><u>\$ 2,155,941</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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	\$ (273,878)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 232,027	
Current Year Depreciation Expense	<u>(180,742)</u>	51,285

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	<u>(15,219)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (237,812)</u></u>
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The notes to the financial statements are an integral part of this statement.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 170,936	\$ 185,994
Other Asset	<u>1,966</u>	<u>1,165</u>
Total Assets	<u><u>\$ 172,902</u></u>	<u><u>\$ 187,159</u></u>
LIABILITIES		
Due to Inmates	<u><u>\$ 172,902</u></u>	<u><u>\$ 187,159</u></u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Southwest Multi-County Correctional Center (hereafter referred to as "Center") 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.

Reporting Entity

The accompanying financial statements present the activities of the Center. The Center has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Center are such that exclusion would cause its 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 Center 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 Center.

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the Southwest Multi-County Correctional Center (the primary government), as there are no component units. The Southwest Multi-County Correctional Center is a joint venture of Billings, Bowman, Golden Valley, Dunn, Hettinger, Slope, and Stark Counties. Cities include Belfield, Killdeer, Medora, and Dickinson.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. 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 charge for services, for housing prisoners, intergovernmental revenue, and miscellaneous revenue.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Center'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 Center'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 the major governmental fund.

The Center reports the following major governmental funds:

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

Additionally, the County reports the following fund type:

Agency Funds. These funds account for assets by the Center in a custodial capacity as an agent on behalf of others. The Center's agency funds are used to account for activity at the jail commissary.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Non-exchange transactions, in which the Correctional Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	50
Machinery & Equipment	5 – 20
Vehicles	5

Compensated Absences

Full-time employees are granted vacation benefits from 8 to 16 hours per month depending on tenure with the Center. Upon termination of employment, employees will be paid for vacation benefits that have been accrued to a maximum of 240 hours. Sick leave benefits accrue at the rate of 8 hours per month. Unused sick leave benefits can carry over from year to year with no cap. Upon termination of employment or retirement after 10 years of consecutive employment, sick leave benefits will be compensated at a rate of one hour for every 4 hours of unused sick leave.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

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

Fund Balances

Fund Balance Spending Policy. It is the policy of the Center 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.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund.

Net Position

When both restricted and unrestricted resources are available for use, it is the Center'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.

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

NOTE 2: DEPOSITS

Custodial Credit Risk

Custodial Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Center would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Center 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 Center's carrying amount of deposits totaled \$1,969,349, and the bank balances totaled \$2,332,997. Of the bank balances, \$823,893 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 Center's carrying amount of deposits totaled \$1,938,990, and the bank balances totaled \$2,313,691. Of the bank balances, \$799,498 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.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER
Notes to the Financial Statements – Continued

NOTE 3: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2018 and 2017:

Primary Government - 2018	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated				
Land	\$ 5,750	\$ -	\$ -	\$ 5,750
Capital Assets, Being Depreciated				
Building Improvements	\$ 1,983,131	\$ -	\$ -	\$ 1,983,131
Buildings	2,760,545	270,612	118,240	2,912,917
Vehicles	302,570	-	10,300	292,270
Equipment	521,832	23,919	5,000	540,751
Total Capital Assets, Being Depreciated	\$ 5,568,078	\$ 294,531	\$ 133,540	\$ 5,729,069
Less Accumulated Depreciation				
Building Improvements	\$ 263,925	\$ 39,663	\$ -	\$ 303,588
Buildings	691,102	58,258	30,298	719,063
Vehicles	225,887	28,827	10,300	244,415
Equipment	375,131	51,210	5,000	421,342
Total Accumulated Depreciation	\$ 1,556,045	\$ 177,958	\$ 45,598	\$ 1,688,408
Total Capital Assets Being Depreciated, Net	\$ 4,012,033	\$ 116,573	\$ 87,942	\$ 4,040,661
Capital Assets - Net	\$ 4,017,783	\$ 116,573	\$ 87,942	\$ 4,046,411

Primary Government - 2017	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated				
Land	\$ 5,750	\$ -	\$ -	\$ 5,750
Capital Assets, Being Depreciated				
Building Improvements	\$ 1,963,986	\$ 19,145	\$ -	\$ 1,983,131
Buildings	2,752,345	8,200	-	2,760,545
Vehicles	271,086	44,999	13,515	302,570
Equipment	362,148	159,685	-	521,833
Total Capital Assets, Being Depreciated	\$ 5,349,565	\$ 232,029	\$ 13,515	\$ 5,568,079
Less Accumulated Depreciation				
Building Improvements	\$ 224,263	\$ 39,664	\$ -	\$ 263,927
Buildings	635,892	55,211	-	691,103
Vehicles	201,101	38,301	13,515	225,887
Equipment	327,564	47,567	-	375,131
Total Accumulated Depreciation	\$ 1,388,820	\$ 180,743	\$ 13,515	\$ 1,556,048
Total Capital Assets Being Depreciated, Net	\$ 3,960,745	\$ 51,286	\$ -	\$ 4,012,031
Capital Assets - Net	\$ 3,966,495	\$ 51,286	\$ -	\$ 4,017,781

Depreciation expense was charged to the public safety function.

NOTE 4: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2018 and 2017, the following changes occurred in governmental activities long-term liabilities:

Primary Government - 2018	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 291,827	\$ -	\$ 19,481	\$ 272,345	\$ 108,938

Primary Government - 2017	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 251,112	\$ 40,715	\$ -	\$ 291,827	\$ 116,731

* The change to compensated absences is the net changes for the year.

NOTE 5: RETIREMENT PLAN

The correctional center provides pension benefits for all full-time employees through a defined contribution plan administered by American State Bank and Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan after 1 full year of service that must include 1,000 working hours within the first year. The correctional center pays 6% of the employee's salary each month. The employee will contribute a mandatory 2% and the correctional center matches that amount by 4%. Each employee may contribute up to 8% in additional contributions in the voluntary after-tax contribution plan.

The Southwest Multi-County Correctional Center's contributions for the years ended December 31, 2018, 2017 and 2016 were \$364,077, \$405,052, and \$373,247, respectively.

NOTE 6: RISK MANAGEMENT

The Center is exposed to various risks of loss related 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 joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 Center pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. For the Center the coverage by NDRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$192,267 for public assets/mobile equipment and portable property.

The Center 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Southwest Multi-County Correctional Center has workers compensation with the North Dakota Workforce Safety and Insurance. The Correctional Center provides health insurance for its employees through Blue Cross/Blue Shield of North Dakota and pays up to \$1,251.94 per month premium for all full-time employees as of December 31, 2018. Part time employees receive a single plan after one year and 1,200 hours of employment.

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTERNotes to the Financial Statements – Continued

NOTE 7: JOINT VENTURESDickinson Law Enforcement Center

South West Multi-County Correctional Center entered a joint venture for the maintenance of the Dickinson Law Enforcement Center and Stark County. Southwest Multi-County Center appoints 3 members and Stark County appoints 4 members to the law enforcement center board. Each participating entity's share of the cost of operations is determined by the relative amount of space occupied by each.

The following information as of and for the year ended December 31, 2018, the most current information available, is as follows:

Total Assets	\$ 199,319
Total Liabilities	80,791
Net Position	\$ 118,528
Total Revenues	\$ 452,694
Total Expenses	434,193
Change in Net Position	\$ 18,501

Complete financial statements may be obtained from Southwest Multi-County Correction Center, 66 Museum Drive, Dickinson, ND 58601.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Charge for Services	\$8,263,508	\$ 8,263,508	\$ 8,198,542	\$ (64,966)	\$8,162,399	\$8,162,399	\$ 7,991,828	\$ (170,571)
Interest	3,500	3,500	9,630	6,130	3,500	3,500	5,790	2,290
Miscellaneous	287,750	287,750	502,800	215,050	309,400	309,400	407,072	97,672
Total Revenues	<u>\$8,554,758</u>	<u>\$ 8,554,758</u>	<u>\$ 8,710,972</u>	<u>\$ 156,214</u>	<u>\$8,475,299</u>	<u>\$ 8,475,299</u>	<u>\$ 8,404,690</u>	<u>\$ (70,609)</u>
EXPENDITURES								
Current								
Public Safety	<u>\$9,333,023</u>	<u>\$ 9,333,023</u>	<u>\$ 8,956,459</u>	<u>\$ 376,564</u>	<u>\$9,117,854</u>	<u>\$9,117,854</u>	<u>\$ 8,678,568</u>	<u>\$ 439,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (778,265)</u>	<u>\$ (778,265)</u>	<u>\$ (245,487)</u>	<u>\$ 532,778</u>	<u>\$ (642,555)</u>	<u>\$ (642,555)</u>	<u>\$ (273,878)</u>	<u>\$ 368,677</u>
Fund Balance - January 1	<u>\$2,619,035</u>	<u>\$ 2,619,035</u>	<u>\$ 2,155,941</u>	<u>\$ (463,094)</u>	<u>\$2,619,035</u>	<u>\$ 2,619,035</u>	<u>\$ 2,429,819</u>	<u>\$ (189,216)</u>
Fund Balance - December 31	<u>\$1,840,770</u>	<u>\$ 1,840,770</u>	<u>\$ 1,910,454</u>	<u>\$ 69,684</u>	<u>\$ 1,976,480</u>	<u>\$ 1,976,480</u>	<u>\$ 2,155,941</u>	<u>\$ 179,461</u>

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Notes to the Required Supplementary Information
For the Years Ended December 31, 2018 and 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The correctional center adopts an “appropriated budget” on the modified accrual basis of accounting.
- Each budget is controlled by the correctional center financial administrator at the revenue and expenditure function/object level.
- All appropriations lapse at year-end.

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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

Governing Board
Southwest Multi-County Correctional Center
Dickinson, 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 major fund, and the aggregate remaining fund information of Southwest Multi-County Correctional Center as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Southwest Multi-County Correctional Center's basic financial statements, and have issued our report thereon dated February 24, 2020.

Internal Control Over Financial Reporting

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

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

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

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 24, 2020

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Summary of Auditor's Results

For the Years Ended December 31, 2018 and 2017

Financial Statements

Type of Report Issued?

Governmental Activities

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified?

_____ Yes X None Noted

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None Noted

Noncompliance material to financial statements noted?

_____ Yes X None Noted

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Schedule of Audit Findings

For the Years Ended December 31, 2018 and 2017

No matters were reported.

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GOVERNANCE COMMUNICATION

Board of Commissioners
Southwest Multi-County Correctional Center
Dickinson, North Dakota

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southwest Multi-County Correctional Center, North Dakota, for the years ended December 31, 2018 and 2017 which collectively comprise Southwest Multi-County Correctional Center's basic financial statements, and have issued our report thereon dated February 24, 2020. 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 January 9, 2020, 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 Southwest Multi-County Correctional Center'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 Southwest Multi-County Correctional Center'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 Southwest Multi-County Correctional Center are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2018 or 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.

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 list all misstatements detected as a result of audit procedures that were corrected by management.

2018 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
Expenditures	196,090		-		196,090	
Salaries Payable		196,090		-		196,090

2017 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
Expenditures	200,028		-		200,028	
Salaries Payable		200,028		-		200,028

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 February 24, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center'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.

SOUTHWEST MULTI-COUNTY CORRECTIONAL CENTER

Governance Communication – Continued

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.

This information is intended solely for the use of the Board of Commissioners and management of Southwest Multi-County Correctional Center, 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 Southwest Multi-County Correctional Center 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 Southwest Multi-County Correctional Center.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 24, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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