



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Sioux County

Fort Yates, North Dakota

Audit Report for the Year Ended December 31, 2019

Client Code: PS43000



Photo credit: North Dakota Tourism



Office of the
State Auditor

SIOUX COUNTY

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SIOUX COUNTY

County Officials and Audit Personnel
December 31, 2019

COUNTY OFFICIALS

Larry Silbernagel
Kenneth Snider
Terry Comeau

Chairman
Commissioner
Commissioner

Cassie LeCompte
Lucy Harrison
Barb Hettich
Vernetta Iron Eyes
Frank Landeis
Chris Redmann

County Auditor (Until 3/07/2021)
County Auditor (Present)
Interim County Auditor
Treasurer/Clerk of Court
Sheriff
State's Attorney

AUDIT PERSONNEL

Heath Erickson, CPA
Michael Scherr

Audit Manager
Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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STATE CAPITOL
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sioux County, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements as listed in the table of contents.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Sioux County, North Dakota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SIoux COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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 July 7, 2021 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 7, 2021

SIOUX COUNTY

Statement of Net Position

December 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 4,244,134	\$ 8,661
Interest receivable	6,466	
Intergovernmental Receivable	201,769	-
Taxes Receivable	35,758	104
Capital Assets, Net	6,841,696	-
Total Assets	<u>\$ 11,329,823</u>	<u>\$ 8,765</u>
LIABILITIES		
Accounts Payable	\$ 78,309	\$ -
Interest Payable	3,634	-
Salaries Payable	7,162	-
Long-Term Liabilities		
Due Within One Year		
Leases Payable	41,537	-
Compensated Absences Payable	29,887	-
Due After One Year		
Leases Payable	56,324	-
Compensated Absences Payable	29,887	-
Total Liabilities	<u>\$ 246,740</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes received in advance	<u>\$ 96,699</u>	<u>\$ -</u>
NET POSITION		
Net Investment in Capital Assets	\$ 6,743,835	\$ -
Restricted		
General Government	457	-
Public Safety	57,830	-
Culture and Recreation	69,173	-
Conservation of Natural Resources	65,057	8,765
Emergencies	54,942	-
Unrestricted	3,995,090	-
Total Net Position	<u>\$ 10,986,384</u>	<u>\$ 8,765</u>

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

Check to Balance-->	-	-
Check to Stmt of Act-->	-	-

SIOUX COUNTY

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Water Resource District
Primary Government					
Governmental Activities					
General Government	\$ 608,346	\$ 11,839	\$ -	\$ (596,507)	
Public Safety	131,362	41,632	-	(89,730)	
Highways and Bridges	825,162	1,114	299,600	(524,448)	
Health and Welfare	891,825	-	807,898	(83,927)	
Culture and Recreation	15,461	-	-	(15,461)	
Conservation of Natural Resources	139,118	-	-	(139,118)	
Interest on Long-Term Debt	4,108	-	-	(4,108)	
Total Primary Government	<u>\$ 2,615,382</u>	<u>\$ 54,585</u>	<u>\$ 1,107,498</u>	<u>\$ (1,453,299)</u>	
Component Unit					
Water Resource District	<u>\$ 456</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (456)</u>
General Revenues					
Property Taxes				\$ 521,700	\$ 1,758
Non restricted grants and contributions				1,030,592	-
Unrestricted investment earnings				74,849	-
Miscellaneous revenue				<u>123,907</u>	<u>-</u>
Total General Revenues				<u>\$ 1,751,048</u>	<u>\$ 1,758</u>
Change in Net Position				<u>\$ 297,749</u>	<u>\$ 1,302</u>
Net Position - January 1				<u>\$ 10,688,635</u>	<u>\$ 7,463</u>
Net Position - December 31				<u>\$ 10,986,384</u>	<u>\$ 8,765</u>

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

SIOUX COUNTY

Balance Sheet – Governmental Funds
December 31, 2019

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,960,898	\$ 283,236	\$ -	\$ 4,244,134
Interest receivable	6,466			6,466
Intergovernmental Receivable	169,069	32,700	-	201,769
Due from Other Funds	6,474	-	-	6,474
Taxes Receivable	25,829	9,929	-	35,758
Total Assets	<u>\$ 4,168,736</u>	<u>\$ 325,865</u>	<u>\$ -</u>	<u>\$ 4,494,601</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 29,041	\$ 49,268	\$ -	\$ 78,309
Salaries Payable	-	7,162	-	7,162
Due to Other Funds	-	-	6,474	6,474
Total Liabilities	<u>\$ 29,041</u>	<u>\$ 56,430</u>	<u>\$ 6,474</u>	<u>\$ 91,945</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 25,829	\$ 9,929	\$ -	\$ 35,758
Taxes Received in Advance	66,750	29,949	-	96,699
Total Deferred Inflows of Resources	<u>\$ 92,579</u>	<u>\$ 39,878</u>	<u>\$ -</u>	<u>\$ 132,457</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 121,620</u>	<u>\$ 96,308</u>	<u>\$ 6,474</u>	<u>\$ 224,402</u>
Fund Balances				
Restricted				
General Government	\$ -	\$ 2,019	\$ -	\$ 2,019
Public Safety	-	57,830	-	57,830
Culture and Recreation	-	67,542	-	67,542
Conservation of Natural Resources	-	64,922	-	64,922
Emergencies	-	54,472	-	54,472
Unassigned				
General	4,047,116	-	-	4,047,116
Negative Fund Balances	-	(17,228)	(6,474)	(23,702)
Total Fund Balances	<u>\$ 4,047,116</u>	<u>\$ 229,557</u>	<u>\$ (6,474)</u>	<u>\$ 4,270,199</u>
Total Liabilities and Fund Balances	<u>\$ 4,168,736</u>	<u>\$ 325,865</u>	<u>\$ -</u>	<u>\$ 4,494,601</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, 2019

Total Fund Balances for Governmental Funds	\$ 4,270,199
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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.	6,841,696
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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.	35,758
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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	\$ (3,634)	
Capital Lease Payable	(97,861)	
Compensated Absences Payable	<u>(59,774)</u>	<u>(161,269)</u>

Total Net Position of Governmental Activities	<u>\$ 10,986,384</u>
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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, 2019

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 357,428	\$ 153,925	\$ -	\$ 511,353
Intergovernmental	979,952	1,158,137	-	2,138,089
Charges for Services	11,839	42,746	-	54,585
Interest Income	74,761	88	-	74,849
Miscellaneous	88,271	30,845	4,791	123,907
Total Revenues	\$ 1,512,251	\$ 1,385,741	\$ 4,791	\$ 2,902,783
EXPENDITURES				
Current				
General Government	587,432	\$ -	\$ 13,614	\$ 601,046
Public Safety	93,643	32,153	-	125,796
Highways and Bridges	-	630,912	-	630,912
Health and Welfare	14,609	853,816	-	868,425
Culture and Recreation	-	15,461	-	15,461
Conserv. of Natural Resources	47,890	90,798	-	138,688
Debt Service				
Principal	-	40,358	-	40,358
Interest	-	5,197	-	5,197
Total Expenditures	\$ 743,574	\$ 1,668,695	\$ 13,614	\$ 2,425,883
Excess (Deficiency) of Revenues Over Expenditures	\$ 768,677	\$ (282,954)	\$ (8,823)	\$ 476,900
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 148,063	\$ -	\$ 148,063
Transfers Out	(134,303)	(13,760)	-	(148,063)
Total Other Financing Sources and Uses	\$ (134,303)	\$ 134,303	\$ -	\$ -
Net Change in Fund Balances	\$ 634,374	\$ (148,651)	\$ (8,823)	\$ 476,900
Fund Balance - January 1	\$ 3,412,742	\$ 378,208	\$ 2,349	\$ 3,793,299
Fund Balance - December 31	\$ 4,047,116	\$ 229,557	\$ (6,474)	\$ 4,270,199

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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	476,900
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The change in net position reported for governmental activities in the statement of activities is different because:

In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Depreciation Expense	\$	(206,823)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Debt		40,358
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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	\$	(24,121)	
Net Change in Interest Payable		<u>1,088</u>	(23,033)

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>10,347</u>
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Change in Net Position of Governmental Activities	\$	<u>297,749</u>
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The notes to the financial statements are an integral part of this statement.

SIOUX COUNTY

Statement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2019

ASSETS

Cash and Investments

\$ 99,921**LIABILITIES**

Due to Other Governments

\$ 99,921

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, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sioux County (hereafter referred to as "County") 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 County. The County 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 County 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 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, there is one component unit to be included within the County as a reporting entity.

Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units 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 component unit is reported in a separate columns to emphasize that it is legally separate from the County.

Sioux County Water Resource District ("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's operational and capital budgets. The County also must approve the tax levy established by the water resource district.

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 units. 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, 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.

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.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the years ended December 31, 2019 consist of certificates of deposit stated at cost with maturities in excess of three months.

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 County 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.

SIOUX COUNTYNotes to the Financial Statements – Continued

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

Assets	Years
Land	Indefinite
Buildings	50
Vehicles	5
Equipment	5 - 10
Infrastructure	50

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.

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.

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.

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.

SIOUX COUNTY

Notes to the Financial Statements – Continued

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

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

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$4,352,716, and the bank balances totaled \$4,317,470. Of the bank balances, \$289,683 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.

NOTE 3 Taxes Receivable

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

SIOUX COUNTY

Notes to the Financial Statements – Continued

NOTE 4 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 13,525	\$ -	\$ -	\$ -	\$ 13,525
Intangibles	5,270	-	-	-	5,270
Total Capital Assets, Not Being Depreciated	\$ 18,795	\$ -	\$ -	\$ -	\$ 18,795
<i>Capital Assets Being Depreciated</i>					
Buildings	\$ 645,209	\$ -	\$ -	\$ -	\$ 645,209
Machinery and Equipment	1,507,979	-	-	-	1,507,979
Vehicles	287,150	-	-	-	287,150
Infrastructure	6,723,400	-	-	-	6,723,400
Total Capital Assets, Being Depreciated	\$ 9,163,738	\$ -	\$ -	\$ -	\$ 9,163,738
<i>Less Accumulated Depreciation For</i>					
Buildings	\$ 349,723	\$ 12,121	\$ -	\$ -	\$ 361,844
Machinery & Equipment	1,143,171	102,025	-	-	1,245,196
Vehicles	243,507	25,444	-	-	268,951
Infrastructure	397,612	67,234	-	-	464,846
Total Accumulated Depreciation	\$ 2,134,013	\$ 206,824	\$ -	\$ -	\$ 2,340,837
Total Capital Assets Being Depreciated, Net	\$ 7,029,725	\$ (206,824)	\$ -	\$ -	\$ 6,822,901
Total Capital Assets, Net	\$ 7,048,520	\$ (206,824)	\$ -	\$ -	\$ 6,841,696

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

General Government	\$ 6,329
Public Safety	5,566
Highways	194,498
Conservation of Natural Resources	431
Total Depreciation Expense	\$ 206,824

NOTE 5 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2019, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Capital Leases	\$ 138,219	\$ -	\$ 40,358	\$ 97,861	\$ 41,537
Compensated Absences*	35,653	24,121	-	59,774	29,887
Total Long-Term Liabilities	\$ 173,872	\$ 24,121	\$ 40,358	\$ 157,635	\$ 71,424

SIOUX COUNTY

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

PRIMARY GOVERNMENT		
Year Ending December 31	Capital Lease	
	Principal	Interest
2020	\$ 41,537	\$ 4,017
2021	27,564	2,441
2022	28,760	1,246
Total	\$ 97,861	\$ 7,704

NOTE 6 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, 2019, 2018, and 2017 were \$20,000, \$20,400, and \$16,800, respectively.

NOTE 7 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 (NDIRF), 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 NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of three million dollars per occurrence for general liability and automobile and \$1,422,223 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 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 8 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, 2019:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 148,063	\$ -
Special Revenue Fund	-	148,063
Total Transfers	\$ 148,063	\$ 148,063

Transfers are done primarily for the following reasons:

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

SIoux COUNTYNotes to the Financial Statements – Continued

NOTE 9 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, 2018, the most current year audited, is as follows:

Assets and Deferred Outflows	\$ 2,431,491
Liabilities and Deferred Inflows	2,695,342
Net Position	\$ (263,851)
Revenues	\$ 2,774,562
Expenses	3,029,791
Change in Net Position	\$ (255,229)

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

NOTE 10 DEFECIT FUND BALANCES

The following funds had a deficit fund balance at December 31, 2019. The county plans to eliminate this deficit with less spending and or transfers from other funds.

	Deficit Amount
Special Revnue Funds	
Unorganized Road	\$ 32,992
Highway Tax	12,468
Extension Special	36,026
Non Major Funds	
Capital Projects Fund	6,474

SIOUX COUNTY

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ 352,612	\$ 352,612	\$ 357,428	\$ 4,816
Intergovernmental	694,667	694,667	979,952	285,285
Charges for Services	10,525	10,525	11,839	1,314
Interest Income	3,000	3,000	74,761	71,761
Miscellaneous	66,196	66,196	88,271	22,075
Total Revenues	<u>\$ 1,127,000</u>	<u>\$ 1,127,000</u>	<u>\$ 1,512,251</u>	<u>\$ 385,251</u>
EXPENDITURES				
Current				
General Government	\$ 686,184	686,184	\$ 587,432	\$ 98,752
Public Safety	90,521	90,521	93,643	(3,122)
Health and Welfare	3,300	3,300	14,609	(11,309)
Conservation of Natural Resources	66,110	66,110	47,890	18,220
Total Expenditures	<u>\$ 846,115</u>	<u>\$ 846,115</u>	<u>\$ 743,574</u>	<u>\$ 102,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 280,885</u>	<u>\$ 280,885</u>	<u>\$ 768,677</u>	<u>\$ 487,792</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (134,303)	\$ (134,303)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (134,303)</u>	<u>\$ (134,303)</u>
Net Change in Fund Balances	<u>\$ 280,885</u>	<u>\$ 280,885</u>	<u>\$ 634,374</u>	<u>\$ 353,489</u>
Fund Balances - January 1	<u>\$ 3,412,742</u>	<u>\$ 3,412,742</u>	<u>\$ 3,412,742</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 3,693,627</u></u>	<u><u>\$ 3,693,627</u></u>	<u><u>\$ 4,047,116</u></u>	<u><u>\$ 353,489</u></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, 2019

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 153,925	\$ 153,925
Intergovernmental	-	-	1,158,137	1,158,137
Charges for Services	-	-	42,746	42,746
Interest Income	-	-	88	88
Miscellaneous	-	-	30,845	30,845
Total Revenues	\$ -	\$ -	\$ 1,385,741	\$ 1,385,741
EXPENDITURES				
Current				
Public Safety	\$ 55,000	55,000	\$ 32,153	\$ 22,847
Health and Welfare	838,786	838,786	853,816	(15,030)
Highways and Bridges	959,444	959,444	630,912	328,532
Culture and Recreation	15,200	15,200	15,461	(261)
Conservation of Natural Resources	252,475	252,475	90,798	161,677
Debt Service				
Principal	-	-	40,358	(40,358)
Interest	-	-	5,197	(5,197)
Total Expenditures	\$ 2,120,905	\$ 2,120,905	\$ 1,668,695	\$ 452,210
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,120,905)	\$ (2,120,905)	\$ (282,954)	\$ 1,837,951
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 148,063	\$ 148,063
Transfers out	-	-	(13,760)	(13,760)
Total other financing sources (uses)	\$ -	\$ -	\$ 134,303	\$ 134,303
Net Change in Fund Balances	\$ (2,120,905)	\$ (2,120,905)	\$ (148,651)	\$ 1,972,254
Fund Balances - January 1	\$ 378,208	\$ 378,208	\$ 378,208	\$ -
Fund Balances - December 31	\$ (1,742,697)	\$ (1,742,697)	\$ 229,557	\$ 1,972,254

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, 2019

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 and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the County auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.



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 the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Sioux County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated July 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sioux County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sioux County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001, 2019-002, 2019-003, and 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of audit findings* as 2019-004 to be a significant deficiency.

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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings and questioned costs* as 2019-005.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 7, 2021

SIOUX COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2019

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

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

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Sioux County currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Criteria

Management of Sioux County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management chooses not to allocate Sioux County resources for preparation of the financial statements.

Effect

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

Prior Recommendation

Yes.

Recommendation

We recommend Sioux County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

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.

2019-002 – COMPUTERIZED SOFTWARE TRAINING – MATERIAL WEAKNESS

Condition

Sioux County does not fully utilize its general ledger software for accurate reporting of revenues, expenditures, and fund balance. Instead, Sioux County is currently reporting all information on hand ledgers and excel spreadsheets.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the reporting of revenues, expenditures, and fund balance, management is responsible for adequate internal controls surrounding the financial reporting process.

Cause

The managing staff of Sioux County have not been fully trained on the current software to accurately report all revenues, expenditures, and fund balances.

Effect

Sioux County's current method of reporting revenues, expenditures and fund balance increases its risk of loss whether due to fraud or error.

Prior Recommendation

Yes.

Recommendation

We recommend that Sioux County fully utilize its general ledger software to ensure accurate reporting of revenues, expenditures, and fund balances. We further recommend Sioux County staff obtain all training needed to utilize its software for future reporting periods.

Sioux County's Response

Agree, Sioux County will seek out training to better understand the Software.

2019-003 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**Condition**

Sioux County and Sioux County Water Resource District have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the county and district.

Cause

Management has chosen to allocate economic resources to other functions of the County and Water Resource District.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the district's financial condition.

Prior Recommendation

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Sioux County's Response

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the County and Water Resource District.

2019-004 - FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

Sioux County does not currently prepare a fraud risk assessment of the entire entity.

Criteria

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 entities goals in reporting, reliance, and accountability.

Cause

Management of Sioux County did not decide to implement a fraud risk assessment at this time.

Effect

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

Repeat Finding

Yes.

Recommendation

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.

Sioux County's Response

Agree. We will attempt perform a fraud risk assessment in the future.

2019-005 – COUNTY BUDGET- MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE

Condition

Sioux County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02.

Criteria

N.D.C.C. §11-23-02 states, " The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

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

Cause

Sioux County may not have been aware of all the compliance requirements of N.D.C.C. §11-23-02.

Effect

The attributes identified in N.D.C.C. §11-23-02 are key components in the tax levy calculation in any budget year. Thus, Sioux County may have improperly calculated the tax levies.

Repeat Finding

No.

Recommendation

We recommend that Sioux County ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management.

Sioux County's Response

We agree. Sioux County is working on preparing a budget in compliance with N.D.C.C. §11-23-02.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sioux County, North Dakota, for the year ended December 31, 2019 which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated July 7, 2021. 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 7, 2021, 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, 2019. 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 list all misstatements detected as a result of audit procedures that were corrected by management.

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
Governmental Fund Adjustments		
<u>To record client provided receivables</u>		
Intergovernmental Receivable	289,999	-
Interest Receivable	6,466	
Revenue	-	296,465
<u>To record client provided payables</u>		
Expenditures	85,471	-
Salaries Payable		7,162
Accounts Payable	-	78,309
<u>To record taxes received in advance</u>		
Revenue	96,699	-
Taxes Received in Advance	-	96,699
<u>To record cash adjustment for salaries payable</u>		
Cash Adjustment	7,162	-
Salareis Payable	-	7,162

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 July 7, 2021.

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 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.

SIoux COUNTY

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 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 7, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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