



Sioux County
Fort Yates, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

SIOUX COUNTY
Fort Yates, North Dakota

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For the Year Ended December 31, 2016

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SIOUX COUNTY
Fort Yates, North Dakota

COUNTY OFFICIALS

December 31, 2016

Larry Silbernagel
Ken Snider
Glen Bahm

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner

Barbara Hettich
Vernetta Iron Eyes
Frank Landeis
Vernetta Iron Eyes
Chris Redmann

Auditor
Treasurer
Sheriff
Recorder/Clerk of Court
State's Attorney



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SIoux COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, and notes to the required supplementary information* on pages 22-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018 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

Fargo, North Dakota
January 11, 2018

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF NET POSITION
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Fair Board	Water Resource District
ASSETS			
Cash and Investments	\$ 3,326,808	\$ -	\$ 5,697
Intergovernmental Receivable	256,159	-	-
Taxes Receivable	9,292	-	31
Capital Assets (not being depreciated):			
Land	13,525	-	-
Permanent Easement	5,270	-	-
Construction in Progress	900,244	-	-
Capital Assets (being depreciated):			
Buildings	266,527	-	-
Machinery and Equipment	336,267	-	-
Vehicles	94,530	-	-
Infrastructure	5,425,004	-	-
Total Capital Assets	<u>\$ 7,041,367</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 10,633,626</u>	<u>\$ -</u>	<u>\$ 5,728</u>
LIABILITIES			
Accounts Payable	\$ 20,759	\$ -	\$ -
Long-Term Liabilities:			
Due Within One Year:			
Compensated Absences Payable	18,283	-	-
Due After One Year:			
Compensated Absences Payable	18,283	-	-
Total Liabilities	<u>\$ 57,325</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,041,367	\$ -	\$ -
Restricted for:			
General Government	5,216	-	-
Public Safety	29,535	-	-
Highways and Bridges	491,866	-	-
Health and Welfare	167,280	-	-
Culture and Recreation	53,737	-	-
Conservation of Natural Resources	112,119	-	5,728
Emergencies	44,219	-	-
Unrestricted	2,630,962	-	-
Total Net Position	<u>\$ 10,576,301</u>	<u>\$ -</u>	<u>\$ 5,728</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Fair Board	Water Resource District
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	\$ 468,056	\$ 10,394	\$ 4,275	\$ -	\$ (453,387)		
Public Safety	187,620	-	38	-	(187,582)		
Highways and Bridges	489,254	16,136	114,780	1,764,042	1,405,704		
Health and Welfare	813,245	-	675,392	-	(137,853)		
Culture and Recreation	16,301	-	14,727	-	(1,574)		
Conservation of Natural Resources	245,658	-	222,741	-	(22,917)		
Total Primary Government	<u>\$ 2,220,134</u>	<u>\$ 26,530</u>	<u>\$ 1,031,953</u>	<u>\$ 1,764,042</u>	<u>\$ 602,391</u>		
<u>Component Units:</u>							
Fair Board	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Water Resource District	400	-	-	-		-	(400)
Total Component Units	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ (400)</u>
<u>General Revenues:</u>							
Taxes:							
Property taxes; levied for general purposes					\$ 256,498	\$ -	\$ 1,514
Property taxes; levied for special purposes					238,325	-	-
Non restricted grants and contributions					671,434	-	-
Unrestricted investment earnings					3,111	-	-
Miscellaneous revenue					56,737	-	-
Total General Revenues					<u>\$ 1,226,105</u>	<u>\$ -</u>	<u>\$ 1,514</u>
Change in Net Position					<u>\$ 1,828,496</u>	<u>\$ -</u>	<u>\$ 1,114</u>
Net Position - January 1					\$ 8,747,488	\$ 12,517	\$ 4,614
Prior Period Adjustment					317	(12,517)	-
Net Position - January 1, as restated					<u>\$ 8,747,805</u>	<u>\$ -</u>	<u>\$ 4,614</u>
Net Position - December 31					<u>\$ 10,576,301</u>	<u>\$ -</u>	<u>\$ 5,728</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	Unorganized Road	Highway Tax	Social Services	Extension Special	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash and Investments	\$ 2,474,789	\$ 213,093	\$ 190,314	\$ 133,354	\$ -	\$ 315,258	\$ 3,326,808
Intergovernmental Receivable	130,102	10,352	18,091	58,567	21,302	17,745	256,159
Due from Other Funds	30,803	-	-	-	-	-	30,803
Taxes Receivable	4,769	2,033	-	1,495	-	995	9,292
Total Assets	\$ 2,640,463	\$ 225,478	\$ 208,405	\$ 193,416	\$ 21,302	\$ 333,998	\$ 3,623,062
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts Payable	\$ -	\$ 20,759	\$ -	\$ -	\$ -	\$ -	\$ 20,759
Due to Other Funds	-	-	-	-	30,803	-	30,803
Total Liabilities	\$ -	\$ 20,759	\$ -	\$ -	\$ 30,803	\$ -	\$ 51,562
<u>Deferred Inflows of Resources:</u>							
Taxes Receivable	\$ 4,769	\$ 2,033	\$ -	\$ 1,495	\$ -	\$ 995	\$ 9,292
Total Liabilities and Deferred Inflows of Resources	\$ 4,769	\$ 22,792	\$ -	\$ 1,495	\$ 30,803	\$ 995	\$ 60,854
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,620	\$ 5,620
Public Safety	-	-	-	-	-	29,535	29,535
Highways and Bridges	-	202,686	208,405	-	-	88,279	499,370
Health and Welfare	-	-	-	191,921	-	-	191,921
Culture and Recreation	-	-	-	-	-	53,427	53,427
Conservation of Natural Resources	-	-	-	-	-	111,923	111,923
Emergencies	-	-	-	-	-	44,219	44,219
Unassigned:							
General	2,635,694	-	-	-	(9,501)	-	2,626,193
Total Fund Balances	\$ 2,635,694	\$ 202,686	\$ 208,405	\$ 191,921	\$ (9,501)	\$ 333,003	\$ 3,562,208
Total Liabilities and Fund Balances	\$ 2,640,463	\$ 225,478	\$ 208,405	\$ 193,416	\$ 21,302	\$ 333,998	\$ 3,623,062

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

SIOUX COUNTY
Fort Yates, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total *Fund Balances* for Governmental Funds \$ 3,562,208

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

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

Cost of Capital Assets	\$ 8,764,567	
Less Accumulated Depreciation	<u>(1,723,200)</u>	7,041,367

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds.

Property Taxes Receivable	9,292
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balance at December 31, 2016 is:

Compensated Absences	<u>(36,566)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 10,576,301</u></u>
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The notes to the financial statements are an integral part of this statement.

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General	Unorganized Road	Highway Tax	Social Services	Extension Special	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	\$ 256,717	\$ 120,795	\$ -	\$ 80,561	\$ -	\$ 49,817	\$ 507,890
Intergovernmental	639,721	1,686,494	198,413	675,392	149,395	118,014	3,467,429
Charges for Services	9,058	16,136	-	-	-	1,336	26,530
Interest Income	3,111	-	-	-	-	-	3,111
Miscellaneous	35,410	18,544	75	2,681	-	27	56,737
Total Revenues	\$ 944,017	\$ 1,841,969	\$ 198,488	\$ 758,634	\$ 149,395	\$ 169,194	\$ 4,061,697
<u>Expenditures:</u>							
Current:							
General Government	\$ 464,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,603
Public Safety	186,150	-	-	-	-	29,978	216,128
Highways and Bridges	-	1,995,406	223,111	-	-	30,197	2,248,714
Health and Welfare	56,317	-	-	750,449	-	-	806,766
Culture and Recreation	818	-	-	-	-	15,483	16,301
Conserv. of Natural Resources	53,497	-	-	-	168,345	23,386	245,228
Total Expenditures	\$ 761,385	\$ 1,995,406	\$ 223,111	\$ 750,449	\$ 168,345	\$ 99,044	\$ 3,997,740
Excess (Deficiency) of Revenues Over Expenditures	\$ 182,632	\$ (153,437)	\$ (24,623)	\$ 8,185	\$ (18,950)	\$ 70,150	\$ 63,957
<u>Other Financing Sources (Uses):</u>							
Transfers In	\$ 55,305	\$ -	\$ -	\$ 65,008	\$ -	\$ 4,273	\$ 124,586
Transfers Out	(4,273)	-	-	-	-	(120,313)	(124,586)
Total Other Financing Sources and Uses	\$ 51,032	\$ -	\$ -	\$ 65,008	\$ -	\$ (116,040)	\$ -
Net Change in Fund Balances	\$ 233,664	\$ (153,437)	\$ (24,623)	\$ 73,193	\$ (18,950)	\$ (45,890)	\$ 63,957
Fund Balance - January 1	\$ 2,402,030	\$ 356,123	\$ 233,028	\$ 118,728	\$ 9,449	\$ 366,642	\$ 3,486,000
Prior Period Adjustment	-	-	-	-	-	12,251	12,251
Fund Balances - Jan. 1, as restated	\$ 2,402,030	\$ 356,123	\$ 233,028	\$ 118,728	\$ 9,449	\$ 378,893	\$ 3,498,251
Fund Balance - December 31	\$ 2,635,694	\$ 202,686	\$ 208,405	\$ 191,921	\$ (9,501)	\$ 333,003	\$ 3,562,208

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

SIOUX COUNTY
Fort Yates, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ 63,957

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

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

Current Year Capital Outlay	\$ 93,418	
Capital Contribution	1,764,042	
Current Year Depreciation Expense	<u>(192,339)</u>	1,665,121

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 interest payable and compensated absences.

Net Change in Compensated Absences	\$ (4,651)	
Net Change in Retainage Payable	<u>117,136</u>	112,485

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.

(13,067)

Change in Net Position of Governmental Activities \$ 1,828,496

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

SIOUX COUNTY
Fort Yates, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Investments	<u>\$ 256,494</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 256,494</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sioux County, Fort Yates, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Sioux County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Sioux County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Sioux County.

Based on these criteria, there are two discretely presented component units to be included within Sioux County as a reporting entity.

Component Units

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

Discretely Presented Component Units - The component unit columns in the basic financial statements include the financial data of the county's component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

Sioux County Water Resource District - The County's governing board appoints a voting majority of the members of the Sioux County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District.

Sioux County Fair Association - Up through the end of 2015, the County's governing board appointed a voting majority of the members of the Sioux County Fair Association governing board. As of January 1, 2016, due to changes in state tax levy law, the fair board was dissolved and became part of the county general fund levy. For 2016 and thereafter, the fair board levy is part of the general fund and is no longer a discretely presented component unit.

Component Unit Financial Statements - The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Sioux County Auditor Sioux County, PO Box 603, Ft. Yates, ND, 58324.

SIOUX COUNTY

Notes to the Financial Statements - Continued

Related Organizations - The County is accountable for the following legally separate entities because the commissioners appoint a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	2016
Weed	\$20,590
Senior Citizens	10,170

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

Unorganized Road Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

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

Social Services Fund. This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Extension Special Fund. This fund accounts for the financial resources related to the North Dakota State University Extension Service in Sioux County. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

The County reports the following fund type:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash, Cash Equivalents and Investments

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

The investments of the county during the year ended December 31, 2016 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

E. Capital Assets

Primary Government

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SIoux COUNTYNotes to the Financial Statements - Continued

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	10-50
Machinery and Equipment	5-15
Infrastructure	50-100
Vehicles	3-10
Office Equipment	3-5

F. Compensated Absences

Eligible employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Vacation benefits may be accrued to a maximum of three hundred hours. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of three hundred hours. Sick leave benefits are allowed to accumulate to an unlimited number of days. Unused sick leave benefiterers are not paid off at the time of termination of employment or retirement. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. When applicable, bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Balances / Net Position**Fund balance**

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

SIoux COUNTY

Notes to the Financial Statements - Continued

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (Unorganized Road, Highway Tax Distribution and Social Service) are disclosed in more detail in Note 1B in the discussion of major funds.

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Sioux County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2016.

Restricted Fund Balances – consist of the following items at December 31, 2016

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, and emergencies. Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures). Restricted fund balances total \$936,015 at December 31, 2016.

SIOUX COUNTY

Notes to the Financial Statements - Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes social services, unorganized roads, highways & bridges, and amounts reported in other grant funds.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2016 consist of an amount in the general fund totaling \$2,635,694, and negative fund balance amounts totaling (\$9,501).

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 and any related debt (loans payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

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

I. Interfund Transactions

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

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

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

NOTE 2: DEPOSITS

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

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.

SIoux COUNTY

Notes to the Financial Statements - Continued

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

At year ended December 31, 2016 the county's carrying amount of deposits was \$3,589,367 and the bank balances totaled \$3,553,873. Of the bank balances, \$344,301 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, 2016, the Sioux County Water Resource District's deposits totaling \$5,697 are included in Sioux County's balances.

Credit Risk:

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

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

As of December 31, 2016, the county had certificates of deposit totaling \$13,712 all of which were considered deposits.

Concentration of Credit Risk:

The county does not have a limit on the amount it may invest in any one issuer.

NOTE 3: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

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

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

SIoux COUNTY

Notes to the Financial Statements - Continued

NOTE 4: DUE TO / FROM OTHER FUNDS

The due to other funds reported in the other governmental funds represent the amount of negative cash at year-end that was covered by the general fund (\$30,803) in the county agent extension special fund.

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state aid and other state and federal grants.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016 for the primary government:

Primary Government	Beg. Bal. (Restated)	Increases	Decreases	Transfers	Ending Balance
<i>Capital assets not being depreciated:</i>					
Land	\$ 13,525	\$ -	\$ -	\$ -	\$ 13,525
Intangibles	5,270	-	-	-	5,270
Construction in Progress	2,073,622	1,765,997		(2,939,375)	900,244
Total Capital Assets, Not Being Depreciated	\$ 2,092,417	\$ 1,765,997	\$ -	\$ (2,939,375)	\$ 919,039
<i>Capital assets being depreciated:</i>					
Buildings	\$ 592,009	\$ -	\$ -	\$ -	\$ 592,009
Machinery and Equipment	1,225,722	52,500	-	-	1,278,222
Vehicles	248,187	38,963	-	-	287,150
Infrastructure	2,748,773			2,939,375	5,688,148
Total Capital Assets, Being Depreciated	\$ 4,814,691	\$ 91,463	\$ -	\$ 2,939,375	\$ 7,845,529
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 314,425	\$ 11,057	\$ -	\$ -	\$ 325,482
Machinery & Equipment	847,887	94,068	-	-	941,955
Vehicles	162,288	30,332	-	-	192,620
Infrastructure	206,262	56,882	-	-	263,144
Total Accumulated Depreciation	\$ 1,530,862	\$ 192,339	\$ -	\$ -	\$ 1,723,201
Total Capital Assets Being Depreciated, Net	\$ 3,283,829	\$ (100,876)	\$ -	\$ 2,939,375	\$ 6,122,328
Primary Government Capital Assets, Net	\$ 5,376,246	\$ 1,665,121	\$ -	\$ -	\$ 7,041,367

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2016:

Primary Government	2016
General Government	\$ 6,329
Public Safety	10,455
Highways	175,125
Conservation of Natural Resources	430
Total Depreciation Expense - Primary Government	\$ 192,339

NOTE 7: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

SIOUX COUNTY

Notes to the Financial Statements - Continued

NOTE 8: LONG-TERM LIABILITIES**Primary Government:**

Changes in Long-Term Liabilities - During the year ended December 31, 2016; the following changes occurred in governmental activities long-term liabilities for the primary government:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences *	31,915	4,651	-	36,566	18,283

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 9: DEFERRED INFLOWS OF RESOURCES

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

NOTE 10: PENSION PLAN**North Dakota Public Employees' Retirement System**

Sioux County participates in the Deferred Compensation Section 457 plan through Hartford and administered by the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Sioux County. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 3.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

SIoux COUNTY

Notes to the Financial Statements - Continued

The County matches up to \$50 dollars per month for full time employees and \$37.50 for part time employees. Employees are able to contribute more if they deem necessary. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Sioux County's total contributions including any employee additional contributions to NDPERS for the fiscal years ended December 31, 2016, 2015, and 2014 were \$35,700, \$27,075, and \$22,785, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 11: RISK MANAGEMENT

Sioux County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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. Sioux 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 two million dollars per occurrence for general liability and automobile and \$1,427,741 for public assets (mobile equipment and portable property).

Sioux County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Sioux County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Sioux County with blanket fidelity bond coverage in the amount of \$837,000 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 12: DEFICIT CASH FUND BALANCES

At December 31, 2016, the following fund had a deficit cash fund balance.

County Funds	2016
Extension Special	\$ (30,803)

NOTE 13: JOINT VENTURE

Sioux County entered into an agreement with Grant, Mercer, Oliver and Morton 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.

SIOUX COUNTY

Notes to the Financial Statements - Continued

Summary financial information for the year ended December 31, 2016, the most current year audited, is as follows:

Total Assets	\$ 958,880
Total Revenues	\$ 2,789,301
Total Expenditures	2,913,773
Change in Fund Balance	\$ (124,472)

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

NOTE 14: TRANSFERS

The following is the reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

Major Funds:	Transfers In	Transfers Out
General Fund	\$ 55,305	\$ 4,273
Social Services	65,008	-
Non-Major Funds:		
Emergency Poor	-	65,008
Comprehensive Health	-	25,286
Social Security/Retirement	4,273	-
County Fair	-	12,251
Insurance Reserve	-	17,768
Total Transfers	\$ 124,586	\$ 124,586

NOTE 15: PRIOR PERIOD ADJUSTMENTSPrior Period Errors:

Prior period errors were noted in governmental activities related to capital asset errors for vehicles in cost and accumulated depreciation and due to the reclassification of the county fair from a component unit into the general fund.

Net Position Adjustments - Primary Government	Amounts
Net Position as previously reported	\$ 8,747,488
Adjustments to restate the January 1, 2016 net position for various items as outlined below:	
County Fair Fund Balance	12,251
County Fair - taxes receivable	266
Vehicles - cost error	(49,450)
Vehicles - accumulated depreciation error	37,250
Net Position, January 1, 2016 as restated	\$ 8,747,805

Fund Balance Adjustments - Governmental Funds	Amounts
Fund Balance as previously reported	\$ 3,486,000
Adjustments to restate the January 1, 2016 fund balance for fair fund as outlined below:	
County Fair Fund Balance - other govt. funds	12,251
Fund Balance, January 1, 2016 as restated	\$ 3,498,251

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 233,953	\$ 233,953	\$ 256,717	\$ 22,764
Intergovernmental	969,185	969,185	639,721	(329,464)
Charges for Services	10,200	10,200	9,058	(1,142)
Interest Income	2,500	2,500	3,111	611
Miscellaneous	58,298	58,298	35,410	(22,888)
Total Revenues	<u>\$ 1,274,136</u>	<u>\$ 1,274,136</u>	<u>\$ 944,017</u>	<u>\$ (330,119)</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 566,112	\$ 566,112	\$ 464,603	\$ 101,509
Public Safety	165,850	165,850	186,150	(20,300)
Health and Welfare	59,205	59,205	56,317	2,888
Highways and Bridges	-	-	-	-
Conservation of Natural Resources	57,413	57,413	53,497	3,916
Economic Development	60,000	60,000	818	59,182
Total Expenditures	<u>\$ 908,580</u>	<u>\$ 908,580</u>	<u>\$ 761,385</u>	<u>\$ 147,195</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 365,556</u>	<u>\$ 365,556</u>	<u>\$ 182,632</u>	<u>\$ (182,924)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 55,305	\$ 55,305
Transfers out	-	-	(4,273)	(4,273)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,032</u>	<u>\$ 51,032</u>
Net Change in Fund Balances	<u>\$ 365,556</u>	<u>\$ 365,556</u>	<u>\$ 233,664</u>	<u>\$ (131,892)</u>
Fund Balances - January 1	<u>\$ 2,402,030</u>	<u>\$ 2,402,030</u>	<u>\$ 2,402,030</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 2,767,586</u>	<u>\$ 2,767,586</u>	<u>\$ 2,635,694</u>	<u>\$ (131,892)</u>

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
UNORGANIZED ROAD FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 95,500	\$ 95,500	\$ 120,795	\$ 25,295
Intergovernmental	1,845,635	1,845,635	1,686,494	(159,141)
Charges for Services	15,000	15,000	16,136	1,136
Miscellaneous	250	250	18,544	18,294
Total Revenues	\$ 1,956,385	\$ 1,956,385	\$ 1,841,969	\$ (114,416)
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 2,341,700	\$ 2,341,700	\$ 1,995,406	\$ 346,294
Excess (Deficiency) of Revenues Over Expenditures	\$ (385,315)	\$ (385,315)	\$ (153,437)	\$ 231,878
Fund Balances - January 1	\$ 356,123	\$ 356,123	\$ 356,123	\$ -
Fund Balances - December 31	\$ (29,192)	\$ (29,192)	\$ 202,686	\$ 231,878

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 241,644	\$ 241,644	\$ 198,413	\$ (43,231)
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 210,000	\$ 210,000	\$ 223,111	\$ (13,111)
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,644	\$ 31,644	\$ (24,623)	\$ (56,267)
Fund Balances - January 1	\$ 233,028	\$ 233,028	\$ 233,028	\$ -
Fund Balances - December 31	\$ 264,672	\$ 264,672	\$ 208,405	\$ (56,267)

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 48,000	\$ 48,000	\$ 80,561	\$ 32,561
Intergovernmental	800,000	800,000	675,392	(124,608)
Total Revenues	<u>\$ 848,000</u>	<u>\$ 848,000</u>	<u>\$ 758,634</u>	<u>\$ (89,366)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 750,449</u>	<u>\$ 49,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 8,185</u>	<u>\$ (39,815)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,008</u>	<u>\$ 65,008</u>
Net Change in Fund Balances	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 73,193</u>	<u>\$ 25,193</u>
Fund Balances - January 1	<u>\$ 118,728</u>	<u>\$ 118,728</u>	<u>\$ 118,728</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 166,728</u></u>	<u><u>\$ 166,728</u></u>	<u><u>\$ 191,921</u></u>	<u><u>\$ 25,193</u></u>

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

SIOUX COUNTY
Fort Yates, North Dakota

BUDGETARY COMPARISON SCHEDULE
EXTENSION SPECIAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 305,000	\$ 305,000	\$ 149,395	\$ (155,605)
<u>Expenditures:</u>				
Current:				
Conservation of natural resources	\$ 300,000	\$ 300,000	\$ 168,345	\$ 131,655
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,000	\$ 5,000	\$ (18,950)	\$ (23,950)
Fund Balances - January 1	\$ 9,449	\$ 9,449	\$ 9,449	\$ -
Fund Balances - December 31	\$ 14,449	\$ 14,449	\$ (9,501)	\$ (23,950)

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

SIOUX COUNTY
Fort Yates, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2016, Sioux County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Overspent
<u>Major Funds</u>			
Highway Tax	\$ 210,000	\$ 223,111	\$ (13,111)
<u>Non-Major Funds</u>			
County Road	20,000	23,842	(3,842)
911 Wireless	9,000	9,814	(814)
911 Emergency	19,000	20,164	(1,164)

There is a recommendation for overspent funds.

SIOUX COUNTY
Fort Yates, North Dakota
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-16
Major Funds:						
General Funds (1398472.53)	\$ 2,241,930.23	\$ 974,014.83	\$ 55,304.79	\$ 4,272.98	\$ 761,384.93	\$ 2,505,591.94
Special Revenue Funds:						
Unorganized Road	\$ 147,418.77	\$ 2,040,321.46	\$ -	\$ -	\$ 1,974,647.25	\$ 213,092.98
Social Services	(66,433.56)	885,229.28	65,008.07	-	750,449.45	133,354.34
Highway Tax	208,032.72	205,391.49	-	-	223,110.67	190,313.54
County Extension Special	(8,546.33)	146,087.85	-	-	168,344.75	(30,803.23)
Total Major Funds	\$ 2,522,401.83	\$ 4,251,044.91	\$ 120,312.86	\$ 4,272.98	\$ 3,877,937.05	\$ 3,011,549.57
Non-Major Funds:						
Nonmajor Special Revenue Funds:						
Library	\$ 24,574.78	\$ 30,664.09	\$ -	\$ -	\$ 15,483.44	\$ 39,755.43
Library CD's	13,671.77	-	-	-	-	13,671.77
County Road	37,118.67	20,648.79	-	-	23,841.93	33,925.53
Township Road	57,001.27	2,926.45	-	-	6,355.00	53,572.72
County Emergency	44,218.89	-	-	-	-	44,218.89
Emergency Poor	65,008.07	-	-	65,008.07	-	-
Social Security/ Retirement/ Oasis	(4,272.98)	-	4,272.98	-	-	-
Comprehensive Health	25,286.40	-	-	25,286.40	-	-
County Recorder Special	1,059.62	1,335.50	-	-	-	2,395.12
County Fair	12,251.40	-	-	12,251.40	-	-
Weed	52,161.37	66,183.29	-	-	23,385.68	94,958.98
Insurance Reserve	17,766.99	-	-	17,766.99	-	-
911 Emergency Service Fund	23,977.94	16,414.10	-	-	20,164.35	20,227.69
911 Wireless	8,136.07	9,781.35	-	-	9,813.71	8,103.71
Hazardous Chemical	1,165.60	37.50	-	-	-	1,203.10
Capital Improvement	(231.99)	3,456.92	-	-	-	3,224.93
Total Special Revenue Funds	\$ 378,893.87	\$ 151,447.99	\$ 4,272.98	\$ 120,312.86	\$ 99,044.11	\$ 315,257.87
Total Governmental Funds	\$ 2,901,295.70	\$ 4,402,492.90	\$ 124,585.84	\$ 124,585.84	\$ 3,976,981.16	\$ 3,326,807.44
Agency Funds:						
State Revenue	\$ 24.95	\$ 4,003.35	\$ -	\$ -	\$ 4,027.25	\$ 1.05
Custer District Health	1,749.62	18,177.81	-	-	15,200.00	4,727.43
Flex Plan	(1,972.43)	7,833.60	-	-	7,881.86	(2,020.69)
Ambulance	267.49	19,247.63	-	-	14,500.00	5,015.12
Senior Citizens	800.65	11,348.08	-	-	9,800.00	2,348.73
Crime Victims	495.00	715.00	-	-	-	1,210.00
Domestic Violence (202)	-	840.00	-	-	840.00	-
Game and Fish	335.85	886.00	-	-	1,221.85	-
90% Rental	1,055.44	952.58	-	-	-	2,008.02
Cedar Soil District	2,538.25	12,233.98	-	-	10,900.00	3,872.23
Estimated Taxes	164,020.17	152,298.16	-	-	164,020.17	152,298.16
Mobile Home Tax	654.43	2,911.06	-	-	654.43	2,911.06
Solen City	1,582.38	7,438.53	-	-	3,180.00	5,840.91
Selfridge	1,291.62	9,690.98	-	-	5,450.00	5,532.60
Fort Yates	860.46	10,770.60	-	-	5,300.00	6,331.06
FICA Withholding	(28.20)	152,771.80	-	-	152,743.50	0.10
State Withholding	1,864.94	7,875.67	-	-	7,396.97	2,343.64
Federal Withholding	(0.45)	93,059.33	-	-	92,887.73	171.15
Selfridge Build	1,287.52	20,982.01	-	-	19,880.00	2,389.53
Selfridge School	9,000.33	138,536.96	-	-	128,920.00	18,617.29
Fort Yates School	6,685.41	82,427.94	-	-	68,700.00	20,413.35
Solen School	7,501.10	34,915.76	-	-	26,525.00	15,891.86
Menz Township	4,912.55	15,783.31	-	-	18,200.00	2,495.86
Rural Fire Dist # 2	1,882.08	5,984.73	-	-	4,970.00	2,896.81
Sheriff's Fund (5656.67)	346.98	1,757.00	-	-	1,757.00	346.98
Solen/Special	225.00	667.50	-	-	800.00	92.50
Sel/Lagoon/Spec	604.75	1,924.74	-	-	1,770.00	759.49
Total Agency Funds	\$ 207,985.89	\$ 816,034.11	\$ -	\$ -	\$ 767,525.76	\$ 256,494.24
Total Primary Government	\$ 3,109,281.59	\$ 5,218,527.01	\$ 124,585.84	\$ 124,585.84	\$ 4,744,506.92	\$ 3,583,301.68
Component Units:						
Water Board	\$ 4,518.12	\$ 1,578.73	\$ -	\$ -	\$ 400.00	\$ 5,696.85
Total Reporting Entity	\$ 3,113,799.71	\$ 5,220,105.74	\$ 124,585.84	\$ 124,585.84	\$ 4,744,906.92	\$ 3,588,998.53



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Board of County Commissioners
Sioux County
Fort Yates, North Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sioux County, Fort Yates, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Sioux County's basic financial statements, and have issued our report thereon dated January 11, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [2016-001 and 2016-002].

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

Sioux County's Response to Finding

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 11, 2018

SIOUX COUNTY
Fort Yates, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____	X	None noted
Significant deficiencies identified not considered to be material weaknesses?	_____	X	Yes	_____	None noted
Noncompliance material to financial statements noted?	_____	Yes	_____	X	None noted

Section II - Financial Statement Findings

2016-001 – LACK OF SEGREGATION OF DUTIES – COUNTY / COMPONENT UNIT

Condition:

Sioux County and the Sioux County Water Resource District essentially have one person primarily responsible for the accounting functions at each entity. A lack of segregation of duties exists as one employee is responsible to issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and compile payroll.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Sioux County's and the Sioux County Water Resource District's financial condition, whether due to error or fraud.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities each entity faces, it is presently not economically feasible to hire the amount of staff it would need to appropriately segregate duties.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of all entities involved.

SIOUX COUNTY

Schedule of Findings and Questioned Costs - Continued

Recommendation:

Due to the size, complexity, and the economic realities of Sioux County and the Sioux County Water Resource District, it is presently not feasible to obtain proper separation of duties. We recommend segregating the accounting duties as much as possible between the Auditor/Treasurer and that if it becomes feasible in the future; additional employees that are hired should have their duties segregated to the fullest extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

While we concur with the recommendation that the duties aren't segregated to the extent necessary, due to the size of the staff at each entity, there is no way that duties can be properly segregated due to cost benefit considerations. We will segregate duties to the extent we can.

Section II - Financial Statement Findings

2016-002 – COMPUTERIZED ACCOUNTING SOFTWARE & LACK OF TRAINING

Condition:

Sioux County does not use computerized accounting software for general ledger entries, even though the county has general ledger software available for use. The software was purchased in 2011 with the intent to implement it as their general ledger in 2012 or 2013. To date through most of 2017, the software is not yet being fully used, and the county is paying \$14,000 in software support each year while the software is not being correctly utilized.

The general ledger is maintained on a manual ledger, and the year-end reports are generated using the software and excel spreadsheets by inputting information from the manual ledger. However, the software year-end financial reports are incorrect as they have not been set up correctly. A substantial amount of time was spent in reconciling the hand written general ledgers to the client created year end worksheets.

Effect:

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

Cause:

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

Criteria:

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

Additionally, use of county resources to pay software support of \$14,000 per year is an inefficient use of limited county resources.

Recommendation:

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

SIOUX COUNTY

Schedule of Findings and Questioned Costs - Continued

Views of Responsible Officials / Planned Corrective Actions:

Agree with the recommendation – yes. Based on discussion held with the county auditor and treasurer - They agree with the recommendation. They have implemented parts of the software but are untrained in other areas. They have tried to get the software to come and train them in on the software but due to weather issues they have been unable to come. They will try to get them to come again.

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
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