



Financial Statements  
December 31, 2016  
**Slope County**

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Commissioner - Chairman  
Commissioner  
Commissioner

Lorrie Buzalsky  
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Auditor  
Treasurer  
Sheriff  
State's Attorney  
County Recorder  
Acting State's Attorney



## Independent Auditor's Report

Board of County Commissioners  
Slope County  
Amidon, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Slope County, Amidon, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

**Opinion**

In our opinion, the modified cash financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Slope County, Amidon, North Dakota, as of and for the year ended December 31, 2016, and the respective changes in modified cash financial position for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise Slope County, Amidon, North Dakota's financial statements. The county officials listing and schedule of employer's share of net pension liability and employer contributions are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of employer's share of net pension liability and employer contributions and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The county officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2018 on our consideration of Slope County, Amidon, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Slope County's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Bismarck, North Dakota  
March 28, 2018

Slope County  
Statement of Net Position – Modified Cash Basis  
December 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Slope County Water Resource District
Assets		
Cash and investments	\$ 7,406,926	\$ 108,152
Capital assets not being depreciated		
Land	12,601	-
Construction in process	1,861,014	-
Capital assets, net of accumulated depreciation		
Buildings	4,578,290	-
Furniture and office equipment	59,983	-
Infrastructure	6,381,162	-
Vehicles and equipment	1,535,914	-
	<u>\$ 21,835,890</u>	<u>\$ 108,152</u>
Net position		
Net investment in capital assets	\$ 14,428,964	\$ -
Restricted for highways	3,933,591	-
Restricted for public safety	43,664	-
Unrestricted	3,429,671	108,152
	<u>\$ 21,835,890</u>	<u>\$ 108,152</u>
Total net position	<u>\$ 21,835,890</u>	<u>\$ 108,152</u>

Slope County  
Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Slope County Water Resource District
Primary government					
Governmental activities					
General government	\$ 1,237,335	\$ 77,957	\$ -	\$ (1,159,378)	\$ -
Public safety	242,488	18,851	43,664	(179,973)	-
Highways and public improvements	923,976	74,702	3,690,546	2,841,272	-
Health and welfare	154,795	-	-	(154,795)	-
Culture and recreation	40,864	-	-	(40,864)	-
Conservation of natural resources	130,079	-	27,168	(102,911)	-
Total primary government	<u>\$ 2,729,537</u>	<u>\$ 171,510</u>	<u>\$ 3,761,378</u>	<u>1,203,351</u>	<u>-</u>
Component unit					
Water resource district	<u>\$ 4,399</u>	<u>\$ 3,043</u>	<u>\$ -</u>	<u>-</u>	<u>(1,356)</u>
General revenues					
Taxes					
Property taxes				314,064	594
Federal in lieu of tax				50,809	-
Oil and gas production tax				236,971	-
Highway tax				145,068	-
Telecommunications				1,593	-
State aid distribution				194,064	2,900
Royalties				71,990	-
Interest income				67,178	258
Other revenue				87,282	33
Total general revenues				<u>1,169,019</u>	<u>3,785</u>
Loss on disposal of capital assets				(12,371)	
Change in net position				2,359,999	2,429
Net position - January 1				<u>19,475,891</u>	<u>105,723</u>
Net position - December 31				<u>\$ 21,835,890</u>	<u>\$ 108,152</u>



Slope County  
Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2016

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Submarginal Rent	Submarginal Roads	Mineral Royalties		
<b>Assets</b>						
Cash and investments	\$ 1,815,051	\$ 3,919,854	\$ 14,532	\$ 126,880	1,530,609	\$ 7,406,926
Total assets	<u>\$ 1,815,051</u>	<u>\$ 3,919,854</u>	<u>\$ 14,532</u>	<u>\$ 126,880</u>	<u>\$ 1,530,609</u>	<u>\$ 7,406,926</u>
<b>Fund Balances</b>						
<b>Restricted</b>						
Highways	\$ -	\$ 3,919,854	\$ -	\$ -	\$ 13,737	\$ 3,933,591
Public safety	43,664	-	-	-	-	43,664
<b>Committed</b>						
Highways	-	-	14,532	-	-	14,532
<b>Assigned</b>						
General government	14,646	-	-	126,880	84,057	225,583
Highways	4,206	-	-	-	1,393,305	1,397,511
Health and welfare	-	-	-	-	12,087	12,087
Public safety	54,076	-	-	-	5,095	59,171
Culture and recreation	-	-	-	-	12,581	12,581
Conservation of natural resources	-	-	-	-	9,747	9,747
Unassigned	1,698,459	-	-	-	-	1,698,459
Total fund balances	<u>\$ 1,815,051</u>	<u>\$ 3,919,854</u>	<u>\$ 14,532</u>	<u>\$ 126,880</u>	<u>\$ 1,530,609</u>	<u>\$ 7,406,926</u>

Slope County

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis  
December 31, 2016

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Total fund balances for governmental funds	\$ 7,406,926
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	15,590,403
Less accumulated depreciation	<u>(1,161,439)</u>
Net capital assets	<u>14,428,964</u>
Total net position of governmental activities	<u><u>\$ 21,835,890</u></u>

Slope County  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
Year Ended December 31, 2016

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Submarginal Rent	Submarginal Roads	Mineral Royalties		
Revenues						
Taxes	\$ 79,454	\$ -	\$ -	\$ -	\$ 233,935	\$ 313,389
Licenses, permits, fees	61,947	-	-	-	14,340	76,287
Intergovernmental revenues	454,392	2,215,853	1,380,797	-	339,516	4,390,558
Charges for services	20,521	-	-	-	74,702	95,223
Royalties	-	-	-	71,990	-	71,990
Interest income	67,178	-	-	-	-	67,178
Miscellaneous revenues	52,161	-	-	-	35,159	87,320
Total revenues	<u>735,653</u>	<u>2,215,853</u>	<u>1,380,797</u>	<u>71,990</u>	<u>697,652</u>	<u>5,101,945</u>
Expenditures						
Current						
General government	904,802	-	-	120,525	111,576	1,136,903
Public safety	211,977	-	-	-	-	211,977
Highways and public improvements	-	101,901	368,456	-	233,640	703,997
Health and welfare	6,601	-	-	-	148,194	154,795
Culture and recreation	-	-	-	-	36,413	36,413
Conservation of natural resources	36,884	-	-	-	93,195	130,079
Capital Outlay	24,864	-	4,787,920	-	-	4,812,784
Total expenditures	<u>1,185,128</u>	<u>101,901</u>	<u>5,156,376</u>	<u>120,525</u>	<u>623,018</u>	<u>7,186,948</u>
Excess (deficiency) of revenues over expenditures	<u>(449,475)</u>	<u>2,113,952</u>	<u>(3,775,579)</u>	<u>(48,535)</u>	<u>74,634</u>	<u>(2,085,003)</u>
Other Financing Sources (Uses)						
Transfers in	16,040	-	3,786,300	-	466,415	4,268,755
Transfers out	(79,685)	(3,786,300)	-	-	(402,770)	(4,268,755)
Total other financing sources and uses	<u>(63,645)</u>	<u>(3,786,300)</u>	<u>3,786,300</u>	<u>-</u>	<u>63,645</u>	<u>-</u>
Net change in fund balances	<u>(513,120)</u>	<u>(1,672,348)</u>	<u>10,721</u>	<u>(48,535)</u>	<u>138,279</u>	<u>(2,085,003)</u>
Fund balance - January 1	<u>2,328,171</u>	<u>5,592,202</u>	<u>3,811</u>	<u>175,415</u>	<u>1,392,330</u>	<u>9,491,929</u>
Fund balance - December 31	<u>\$ 1,815,051</u>	<u>\$ 3,919,854</u>	<u>\$ 14,532</u>	<u>\$ 126,880</u>	<u>\$ 1,530,609</u>	<u>\$ 7,406,926</u>

Slope County

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to  
the Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2016

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Net change in fund balances - total governmental funds \$ (2,085,003)

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 outlays exceeded depreciation and loss on disposal in the current year

Current year capital outlay  
Current year depreciation expense  
Net capital assets

\$4,812,746  
(355,373)

4,457,373

The net effect of various sale transactions involving assets is to decrease net position. In the Statement of Activities, only the gain or loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increases financial resources.

(12,371)

Change in net position of governmental activities

\$ 2,359,999

Slope County  
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds – Modified Cash Basis  
December 31, 2016

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	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 228,414</u>
Liabilities	
Due to other governments	<u>\$ 228,414</u>

## **Note 1 - Summary of Significant Accounting Policies**

The financial statements of Slope County, Amidon, North Dakota, have been prepared in conformity with the modified cash basis of accounting as applicable to governments. The more significant of the government's accounting policies are described below.

### **Financial Reporting Entity**

The accompanying financial statements present the activities of Slope 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 are 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 Slope 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 Slope County.

Based on these criteria, the Slope County Water Resource District is a component unit of the County because of the significance of its operational or financial relationship with the County.

### **Component Unit**

In conformity with the modified cash basis of accounting, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit – The component unit column in the government-wide financial statements includes the financial data of the County's one component unit, Slope County Water Resource District. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Slope County Water Resource District – The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

### **Government-Wide and Fund Financial Statements**

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. As of December 31, 2016, Slope County did not operate any business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only notes receivable, capital assets, and long-term debt are recorded under the basis of accounting described above on the statement of assets and liabilities. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 governmental, except those required to be accounted for in another fund.

**Submarginal Rent Fund**– This fund accounts for the County’s Bankhead Jones funds. Funds are distributed to the road funds and to schools as determined by the Board.

**Submarginal Roads Fund**– This fund accounts for funds accumulated for the repair and maintenance of rural roads in the County.

**Mineral Royalties Fund** – This fund accounts for money received from the State for mineral royalties.

Additionally, the County reports the following fund type:

Agency Funds – These funds account for assets held 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) changes to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### **Equity Classifications**

#### **Government-wide statements**

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

#### **Fund Balance Classification Policies and Procedures**

The County classifies governmental fund balances as follows:



- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County uses *restricted /committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

### Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposit, with maturity dates in excess of 90 days, stated at fair value.

### 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.

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

Buildings	50 years
Furniture and office equipment	7 years
Vehicles and equipment	5-15 years

### **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.

### **Budgets**

The County commission adopts an “appropriated budget” on the modified cash 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 current budget, except for property taxes, may be amended throughout the year for revenues or appropriations anticipated when the budget was prepared. NDCC 57-15-31.1. Each budget is controlled by the County auditor at the revenue and expenditure function/object level. All appropriations lapse at year-end. When expenditures are in excess of appropriations the County will fund these items through revenues in excess of budget, cash reserves of the fund, or from a cash transfer from other funds.

The County commission holds public hearings regarding disbursements. All tax levies and all taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04. The County commissioners meet on or before October to 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.

**Note 2 - Deposits**

In accordance with North Dakota Statues, 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 institutions 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.

As of the year ended December 31, 2016, the carrying amount of the pooled deposits for all county funds was \$7,421,926 and the carrying amount of the fiduciary funds was \$228,414. The pooled bank balance at December 31, 2016 was \$7,466,853. Of the bank balances at December 31, 2016, \$1,000,000 was covered by Federal Depository Insurance. As of December 31, 2016, the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016, Slope County Water Resource District, a discretely presented component unit of Slope County, had carrying and bank balance amounts of deposits of \$108,152. All deposits were covered by Federal Depository Insurance.

Interest Rate Risk – The County does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. The following shows the investments by type, amount and duration.

As of December 31, 2016, the County held certificates of deposit with the following maturity dates:

	Within 1 Year	1 to 5 Years	Thereafter	Total
Certificates of Deposit	\$ 1,750,000	\$ 3,250,000	\$ -	\$ 5,000,000

Investments of the Slope County Water Resource District, a discretely presented component unit of Slope County, were certificates of deposit totaling \$60,693 at December 31, 2016 that mature in less than one year.

### **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 held certificates of deposit in the amount of \$5,000,000, which are all considered deposits and included in the above amount of total deposits. The Slope County Water Resource District, a discretely presented component unit of Slope County, held certificates of deposit in the amount of \$60,693, which are also considered deposits and included in the above amount of total deposits.

### **Concentration of Credit Risk**

The County does not have a limit on the amount it may invest in any one issuer. The issuers with more than 5% are Dakota Western Bank (\$3,734,091) and Dakota Community Bank (\$3,042,023).

### **Note 3 - Taxes Revenue**

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 and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

**Note 4 - Capital Assets**

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

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 12,601	\$ -	\$ -	\$ 12,601
Construction in process	974,264	1,861,014	(974,264)	1,861,014
	<u>986,865</u>	<u>1,861,014</u>	<u>(974,264)</u>	<u>1,873,615</u>
Capital assets being depreciated				
Buildings	4,780,334	20,525	-	4,800,859
Furniture and office equipment	154,689	-	-	154,689
Infrastructure	2,599,697	3,863,408	-	6,463,105
Vehicles and equipment	2,325,761	42,101	(69,727)	2,298,135
Total capital assets, being depreciated	<u>9,860,481</u>	<u>3,926,034</u>	<u>(69,727)</u>	<u>13,716,788</u>
Less accumulated depreciation for				
Buildings	124,785	97,784	-	222,569
Furniture and office equipment	85,526	9,180	-	94,706
Infrastructure	11,396	70,547	-	81,943
Vehicles and equipment	641,715	177,862	(57,356)	762,221
Total accumulated depreciation	<u>863,422</u>	<u>355,373</u>	<u>(57,356)</u>	<u>1,161,439</u>
Total capital assets being depreciated, net	<u>8,997,059</u>	<u>3,570,661</u>	<u>(12,371)</u>	<u>12,555,349</u>
Governmental activities - capital assets, net	<u>\$ 9,983,924</u>	<u>\$ 5,431,675</u>	<u>\$ (986,635)</u>	<u>\$ 14,428,964</u>

As of December 31, 2016, the County had outstanding commitments of approximately \$107,892 related to construction projects.

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

Governmental Activities	
General government	\$ 100,432
Public safety	30,511
Highways	219,979
Culture and recreation	4,451
Total depreciation expenses - governmental activities	<u>\$ 355,373</u>

**Note 5 - Transfers**

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

<u>Year Ending December 31, 2016 Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 16,040	\$ 79,685
Submarginal Rents	-	3,786,300
Submarginal Roads	3,786,300	-
Other Governmental Funds	466,415	402,770
	<u>\$ 4,268,755</u>	<u>\$ 4,268,755</u>

Transfers were used to move revenues from the funds that are required to collect them to funds that are allowed to expend them.

**Note 6 - Pension Plan**

**North Dakota Public Employees Retirement System (Main System)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2016, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's 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 member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

### Net Pension Liability

At December 31, 2016, the Employer's proportionate share of the net pension liability was \$538,163. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2016, the Employer's proportion was 0.055219 percent. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

### Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases (Payroll Growth)	4.50% per annum for Main System
Investment Rate of Return	8.00%, net of investment expenses, including inflation

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2016. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2016 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.60%
International Equity	21%	7.30%
Private Equity	5%	10.90%
Domestic Fixed Income	17%	1.49%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.24%
Cash Equivalents	1%	0.00%

#### Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

#### Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
County's proportionate share of the NDPERS net pension liability	\$ 763,374	\$ 538,163	\$ 348,411

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

### **Note 7 - Risk Management**

Slope 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. Slope County pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$1,858,686 for inland marine coverage.

Slope County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Slope 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 Slope County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Slope County has workers compensation with the North Dakota Workforce Safety and Insurance. For health insurance, the County pays 100% of a Family Policy for all full-time employees and also pays 100% of a Single Policy for part-time employees who work more than 20 hours a week.

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

### **Note 8 - Loans Receivable**

Slope County has made several no interest loans to townships that are payable as the township is financially able to make payment. The total amount receivable at December 31, 2016 is \$723,392.



Supplementary Information  
December 31, 2016  
**Slope County**

Slope County  
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 Year Ended December 31, 2016

**Schedule of Employer's Share of Net Pension Liability  
 ND Public Employees Retirement System  
 Last 10 Fiscal Years**

Pension Plan	Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2015	0.061231%	\$ 416,360	\$ 545,497	76.33%	77.15%
NDPERS	6/30/2016	0.055219%	\$ 538,163	\$ 556,479	96.71%	70.46%

**Schedule of Employer Contributions  
 ND Public Employees Retirement System  
 Last 10 Fiscal Years**

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (a/d)
NDPERS	12/31/2015	\$ 117,276	117,276	\$ -	\$ 1,647,135	7.12%
NDPERS	12/31/2016	\$ 103,369	103,369	\$ -	\$ 1,451,812	7.12%

**Note 1 - Schedule of Employer Pension Liability and Contributions**

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Slope County will present information for those years for which information is available.

**Note 2 - Changes of Assumptions**

Amounts reported reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



**Independent Auditor's 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  
Slope County  
Amidon, 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 modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Slope County, Amidon, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Slope County's basic financial statements, and have issued our report thereon dated March 28, 2018.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as items 2016-A, 2016-B, 2016-C, 2016-D and 2016-E 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Slope 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-D.

**Slope County's Responses to Findings**

Slope County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Slope County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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.

The image shows a handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
March 28, 2018



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

Board of County Commissioners  
Slope County  
Amidon, North Dakota

### **Report on Compliance for the Major Federal Program**

We have audited Slope County, Amidon, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Slope County's major federal program for the year ended December 31, 2016. Slope County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for Slope County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Slope County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of the major federal program. However, our audit does not provide a legal determination of Slope County's compliance.

### **Opinion on the Major Federal Program**

In our opinion, Slope County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2016.

### **Report on Internal Control over Compliance**

Management of Slope County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Slope County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Slope County's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Bismarck, North Dakota  
March 28, 2018



Slope County  
 Schedule of Expenditures of Federal Awards – Modified Cash Basis  
 Year Ended December 31, 2016

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Direct Program</u>			
School and Roads - Grant to Counties (Bankhead-Jones)	10.666		<u>\$ 2,215,853</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,215,853</u></u>

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Slope County and is presented using the same basis of accounting as disclosed in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Slope County received federal awards directly from federal agencies. No federal financial assistance has been provided to a subrecipient.

**Note B - Significant Accounting Policies**

Federal reimbursements and interest income are recognized when received and federal expenditures are recognized when paid. For certain programs shown on the schedule of expenditures of federal awards federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures.

The County has not elected to use the 10% de minimis cost rate.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued Financial Statement	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	Yes

**Federal Awards**

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA number</u>
School and Roads - Grants to Counties	10.666
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee	No

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**Section II – Financial Statement Findings**

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**2016-A Segregation of Duties  
Material Weakness**

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition - The County has a lack of segregation of duties in certain areas due to a limited staff.

Cause – The County has limited staff to be able to adequately segregate duties.

Effect - Inadequate segregation of duties could adversely affect the County’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the County.

Views of Responsible Officials – At this time, the County has segregated the duties of all accounting functions in the most efficient manner possible given its limited staff. The Board of Slope County Commissioners is involved and is being kept informed of the financial management of the County.

**2016-B Recording of Transactions  
Material Weaknesses**

Criteria - A good system of internal accounting control contemplates proper reconciliations of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition – We identified misstatements in the County’s financial statements causing us to propose material audit adjustments.

Cause – The County has not trained staff in the recording of certain transactions.

Effect – Inadequate internal controls over recording of transactions affects the County’s ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. Also any adjustments needed to get the financial statements on an accrual basis should be made.

Views of Responsible Officials – Since it is not cost-effective for an organization of our size to have staff prepare all adjustments needed for an audit-ready trial balance, we have chosen to hire Eide Bailly, a public accounting firm, to assist us in preparing these transactions.

**2016-C Preparation of Financial Statements**  
**Material Weaknesses**

Criteria– Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition–The County does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause– The County does not have staff trained in modified cash basis reporting standards.

Effect– Inadequate control over financial reporting of the County could result in the more than a remote likelihood that they would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations– While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the County and changes in reporting requirements.

Views of Responsible Officials – Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of the County.

**2016-D Bank Reconciliations and Cash Differences**  
**Material Weakness**

Criteria – A good system of internal accounting control contemplates proper reconcilements of all bank accounts and the appropriate adjustments made to the general ledger.

Condition – It was noted that bank reconciliations were not being completed timely and accurately. It was also noted that cash per the general ledger did not agree to cash confirmed with the County’s financial institutions. It was noted that the bank reconciliation process does not reconcile the cash balances per the general ledger to the bank balances per treasurer’s bookkeeping software.

Cause – The County was not reconciling bank statements accurately, as of month-end, in a timely manner. The County does not reconcile the treasurer’s software to the county auditor’s general ledger. This resulted in the auditor’s adjusting the reconciliations to be accurate and a variance of cash from general ledger to bank reconciliations.

Effect – Inadequate internal controls over bank reconciliations affect the County’s ability to detect misstatements in amounts that could be material in relation to the financial statements. It could also result in inappropriate or fraudulent activity going unnoticed.

Recommendation – We recommend management of the County implement internal controls to reconcile bank statements monthly and ensure they agree to the county auditor’s general ledger in addition to the treasurer’s software. Management should review and approve all monthly bank account reconciliations.

Views of Responsible Officials – Management is currently reviewing and approving the bank reconciliations on a monthly basis and we are working to establish a reconciliation process between the treasurers and auditors offices.

**2016-E Previously Reported Deficiencies**  
**Material Weaknesses**

Criteria– Proper controls over financial reporting include management correcting previously issued comments.

Condition–Eide Bailly LLP has previously reported a deficiency in the reconciliation of the cash accounts. This deficiency was not corrected in the current year.

Cause– The County does not reconcile the cash accounts to what is recorded in the bank account to what is recorded in the general ledger. See current year finding 2016-D.

Effect– Inadequate internal controls over bank reconciliations affect the County’s ability to detect misstatements in amounts that could be material in relation to the financial statements. It could also result in inappropriate or fraudulent activity going unnoticed.

Recommendation – We recommend management of the County implement internal controls to reconcile bank statements monthly and ensure they agree to the county auditor’s general ledger in addition to the treasurer’s software. Management should review and approve all monthly bank account reconciliations.

Views of Responsible Officials – We are working on a better reconciliation between the bank and the general ledger.

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**Section III – Federal Award Findings and Questioned Costs**

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None