

BON HOMME COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2014

BON HOMME COUNTY
COUNTY OFFICIALS
December 31, 2014

Board of Commissioners:
Russell Jelsma – Chairman
John Hauck
Duane Bachmann
John Fathke
Michael Soukup

Auditor:
Tamara Brunken

Treasurer:
Jennifer Knoll

State's Attorney:
Lisa Rothschadl

Register of Deeds:
Sandra Frasier-Shaffer

Sheriff:
Leonard Gramkow

BON HOMME COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Bon Homme County
Tyndall, South 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 of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bon Homme County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

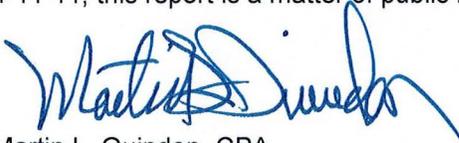
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

February 16, 2016

BON HOMME COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Finding:

Finding No. 2012-01:

The unassigned fund balance of the General Fund exceeded the maximum allowed by South Dakota Codified Law (SDCL) 7-21-18.1 by approximately \$465,000 as of December 31, 2012. This issue has not been corrected and has been restated as Finding No. 2014-001.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Finding:

Compliance and Other Matters:

Surplus Unassigned Fund Balance

Finding No. 2014-001:

The unassigned fund balance of the General Fund exceeded the maximum amount allowed by South Dakota Codified Law (SDCL) 7-21-18.1 by approximately \$286,000 as of December 31, 2014. This is the second consecutive audit to contain this finding.

Analysis:

SDCL 7-21-18.1 states: "The total unreserved, undesignated fund balance of the general fund may not exceed forty percent of the total amount of all general fund appropriations contained in the budget for the next fiscal year...."

Governmental Accounting Standards Board (GASB) Statement 54, paragraph 17 states: "Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund."

GASB 54 changed the manner in which fund balance is to be reported by changing unreserved, undesignated fund balance to unassigned fund balance. So while SDCL 7-21-18.1 refers to unreserved, undesignated fund balance and GASB 54 refers to unassigned fund balance these terms are synonymous.

Our analysis of the County General Fund indicated an excessive unassigned fund balance existed at December 31, 2014 as follows:

Total Unassigned Fund Balance at December 31, 2014	\$ 1,534,652.54
Less:	
2015 General Fund Appropriations	3,120,248.00
Percentage of Allowable Retainage	<u>40%</u>
Allowable Fund Balance Retainage	<u>(1,248,099.20)</u>
Unassigned Surplus Fund Balance at December 31, 2014 in Excess of the Amount Allowed by SDCL 7-21-18.1	<u>\$ 286,553.34</u>

RECOMMENDATION:

We recommend the unassigned fund balance of the General Fund be limited to 40 percent of the next year's General Fund appropriations as required by SDCL 7-21-18.1.

Management's Response:

Management chose not to respond to this finding.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Bon Homme County
Tyndall, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bon Homme County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, 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

The County's 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.c.; 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 responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 County'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 County'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 on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Bon Homme County as of December 31, 2014, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

February 16, 2016

BON HOMME COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2014

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 2,547,089.09
Investments	140,943.57
	2,688,032.66
TOTAL ASSETS	\$ 2,688,032.66
NET POSITION:	
Restricted For: (See Note 4)	
Restricted Zoning Fee Purposes	\$ 30,000.00
911 Service Purposes	260,845.73
Other Purposes	23,975.13
Unrestricted	2,373,211.80
	2,688,032.66
TOTAL NET POSITION	\$ 2,688,032.66

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

BON HOMME COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 949,653.75	\$ 154,090.75	\$ 9,054.81	\$ (786,508.19)
Public Safety	645,387.40	25,021.72	62,617.53	(557,748.15)
Public Works	2,988,421.63	7,288.00	1,268,394.09	(1,712,739.54)
Health and Welfare	168,915.17	12,198.27		(156,716.90)
Culture and Recreation	64,597.42	1,800.00		(62,797.42)
Conservation of Natural Resources	97,181.28			(97,181.28)
Urban and Economic Development	46,220.48			(46,220.48)
Total Primary Government	\$ 4,960,377.13	\$ 200,398.74	\$ 1,340,066.43	(3,419,911.96)
General Revenues:				
Taxes:				
Property Taxes				2,968,420.98
Wheel Tax				84,060.74
State Shared Revenues				47,291.43
Grants and Contributions not Restricted to Specific Programs				28,460.00
Unrestricted Investment Earnings				4,872.71
Miscellaneous Revenue				117,120.43
Total General Revenues				3,250,226.29
Change in Net Position				(169,685.67)
Net Position - Beginning				2,857,718.33
NET POSITION - ENDING				\$ 2,688,032.66

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

BON HOMME COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,183,143.09	\$ 122,672.29	\$ 8,861.82	\$ (1,051,608.98)
Public Safety	614,990.77	31,191.53	63,350.87	(520,448.37)
Public Works	2,183,799.19	5,181.00	1,154,342.70	(1,024,275.49)
Health and Welfare	121,301.53	14,197.81		(107,103.72)
Culture and Recreation	56,830.52	1,970.60		(54,859.92)
Conservation of Natural Resources	92,759.16			(92,759.16)
Urban and Economic Development	43,600.14			(43,600.14)
Total Primary Government	\$ 4,296,424.40	\$ 175,213.23	\$ 1,226,555.39	(2,894,655.78)
General Revenues:				
Taxes:				
Property Taxes				2,897,602.71
Wheel Tax				84,575.06
State Shared Revenues				59,634.26
Grants and Contributions not Restricted to Specific Programs				26,589.00
Unrestricted Investment Earnings				5,365.47
Miscellaneous Revenue				241,593.10
Total General Revenues				3,315,359.60
Change in Net Position				420,703.82
Net Position - Beginning				2,437,014.51
NET POSITION - ENDING				\$ 2,857,718.33

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

**BON HOMME COUNTY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,994,900.97	\$ 261,043.48	\$ 291,144.64	\$ 2,547,089.09
Investments	140,943.57			140,943.57
TOTAL ASSETS	<u><u>\$ 2,135,844.54</u></u>	<u><u>\$ 261,043.48</u></u>	<u><u>\$ 291,144.64</u></u>	<u><u>\$ 2,688,032.66</u></u>
FUND BALANCES: (See Note 1.j.)				
Restricted	\$ 30,000.00	\$	\$ 284,820.86	\$ 314,820.86
Assigned	571,192.00	261,043.48	6,323.78	838,559.26
Unassigned	1,534,652.54			1,534,652.54
TOTAL FUND BALANCES	<u><u>\$ 2,135,844.54</u></u>	<u><u>\$ 261,043.48</u></u>	<u><u>\$ 291,144.64</u></u>	<u><u>\$ 2,688,032.66</u></u>

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

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BON HOMME COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 2,417,908.63	\$ 536,940.17	\$	\$ 2,954,848.80
General Property Taxes--Delinquent	3,665.73	199.93		3,865.66
Penalties and Interest	6,681.06	1,030.64		7,711.70
Telephone Tax (Outside)	48.00			48.00
Wheel Tax		84,060.74		84,060.74
Licenses and Permits	50,642.85	90.00	990.00	51,722.85
Intergovernmental Revenue:				
Federal Grants	14,068.60		40,873.85	54,942.45
Federal Shared Revenue	1,508.65	396.15		1,904.80
Federal Payments in Lieu of Taxes	28,460.00			28,460.00
State Grants	5,239.00	138,495.35		143,734.35
State Shared Revenue:				
Bank Franchise	7,809.00			7,809.00
Motor Vehicle Licenses		856,016.04		856,016.04
State Highway Fund (former 10% game)		6,105.10		6,105.10
Prorate License Fees		79,190.76		79,190.76
Abused and Neglected Child Defense	6,905.64			6,905.64
63 3/4% Mobile Home		8,051.19		8,051.19
Secondary Road Motor Vehicle Remittances		120,354.20		120,354.20
Telecommunications Gross Receipts Tax	38,327.48			38,327.48
Motor Vehicle 1/4%	2,149.17			2,149.17
911 Remittances			62,617.53	62,617.53
Other Payments in Lieu of Taxes	1,154.95			1,154.95
Other Intergovernmental Revenue	42.02			42.02
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	9,579.00			9,579.00
Register of Deeds' Fees	55,446.25		8,213.86	63,660.11
Legal Services	8,431.13			8,431.13
Clerk of Court Fees	12,873.22		650.00	13,523.22

Other Fees	1,707.96			1,707.96
Public Safety:				
Law Enforcement	16,042.32			16,042.32
Prisoner Care	3,705.00	3,599.00		7,304.00
Public Works:				
Other	7,288.00			7,288.00
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,109.05			4,109.05
Veterans Service Officer	2,812.50			2,812.50
Health Assistance:				
County Nurse	1,397.18			1,397.18
Women, Infants and Children	6,143.54			6,143.54
Social Services	548.50			548.50
Culture and Recreation	1,800.00			1,800.00
Other Charges	2,653.98			2,653.98
Fines and Forfeits:				
Fines	775.40			775.40
Forfeits	900.00			900.00
Miscellaneous Revenue:				
Investment Earnings	3,841.55	572.23	458.93	4,872.71
Contributions and Donations	5,517.33			5,517.33
Other	1,999.65	396.73		2,396.38
Total Revenues	<u>2,732,182.34</u>	<u>1,831,899.23</u>	<u>117,403.17</u>	<u>4,681,484.74</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners	74,804.13			74,804.13
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Elections	20,147.67			20,147.67
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Judicial System	62,172.53			62,172.53
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Financial Administration:

Auditor	112,857.36			112,857.36
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Treasurer	115,801.05			115,801.05
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Legal Services:

State's Attorney	88,575.18			88,575.18
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Other Administration:

General Government Building	130,942.94			130,942.94
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Director of Equalization	207,576.61			207,576.61
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Register of Deeds	93,038.14	8,981.73		102,019.87
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Veterans Service Officer	30,575.38			30,575.38
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Predatory Animal	4,181.03			4,181.03
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BON HOMME COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(Continued)

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Public Safety:				
Law Enforcement:				
Sheriff	245,248.29			245,248.29
County Jail	250,680.64		1,496.90	252,177.54
Coroner	688.80			688.80
Juvenile Detention	9,247.12			9,247.12
Protective and Emergency Services:				
Emergency and Disaster Services			89,484.60	89,484.60
Communication Center			48,541.05	48,541.05
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		2,982,022.56		2,982,022.56
Sanitation:				
Solid Waste	6,399.07			6,399.07
Health and Welfare:				
Economic Assistance:				
Support of Poor	48,751.59			48,751.59
Public Welfare	531.50			531.50
Health Assistance:				
County Nurse	40,610.32			40,610.32
Ambulance	10,000.00			10,000.00
Women, Infants and Children	10,605.45			10,605.45
Social Services:				
Care of Aged	7,485.33			7,485.33
Domestic Abuse	600.00		1,400.00	2,000.00
Other	7,500.00			7,500.00
Mental Health Services:				
Mentally Ill	18,760.38			18,760.38
Mental Health Centers	5,325.00			5,325.00
Mental Illness Board	9,845.60			9,845.60
Other	7,500.00			7,500.00

Culture and Recreation:				
Culture:				
Historical Sites	3,374.92			3,374.92
Memorial Day Expense	100.00			100.00
Recreation:				
County Fair	61,122.50			61,122.50
Conservation of Natural Resources:				
Soil Conservation:				
Soil Conservation Districts	39,451.36			39,451.36
Weed and Pest Control	57,729.92			57,729.92
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	46,220.48			46,220.48
Total Expenditures	<u>1,828,450.29</u>	<u>2,982,022.56</u>	<u>149,904.28</u>	<u>4,960,377.13</u>
Excess of Revenues Over (Under) Expenditures	<u>903,732.05</u>	<u>(1,150,123.33)</u>	<u>(32,501.11)</u>	<u>(278,892.39)</u>
Other Financing Sources (Uses):				
Transfers In		1,000,000.00	40,000.00	1,040,000.00
Transfers Out	(1,040,000.00)			(1,040,000.00)
Insurance Proceeds	73,649.63	6,090.09		79,739.72
Sale of County Property		29,467.00		29,467.00
Total Other Financing Sources (Uses)	<u>(966,350.37)</u>	<u>1,035,557.09</u>	<u>40,000.00</u>	<u>109,206.72</u>
Net Change in Fund Balance	(62,618.32)	(114,566.24)	7,498.89	(169,685.67)
Fund Balance - Beginning	<u>2,198,462.86</u>	<u>375,609.72</u>	<u>283,645.75</u>	<u>2,857,718.33</u>
FUND BALANCE - ENDING	<u>\$ 2,135,844.54</u>	<u>\$ 261,043.48</u>	<u>\$ 291,144.64</u>	<u>\$ 2,688,032.66</u>

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

BON HOMME COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 2,341,468.52	\$ 523,569.88	\$	\$ 2,865,038.40
General Property Taxes--Delinquent	18,204.58	1,637.64		19,842.22
Penalties and Interest	8,512.05	1,425.07		9,937.12
Telephone Tax (Outside)	0.74			0.74
Wheel Tax		84,575.06		84,575.06
Tax Deed Revenue	1,822.28			1,822.28
Licenses and Permits	21,849.00	100.00	1,050.00	22,999.00
Intergovernmental Revenue:				
Federal Grants	12,363.02		51,264.01	63,627.03
Federal Shared Revenue	758.73	203.22		961.95
Federal Payments in Lieu of Taxes	26,589.00			26,589.00
State Grants	6,300.00	138,384.63		144,684.63
State Shared Revenue:				
Bank Franchise	14,898.30			14,898.30
Motor Vehicle Licenses		738,904.33		738,904.33
State Highway Fund (former 10% game)		6,105.10		6,105.10
Prorate License Fees		92,765.67		92,765.67
Abused and Neglected Child Defense	6,928.67			6,928.67
Secondary Road Motor Vehicle Remittances		108,255.94		108,255.94
Telecommunications Gross Receipts Tax	44,091.95			44,091.95
Motor Vehicle 1/4%	1,933.15			1,933.15
911 Remittances			63,350.87	63,350.87
Other Payments in Lieu of Taxes	644.01			644.01
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	10,295.10			10,295.10
Register of Deeds' Fees	52,752.55		9,120.42	61,872.97
Legal Services	10,492.42			10,492.42
Clerk of Court Fees	10,826.76		350.00	11,176.76
Other Fees	1,865.47			1,865.47

Public Safety:				
Law Enforcement	15,021.53			15,021.53
Prisoner Care	12,335.00		3,199.00	15,534.00
Public Works:				
Other	5,181.00			5,181.00
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,877.27			4,877.27
Health Assistance:				
County Nurse	823.11			823.11
Women, Infants and Children	6,171.64			6,171.64
Social Services	551.23			551.23
Mental Health Services	1,774.56			1,774.56
Culture and Recreation	1,970.60			1,970.60
Other Charges	3,970.57			3,970.57
Fines and Forfeits:				
Fines	436.00			436.00
Forfeits	200.00			200.00
Miscellaneous Revenue:				
Investment Earnings	3,899.76	974.48	491.23	5,365.47
Contributions and Donations	4,208.40	99.35		4,307.75
Other	543.30	268.31		811.61
Total Revenues	<u>2,654,560.27</u>	<u>1,697,268.68</u>	<u>128,825.53</u>	<u>4,480,654.48</u>

Expenditures:

General Government:

 Legislative:

 Board of County Commissioners 92,785.61 92,785.61

 Elections 2,472.48 2,472.48

 Judicial System 245,242.51 245,242.51

 Financial Administration:

 Auditor 141,820.44 141,820.44

 Treasurer 128,604.45 128,604.45

 Legal Services:

 State's Attorney 104,073.12 104,073.12

 Other Administration:

 General Government Building 96,715.07 96,715.07

 Director of Equalization 222,427.47 222,427.47

 Register of Deeds 118,714.76 118,714.76

 Veterans Service Officer 26,106.15 26,106.15

 Predatory Animal 4,181.03 4,181.03

BON HOMME COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Public Safety:				
Law Enforcement:				
Sheriff	237,044.46			237,044.46
County Jail	246,916.99		979.99	247,896.98
Coroner	983.82			983.82
Juvenile Detention	12,132.12			12,132.12
Protective and Emergency Services:				
Emergency and Disaster Services			77,014.34	77,014.34
Communication Center			39,919.05	39,919.05
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		2,180,452.66		2,180,452.66
Sanitation:				
Solid Waste	3,346.53			3,346.53
Health and Welfare:				
Economic Assistance:				
Support of Poor	7,458.50			7,458.50
Public Welfare	551.02			551.02
Health Assistance:				
County Nurse	38,494.52			38,494.52
Ambulance	10,000.00			10,000.00
Women, Infants and Children	8,851.98			8,851.98
Social Services:				
Care of Aged	6,508.50			6,508.50
Domestic Abuse	500.00		1,200.00	1,700.00
Other	7,500.00			7,500.00
Mental Health Services:				
Mentally Ill	21,841.16			21,841.16
Mental Health Centers	5,170.00			5,170.00
Mental Illness Board	5,725.85			5,725.85
Other	7,500.00			7,500.00

Culture and Recreation:				
Culture:				
Historical Sites	2,126.01			2,126.01
Memorial Day Expense	100.00			100.00
Recreation:				
County Fair	54,604.51			54,604.51
Conservation of Natural Resources:				
Soil Conservation:				
Soil Conservation Districts	37,984.47			37,984.47
Weed and Pest Control	54,774.69			54,774.69
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	43,600.14			43,600.14
Total Expenditures	<u>1,996,858.36</u>	<u>2,180,452.66</u>	<u>119,113.38</u>	<u>4,296,424.40</u>
Excess of Revenues Over (Under) Expenditures	<u>657,701.91</u>	<u>(483,183.98)</u>	<u>9,712.15</u>	<u>184,230.08</u>
Other Financing Sources (Uses):				
Transfers In		600,000.00	20,000.00	620,000.00
Transfers Out	(620,000.00)			(620,000.00)
Insurance Proceeds	196,999.98	4,650.00		201,649.98
Sale of County Property	6,439.00	28,384.76		34,823.76
Total Other Financing Sources (Uses)	<u>(416,561.02)</u>	<u>633,034.76</u>	<u>20,000.00</u>	<u>236,473.74</u>
Net Change in Fund Balance	241,140.89	149,850.78	29,712.15	420,703.82
Fund Balance - Beginning	<u>1,957,321.97</u>	<u>225,758.94</u>	<u>253,933.60</u>	<u>2,437,014.51</u>
FUND BALANCE - ENDING	<u>\$ 2,198,462.86</u>	<u>\$ 375,609.72</u>	<u>\$ 283,645.75</u>	<u>\$ 2,857,718.33</u>

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

BON HOMME COUNTY
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 173,671.17
TOTAL ASSETS	<u>\$ 173,671.17</u>
NET POSITION:	
Net Position Held in Agency Capacity	\$ 173,671.17
TOTAL NET POSITION	<u>\$ 173,671.17</u>

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

BON HOMME COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of Bon Homme County (County), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The County participates in a cooperative unit, the Southern Missouri Recycling and Waste Management District. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining special revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Courthouse Building, 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The County's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the County and the related depreciation are not reported on the financial statements of the County.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases, and Compensated Absences.

The County did not have any long-term liabilities as of December 31, 2014 or during the biennial period then ended.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. 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.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

i. Application of Net Position:

It is the County's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, 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 the County Commissioners.
- 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.

The Government *does not* have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund

Road and Bridge Fund

Revenue Source

Property Taxes and Motor Vehicle Licenses

A schedule of fund balances is provided as follows:

**BON HOMME COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted For:				
Restricted Zoning Fee Purposes	\$ 30,000.00	\$	\$	\$ 30,000.00
911 Service Purposes			260,845.73	260,845.73
Domestic Abuse Purposes			851.20	851.20
24/7 Sobriety Purposes			13,280.38	13,280.38
Modernization and Preservation Relief Purposes			9,843.55	9,843.55
Assigned To:				
Applied to Next Year's Budget	571,192.00			571,192.00
Road and Bridge Purposes		261,043.48		261,043.48
Emergency Management Purposes			5,345.47	5,345.47
Courthouse Building Purposes			978.31	978.31
Unassigned	<u>1,534,652.54</u>			<u>1,534,652.54</u>
Total Fund Balances	<u><u>\$ 2,135,844.54</u></u>	<u><u>\$ 261,043.48</u></u>	<u><u>\$ 291,144.64</u></u>	<u><u>\$ 2,688,032.66</u></u>

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The County’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014 the County’s deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County’s policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the County.

4. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2014 was as follows:

Major Purposes:

Restricted Zoning Fee Purposes	\$ 30,000.00
911 Service Purposes	<u>260,845.73</u>

Other Purposes:

Domestic Abuse Purposes	851.20
24/7 Sobriety Purposes	13,280.38
Modernization and Preservation Relief Purposes	<u>9,843.55</u>

Total Other Purposes	<u>23,975.13</u>
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Total Restricted Net Position **\$ 314,820.86**

These balances are restricted due to federal grant, statutory requirements, and contractual agreements.

5. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 1,000,000.00	\$ 40,000.00	\$ 1,040,000.00

Interfund transfers for the year ended December 31, 2013 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 600,000.00	\$ 20,000.00	\$ 620,000.00

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County.

6. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to

provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$83,036.19, \$75,042.76, and \$74,050.62, respectively, equal to the required contributions each year.

7. JOINT VENTURES

The County participates in a joint venture, known as the Southern Missouri Recycling and Waste Management District, formed for the purpose of providing Waste Management services.

The members of the joint venture are as follows:

Armour City	Tyndall City
Avon City	Wagner City
Corsica City	City of Bonesteel
Dante City	City of Burke
Delmont City	Town of Dallas
Geddes City	City of Fairfax
Lake Andes City	City of Gregory
Pickstown City	Town of Herrick
Platte City	Bon Homme County
Ravinia City	Charles Mix County
Scotland City	Douglas County
Springfield City	Gregory County
Tabor City	

The joint venture's governing board is composed of 25 representatives, who are persons named to the governing board by the individual member's governing board. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The County retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Southern Missouri Recycling and Waste Management District.

At December 31, 2013, this joint venture had total assets of \$3,106,438.74, total liabilities of \$1,321,024.32, and total Net Position of \$1,785,414.42.

At December 31, 2014, financial information for this joint venture was not available.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2014, the County was not involved in any litigation.

9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the County managed its risks as follows:

Employee Health Insurance:

The County purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

- Governmental General Liability,
- Governmental Officials Liability,
- Governmental Automobile Liability,
- Automobile Physical Damage,
- Law Enforcement Liability,
- Property Coverage, and
- Boiler and Machinery

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2014, the County has vested balance in the cumulative reserve fund of \$78,777.36.

The County carries various deductibles for the above coverages.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The County provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.