

**HAAKON COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2013**

HAAKON COUNTY  
COUNTY OFFICIALS  
December 31, 2013

Board of Commissioners:  
Stephen Clements-Chairman  
Edward Briggs  
Nicholas Konst  
Gary Snook  
Thomas Radway

Auditor:  
Patricia Freeman

Treasurer:  
Patti Rhodes

State's Attorney:  
Gay Tollefson

Register of Deeds:  
Traci Radway

Sheriff:  
Fred Koester



HAAKON 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  
Haakon County  
Philip, 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 Haakon County, South Dakota (County), as of December 31, 2013 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 April 7, 2015.

### 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.

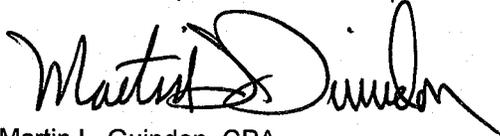
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

April 7, 2015

HAAKON COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

The prior audit report contained no written audit findings.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

There are no written current audit findings to report.



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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Haakon County  
Phillip, 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 Haakon County, South Dakota (County), as of December 31, 2013 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 Haakon County as of December 31, 2013, and the respective changes in financial position 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.

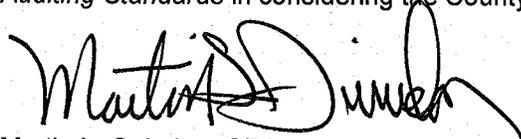
### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2015 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

April 7, 2015

**HAAKON COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2013**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,091,664.06
Investments	297,578.34
<b>TOTAL ASSETS</b>	<b>\$ 1,389,242.40</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 5)	
Road and Bridge Purposes	\$ 269,461.27
Library Building Purposes	62,578.34
Other Purposes	6,639.95
Unrestricted	1,050,562.84
<b>TOTAL NET POSITION</b>	<b>\$ 1,389,242.40</b>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 568,492.50	\$ 52,611.65	\$ 1,515.18	\$ (514,365.67)
Public Safety	216,967.80	385.46	38,442.18	(178,140.16)
Public Works	1,594,771.22		825,268.13	(769,503.09)
Health and Welfare	52,830.61	3,312.56		(49,518.05)
Culture and Recreation	32,942.78			(32,942.78)
Conservation of Natural Resources	39,205.03		5,200.00	(34,005.03)
*Interest on Long-Term Debt	3,584.22			(3,584.22)
<b>Total Primary Government</b>	<b>\$ 2,508,794.16</b>	<b>\$ 56,309.67</b>	<b>\$ 870,425.49</b>	<b>(1,582,059.00)</b>
<b>General Revenues:</b>				
Taxes:				
				1,208,494.11
				61,423.00
				58,529.03
				9,134.00
				7,549.41
				456,279.40
				<u>1,801,408.95</u>
				219,349.95
				<u>1,169,892.45</u>
				<u>\$ 1,389,242.40</u>

\* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**HAAKON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 573,822.60	\$ 66,674.46	\$ 1,853.21	\$ (505,294.93)
Public Safety	219,850.49	3,300.78	8,712.95	(207,836.76)
Public Works	909,009.17		813,630.65	(95,378.52)
Health and Welfare	72,674.84	2,697.61		(69,977.23)
Culture and Recreation	29,590.34			(29,590.34)
Conservation of Natural Resources	39,532.04			(39,532.04)
*Interest on Long-Term Debt	41,987.28			(41,987.28)
<b>Total Primary Government</b>	<b>\$ 1,886,466.76</b>	<b>\$ 72,672.85</b>	<b>\$ 824,196.81</b>	<b>(989,597.10)</b>
<b>General Revenues:</b>				
Taxes:				
	Property Taxes			1,153,748.51
	Wheel Tax			61,305.15
	911 Telephone Surcharge			12,477.78
	State Shared Revenues			42,939.19
	Grants and Contributions not Restricted to Specific Programs			9,360.00
	Unrestricted Investment Earnings			8,454.68
	Miscellaneous Revenue			9,617.79
	<b>Total General Revenues</b>			<b>1,297,903.10</b>
	Change in Net Position			308,306.00
	Net Position - Beginning			861,586.45
	<b>NET POSITION - ENDING</b>			<b>\$ 1,169,892.45</b>

\* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**HAAKON COUNTY  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 527,808.93	\$ 516,748.37	\$ 47,106.76	\$ 1,091,664.06
Investments	235,000.00		62,578.34	297,578.34
<b>TOTAL ASSETS</b>	<u>\$ 762,808.93</u>	<u>\$ 516,748.37</u>	<u>\$ 109,685.10</u>	<u>\$ 1,389,242.40</u>
<b>FUND BALANCES:</b> (See Note 1.j.)				
Restricted	\$	\$ 269,461.27	\$ 69,218.29	\$ 338,679.56
Assigned	258,836.00	247,287.10	44,574.31	550,697.41
Unassigned	503,972.93		(4,107.50)	499,865.43
<b>TOTAL FUND BALANCES</b>	<u>\$ 762,808.93</u>	<u>\$ 516,748.37</u>	<u>\$ 109,685.10</u>	<u>\$ 1,389,242.40</u>

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

**HAAKON 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
<b>Revenues:</b>				
Taxes:				
General Property Taxes—Current	\$ 1,150,541.46	\$ 39,569.67	\$ 12,135.13	\$ 1,202,246.26
General Property Taxes—Delinquent	3,085.74	104.80	33.39	3,223.93
Penalties and Interest	2,912.30	85.78	25.84	3,023.92
Wheel Tax		61,423.00		61,423.00
Licenses and Permits	1,101.00		370.00	1,471.00
Intergovernmental Revenue:				
Federal Grants			12,673.38	12,673.38
Federal Payments in Lieu of Taxes	9,134.00			9,134.00
State Grants		197,634.57	5,200.00	202,834.57
State Shared Revenue:				
Bank Franchise	46,346.98			46,346.98
Motor Vehicle Licenses		493,287.03		493,287.03
Liquor Tax Reversion	101.99			101.99
State Highway Fund (former 10% game)		5,167.40		5,167.40
Court Appointed Attorney/Public Defender	663.33			663.33
Prorate/Port of Entry Fees		32,244.42		32,244.42
63 3/4% Mobile Home		10,747.50		10,747.50
Secondary Road Motor Vehicle Remittances		86,187.21		86,187.21
Telecommunications Gross Receipts Tax	12,080.06			12,080.06
Motor Vehicle 1/4%	851.85			851.85
911 Remittances			25,768.80	25,768.80
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,840.50			2,840.50
Register of Deeds' Fees	35,325.00		2,007.00	37,332.00
Legal Services	2,950.15			2,950.15
Clerk of Courts Fees	2,018.00			2,018.00
Public Safety:				
Law Enforcement	385.46			385.46
Health and Welfare:				
Health Assistance:				
Women Infants and Children	3,312.56			3,312.56

<b>Miscellaneous Revenue:</b>			
Investment Earnings	7,175.34	374.07	7,549.41
Rent	6,000.00		6,000.00
Refund of Prior Year's Expenditures	7,779.40		7,779.40
Other		18,000.00	18,000.00
<b>Total Revenues</b>	<b>1,294,605.12</b>	<b>58,587.61</b>	<b>2,297,644.11</b>

**Expenditures:**

<b>General Government:</b>			
<b>Legislative:</b>			
Board of County Commissioners	69,243.52		69,243.52
Elections	2,932.77		2,932.77
Judicial System	3,476.26		3,476.26
<b>Financial Administration:</b>			
Auditor	87,112.75		87,112.75
Treasurer	82,102.19		82,102.19
<b>Legal Services:</b>			
State's Attorney	54,456.45		54,456.45
Court Appointed Attorney	5,165.95		5,165.95
<b>Other Administration:</b>			
General Government Building	72,795.17	31,608.21	104,403.38
Director of Equalization	65,113.10		65,113.10
Register of Deeds	74,198.18	6,678.50	80,876.68
Veterans Service Officer	9,259.53		9,259.53
Predatory Animal	4,349.92		4,349.92
<b>Public Safety:</b>			
<b>Law Enforcement:</b>			
Sheriff	115,295.97		115,295.97
County Jail	32,074.72		32,074.72
Coroner	2,496.00		2,496.00
<b>Protective and Emergency Services:</b>			
Emergency and Disaster Services		22,934.60	22,934.60
Communication Center		44,166.51	44,166.51
<b>Public Works:</b>			
<b>Highways and Bridges:</b>			
Highways, Roads and Bridges		1,556,368.16	1,556,368.16
<b>Health and Welfare:</b>			
<b>Economic Assistance:</b>			
Support of Poor	19,097.41		19,097.41
<b>Health Assistance:</b>			
County Nurse	17,903.93		17,903.93
Women Infants and Children	3,111.38		3,111.38
<b>Mental Health Services:</b>			
Mentally Ill	12,717.89		12,717.89

**HAAKON 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>
Culture and Recreation:				
Culture:				
Public Library	31,942.78			31,942.78
Recreation:				
County Fair	1,000.00			1,000.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	15,715.25			15,715.25
Soil Conservation Districts	7,200.00			7,200.00
Weed and Pest Control	16,289.78			16,289.78
Debt Service		41,987.28		41,987.28
Total Expenditures	<u>805,050.90</u>	<u>1,598,355.44</u>	<u>105,387.82</u>	<u>2,508,794.16</u>
Excess of Revenues Over (Under) Expenditures	<u>489,554.22</u>	<u>(653,904.06)</u>	<u>(46,800.21)</u>	<u>(211,150.05)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		225,000.00	49,974.00	274,974.00
Transfers Out	(274,974.00)			(274,974.00)
Sale of County Property		430,500.00		430,500.00
Total Other Financing Sources (Uses)	<u>(274,974.00)</u>	<u>655,500.00</u>	<u>49,974.00</u>	<u>430,500.00</u>
Net Change in Fund Balance	214,580.22	1,595.94	3,173.79	219,349.95
Fund Balance - Beginning	<u>548,228.71</u>	<u>515,152.43</u>	<u>106,511.31</u>	<u>1,169,892.45</u>
FUND BALANCE - ENDING	<u>\$ 762,808.93</u>	<u>\$ 516,748.37</u>	<u>\$ 109,685.10</u>	<u>\$ 1,389,242.40</u>

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

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**HAAKON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 1,096,239.68	\$ 38,942.18	\$ 11,897.25	\$ 1,147,079.11
General Property Taxes--Delinquent	2,769.47	125.69	37.85	2,933.01
Penalties and Interest	3,569.96	128.35	38.08	3,736.39
Wheel Tax		61,305.15		61,305.15
911 Telephone Surcharge			12,477.78	12,477.78
Licenses and Permits	1,058.00		595.00	1,653.00
Intergovernmental Revenue:				
Federal Grants			25,449.56	25,449.56
Federal Payments in Lieu of Taxes	9,360.00			9,360.00
State Grants		206,528.13	4,125.00	210,653.13
State Shared Revenue:				
Bank Franchise	29,642.19			29,642.19
Motor Vehicle Licenses		477,103.89		477,103.89
Liquor Tax Reversion	105.44			105.44
State Highway Fund (former 10% game)		5,167.40		5,167.40
Court Appointed Attorney/Public Defender	1,853.21			1,853.21
Prorate/Port of Entry Fees		34,386.35		34,386.35
63 3/4% Mobile Home		8,283.68		8,283.68
Secondary Road Motor Vehicle Remittances		82,161.20		82,161.20
Telecommunications Gross Receipts Tax	13,191.56			13,191.56
911 Remittances			8,712.95	8,712.95
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,850.40			2,850.40
Register of Deeds' Fees	28,673.90		564.00	29,237.90
Legal Services	730.00			730.00
Clerk of Courts Fees	2,628.60			2,628.60
Public Safety:				
Law Enforcement	3,300.78			3,300.78
Health and Welfare:				
Health Assistance:				
Women Infants and Children	2,697.61			2,697.61

Miscellaneous Revenue:			
Investment Earnings	7,927.31	527.37	8,454.68
Rent	720.00		720.00
Refund of Prior Year's Expenditures	5,115.48		5,115.48
Other	1,006.56		1,006.56
Total Revenues	<u>1,213,440.15</u>	<u>914,132.02</u>	<u>2,191,997.01</u>

**Expenditures:**

General Government:

Legislative:

Board of County Commissioners	55,276.66		55,276.66
Elections	18,443.34		18,443.34
Judicial System	5,291.80		5,291.80

Financial Administration:

Auditor	90,811.30		90,811.30
Treasurer	81,805.59		81,805.59

Legal Services:

State's Attorney	53,659.49		53,659.49
Court Appointed Attorney	15,246.01		15,246.01

Other Administration:

General Government Building	72,639.87	38,441.84	111,081.71
Director of Equalization	58,747.52		58,747.52
Register of Deeds	66,797.18		66,797.18
Veterans Service Officer	12,312.08		12,312.08
Predatory Animal	4,349.92		4,349.92

Public Safety:

Law Enforcement:

Sheriff	107,021.16		107,021.16
County Jail	33,983.15		33,983.15

Protective and Emergency Services:

Emergency and Disaster Services		35,027.33	35,027.33
Communication Center		43,818.85	43,818.85

Public Works:

Highways and Bridges:

Highways, Roads and Bridges		909,009.17	909,009.17
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Health and Welfare:

Economic Assistance:

Support of Poor	30,811.94		30,811.94
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Health Assistance:

County Nurse	18,281.08		18,281.08
Women Infants and Children	1,834.18		1,834.18

Mental Health Services:

Mentally Ill	21,747.64		21,747.64
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**HAAKON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**  
**(Continued)**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Culture and Recreation:				
Culture:				
Public Library	28,590.34			28,590.34
Recreation:				
County Fair	1,000.00			1,000.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	14,818.80			14,818.80
Soil Conservation Districts	7,200.00			7,200.00
Weed and Pest Control	17,513.24			17,513.24
Debt Service		41,987.28		41,987.28
Total Expenditures	<u>818,182.29</u>	<u>950,996.45</u>	<u>117,288.02</u>	<u>1,886,466.76</u>
Excess of Revenues Over (Under) Expenditures	<u>395,257.86</u>	<u>(36,864.43)</u>	<u>(52,863.18)</u>	<u>305,530.25</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		423,000.00	20,000.00	443,000.00
Transfers Out	(443,000.00)			(443,000.00)
Sale of County Property	500.00	2,275.75		2,775.75
Total Other Financing Sources (Uses)	<u>(442,500.00)</u>	<u>425,275.75</u>	<u>20,000.00</u>	<u>2,775.75</u>
Net Change in Fund Balance	(47,242.14)	388,411.32	(32,863.18)	308,306.00
Fund Balance - Beginning	<u>595,470.85</u>	<u>126,741.11</u>	<u>139,374.49</u>	<u>861,586.45</u>
FUND BALANCE - ENDING	<u>\$ 548,228.71</u>	<u>\$ 515,152.43</u>	<u>\$ 106,511.31</u>	<u>\$ 1,169,892.45</u>

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

**HAAKON COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2013**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 114,112.52
<b>TOTAL ASSETS</b>	<u>\$ 114,112.52</u>
<b>NET POSITION:</b>	
Net Position Held in Agency Capacity	\$ 114,112.52
<b>TOTAL NET POSITION</b>	<u>\$ 114,112.52</u>

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

HAAKON 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 Haakon 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.

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, Library Building, Weed, 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.

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 long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the County. The County does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

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**

Taxes and Motor Vehicle Fees

A schedule of fund balances is provided as follows:

**HAAKON COUNTY  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>				
Restricted For:				
Snow Removal Purposes	\$	\$ 100,000.00	\$	\$ 100,000.00
Highway and Bridge Purposes Department of Transportation SWAP Purposes		68,113.27		68,113.27
Domestic Abuse Purposes		101,348.00		101,348.00
Courthouse Building Purposes			1,595.00	1,595.00
Library Building Purposes			4,196.55	4,196.55
24/7 Sobriety Purposes			62,578.34	62,578.34
			848.40	848.40
Assigned To:				
Applied to Next Year's Budget	16,664.00			16,664.00
Capital Outlay Accumulations	103,497.00			103,497.00
Weed Spraying Purposes	13,675.00			13,675.00
Road Purposes – Opt-Out	125,000.00			125,000.00
Road and Bridge Purposes		247,287.10		247,287.10
911 Service Purposes			3,561.82	3,561.82
Emergency Management Purposes			12,555.44	12,555.44
Courthouse Building Purposes			12,500.00	12,500.00
Weed and Pest Control Purposes			15,957.05	15,957.05
Unassigned	503,972.93		(4,107.50)	499,865.43
<b>Total Fund Balances</b>	<b>\$ 762,808.93</b>	<b>\$ 516,748.37</b>	<b>\$ 109,685.10</b>	<b>\$ 1,389,242.40</b>

2. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2013, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

Modernization and Preservation Relief Fund	\$ 4,107.50
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The Board of County Commissioners plans to take the following actions to address the deficit fund balance/deficit net position:

Transfer General Fund dollars to cover the shortfall.

3. 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, 2013 the County’s deposits in financial institutions were not exposed to custodial credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the County will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**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 deposits and investments to the General Fund, except for the Library Building Fund which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated. These transfers have not been reported.

4. 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.

5. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2013 was as follows:

**Major Purposes:**

Road and Bridge Purposes	\$ 269,461.27
Library Building Purposes	<u>62,578.34</u>

**Other Purposes:**

Domestic Abuse Purposes	1,595.00
Courthouse Building Purposes	4,196.55
24/7 Sobriety Purposes	<u>848.40</u>

Total Other Purposes	<u>6,639.95</u>
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**Total Restricted Net Position** \$ 338,679.56

These balances are restricted due to statutory and donor requirements.

6. INTERFUND TRANSFERS

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

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	<b><u>Road and Bridge Fund</u></b>	<b><u>Other Governmental Funds</u></b>	
Major Funds:			
General Fund	\$ 225,000.00	\$ 49,974.00	\$ 274,974.00

Interfund transfers for the year ended December 31, 2012 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	<b><u>Road and Bridge Fund</u></b>	<b><u>Other Governmental Funds</u></b>	
Major Funds:			
General Fund	\$ 423,000.00	\$ 20,000.00	\$ 443,000.00

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

7. 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, 2013, 2012, and 2011 were \$37,014.22, \$33,885.04, and \$42,441.20, respectively, equal to the required contributions each year.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2013, 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, 2013, 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 purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. 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.

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 1,156,321.00	\$ 1,156,321.00	\$ 1,150,541.46	\$ (5,779.54)
General Property Taxes--Delinquent	1,000.00	1,000.00	3,085.74	2,085.74
Penalties and Interest	1,000.00	1,000.00	2,912.30	1,912.30
Licenses and Permits	1,050.00	1,050.00	1,101.00	51.00
Intergovernmental Revenue:				
Federal Grants	5,000.00	5,000.00	0.00	(5,000.00)
Federal Payments in Lieu of Taxes	9,360.00	9,360.00	9,134.00	(226.00)
State Shared Revenue:				
Bank Franchise	28,000.00	28,000.00	46,346.98	18,346.98
Liquor Tax Reversion	80.00	80.00	101.99	21.99
Court Appointed Attorney/Public Defender	400.00	400.00	663.33	263.33
Telecommunications Gross Receipts Tax	10,000.00	10,000.00	12,080.06	2,080.06
Motor Vehicle 1/4%	600.00	600.00	851.85	251.85
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,400.00	2,400.00	2,840.50	440.50
Register of Deeds' Fees	26,000.00	26,000.00	35,325.00	9,325.00
Legal Services	1,000.00	1,000.00	2,950.15	1,950.15
Clerk of Courts Fees	2,300.00	2,300.00	2,018.00	(282.00)
Public Safety:				
Law Enforcement	500.00	500.00	385.46	(114.54)
Health and Welfare:				
Health Assistance:				
Women Infants and Children	2,500.00	2,500.00	3,312.56	812.56
Conservation of Natural Resources	13,675.00	13,675.00	0.00	(13,675.00)
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	7,175.34	2,175.34
Rent	6,000.00	6,000.00	6,000.00	0.00
Refund of Prior Year's Expenditures	1,500.00	1,500.00	7,779.40	6,279.40
Other	500.00	500.00	0.00	(500.00)
<b>Total Revenues</b>	<b>1,274,186.00</b>	<b>1,274,186.00</b>	<b>1,294,605.12</b>	<b>20,419.12</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	67,256.00	68,514.37	69,243.52	(729.15)
Contingency	66,650.00	66,650.00		
Amount Transferred		(60,138.91)		6,511.09
Elections	1,600.00	2,932.77	2,932.77	0.00
Judicial System	14,192.00	14,192.00	3,476.26	10,715.74
Financial Administration:				
Auditor	91,782.00	91,782.00	87,112.75	4,669.25
Treasurer	91,899.00	91,899.00	82,102.19	9,796.81
Legal Services:				
State's Attorney	57,378.00	57,378.00	54,456.45	2,921.55
Court Appointed Attorney	10,000.00	10,000.00	5,165.95	4,834.05
Other Administration:				
General Government Building	61,311.00	71,182.43	72,795.17	(1,612.74)
Director of Equalization	68,507.00	71,507.00	65,113.10	6,393.90
Register of Deeds	82,287.00	82,287.00	74,198.18	8,088.82
Veterans Service Officer	8,862.00	9,259.53	9,259.53	0.00
Predatory Animal	5,267.00	5,267.00	4,349.92	917.08
Public Safety:				
Law Enforcement:				
Sheriff	133,764.00	133,764.00	115,295.97	18,468.03
County Jail	18,000.00	32,074.72	32,074.72	0.00
Coroner	2,500.00	2,500.00	2,496.00	4.00

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 For the Year Ended December 31, 2013  
 (Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and Welfare:				
Economic Assistance:				
Support of Poor	10,000.00	19,097.41	19,097.41	0.00
Health Assistance:				
County Nurse	19,342.00	19,342.00	17,903.93	1,438.07
Women Infants and Children	2,089.00	2,958.24	3,111.38	(153.14)
Mental Health Services:				
Mentally Ill	20,000.00	20,000.00	12,717.89	7,282.11
Culture and Recreation:				
Culture:				
Public Library	34,229.00	34,229.00	31,942.78	2,286.22
Recreation:				
County Fair	1,000.00	1,000.00	1,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	26,650.00	26,650.00	15,715.25	10,934.75
Soil Conservation Districts	7,200.00	7,200.00	7,200.00	0.00
Weed and Pest Control	18,205.00	18,205.00	16,289.78	1,915.22
Total Expenditures	<u>919,970.00</u>	<u>899,732.56</u>	<u>805,050.90</u>	<u>94,681.66</u>
Excess of Revenues Over (Under) Expenditures	354,216.00	374,453.44	489,554.22	115,100.78
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(287,474.00)</u>	<u>(287,474.00)</u>	<u>(274,974.00)</u>	<u>12,500.00</u>
Net Change in Fund Balance	66,742.00	86,979.44	214,580.22	127,600.78
Fund Balance - Beginning	<u>548,228.71</u>	<u>548,228.71</u>	<u>548,228.71</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 614,970.71</u>	<u>\$ 635,208.15</u>	<u>\$ 762,808.93</u>	<u>\$ 127,600.78</u>

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 ROAD AND BRIDGE FUND  
 For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 40,000.00	\$ 40,000.00	\$ 39,569.67	\$ (430.33)
General Property Taxes--Delinquent	35.00	35.00	104.80	69.80
Penalties and Interest	35.00	35.00	85.78	50.78
Wheel Tax	65,000.00	65,000.00	61,423.00	(3,577.00)
Intergovernmental Revenue:				
State Grants	0.00	0.00	197,634.57	197,634.57
State Shared Revenue:				
Motor Vehicle Licenses	400,000.00	400,000.00	493,287.03	93,287.03
State Highway Fund (former 10% game)	5,167.00	5,167.00	5,167.40	0.40
Prorate/Port of Entry Fees	23,000.00	23,000.00	32,244.42	9,244.42
63 3/4% Mobile Home	3,500.00	3,500.00	10,747.50	7,247.50
Secondary Road Motor Vehicle Remittances	60,000.00	60,000.00	86,187.21	26,187.21
Miscellaneous Revenue:				
Other	500.00	500.00	18,000.00	17,500.00
<b>Total Revenues</b>	<b>597,237.00</b>	<b>597,237.00</b>	<b>944,451.38</b>	<b>347,214.38</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	762,888.00	1,527,635.68	1,556,368.16	(28,732.48)
Debt Service	41,988.00	41,988.00	41,987.28	0.72
<b>Total Expenditures</b>	<b>804,876.00</b>	<b>1,569,623.68</b>	<b>1,598,355.44</b>	<b>(28,731.76)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(207,639.00)</b>	<b>(972,386.68)</b>	<b>(653,904.06)</b>	<b>318,482.62</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	250,000.00	250,000.00	225,000.00	(25,000.00)
Sale of County Property	0.00	0.00	430,500.00	430,500.00
<b>Total Other Financing Sources (Uses)</b>	<b>250,000.00</b>	<b>250,000.00</b>	<b>655,500.00</b>	<b>405,500.00</b>
<b>Net Change in Fund Balance</b>	<b>42,361.00</b>	<b>(722,386.68)</b>	<b>1,595.94</b>	<b>723,982.62</b>
<b>Fund Balance - Beginning</b>	<b>515,152.43</b>	<b>515,152.43</b>	<b>515,152.43</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 557,513.43</b>	<b>\$ (207,234.25)</b>	<b>\$ 516,748.37</b>	<b>\$ 723,982.62</b>

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 1,103,224.00	\$ 1,103,224.00	\$ 1,096,239.68	\$ (6,984.32)
General Property Taxes--Delinquent	1,000.00	1,000.00	2,769.47	1,769.47
Penalties and Interest	1,000.00	1,000.00	3,569.96	2,569.96
Licenses and Permits	850.00	850.00	1,058.00	208.00
Intergovernmental Revenue:				
Federal Grants	14,169.00	14,169.00	0.00	(14,169.00)
Federal Payments in Lieu of Taxes	0.00	0.00	9,360.00	9,360.00
State Shared Revenue:				
Bank Franchise	28,000.00	28,000.00	29,642.19	1,642.19
Liquor Tax Reversion	80.00	80.00	105.44	25.44
Court Appointed Attorney/Public Defender	400.00	400.00	1,853.21	1,453.21
Telecommunications Gross Receipts Tax	12,000.00	12,000.00	13,191.56	1,191.56
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,050.00	2,050.00	2,850.40	800.40
Register of Deeds' Fees	25,000.00	25,000.00	28,673.90	3,673.90
Legal Services	2,600.00	2,600.00	730.00	(1,870.00)
Clerk of Courts Fees	2,300.00	2,300.00	2,628.60	328.60
Public Safety:				
Law Enforcement	2,750.00	2,750.00	3,300.78	550.78
Health and Welfare:				
Health Assistance:				
Women Infants and Children	2,250.00	2,250.00	2,697.61	447.61
Conservation of Natural Resources	13,675.00	13,675.00	0.00	(13,675.00)
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	7,927.31	2,927.31
Rent	720.00	720.00	720.00	0.00
Refund of Prior Year's Expenditures	1,500.00	1,500.00	5,115.48	3,615.48
Other	500.00	500.00	1,006.56	506.56
<b>Total Revenues</b>	<b>1,219,068.00</b>	<b>1,219,068.00</b>	<b>1,213,440.15</b>	<b>(5,627.85)</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	62,337.00	62,337.00	55,276.66	7,060.34
Contingency	50,000.00	50,000.00		
Amount Transferred		(49,162.58)		837.42
Elections	17,899.00	18,443.34	18,443.34	0.00
Judicial System	8,692.00	8,692.00	5,291.80	3,400.20
Financial Administration:				
Auditor	93,757.00	93,757.00	90,811.30	2,945.70
Treasurer	104,909.00	104,909.00	81,805.59	23,103.41
Legal Services:				
State's Attorney	53,662.00	53,662.00	53,659.49	2.51
Court Appointed Attorney	10,000.00	15,246.01	15,246.01	0.00
Other Administration:				
General Government Building	59,586.00	72,639.87	72,639.87	0.00
Director of Equalization	65,911.00	65,911.00	58,747.52	7,163.48
Register of Deeds	68,155.00	68,155.00	66,797.18	1,357.82
Veterans Service Officer	11,691.00	12,839.00	12,312.08	526.92
Predatory Animal	5,267.00	5,267.00	4,349.92	917.08
Public Safety:				
Law Enforcement:				
Sheriff	133,126.00	133,126.00	107,021.16	26,104.84
County Jail	10,000.00	33,983.15	33,983.15	0.00
Coroner	2,500.00	2,500.00	0.00	2,500.00

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 For the Year Ended December 31, 2012  
 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and Welfare:				
Economic Assistance:				
Support of Poor	7,500.00	30,811.94	30,811.94	0.00
Health Assistance:				
County Nurse	18,393.00	18,393.00	18,281.08	111.92
Women Infants and Children	2,192.00	2,192.00	1,834.18	357.82
Mental Health Services:				
Mentally Ill	7,500.00	21,747.64	21,747.64	0.00
Culture and Recreation:				
Culture:				
Public Library	29,305.00	29,305.00	28,590.34	714.66
Recreation:				
County Fair	1,000.00	1,000.00	1,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	14,686.00	15,313.63	14,818.80	494.83
Soil Conservation Districts	7,200.00	7,200.00	7,200.00	0.00
Weed and Pest Control	17,340.00	21,465.00	17,513.24	3,951.76
Total Expenditures	<u>862,608.00</u>	<u>899,733.00</u>	<u>818,182.29</u>	<u>81,550.71</u>
Excess of Revenues Over (Under) Expenditures	<u>356,460.00</u>	<u>319,335.00</u>	<u>395,257.86</u>	<u>75,922.86</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(292,474.00)	(292,474.00)	(443,000.00)	(150,526.00)
Sale of County Property	100.00	100.00	500.00	400.00
Total Other Financing Sources (Uses)	<u>(292,374.00)</u>	<u>(292,374.00)</u>	<u>(442,500.00)</u>	<u>(150,126.00)</u>
Net Change in Fund Balance	64,086.00	26,961.00	(47,242.14)	(74,203.14)
Fund Balance - Beginning	<u>595,470.85</u>	<u>595,470.85</u>	<u>595,470.85</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 659,556.85</u>	<u>\$ 622,431.85</u>	<u>\$ 548,228.71</u>	<u>\$ (74,203.14)</u>

**SUPPLEMENTARY INFORMATION  
 HAAKON COUNTY  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 ROAD AND BRIDGE FUND  
 For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 39,405.00	\$ 39,405.00	\$ 38,942.18	\$ (462.82)
General Property Taxes--Delinquent	25.00	25.00	125.69	100.69
Penalties and Interest	75.00	75.00	128.35	53.35
Wheel Tax	0.00	0.00	61,305.15	61,305.15
Intergovernmental Revenue:				
State Grants	0.00	0.00	206,528.13	206,528.13
State Shared Revenue:				
Motor Vehicle Licenses	330,000.00	330,000.00	477,103.89	147,103.89
State Highway Fund (former 10% game)	5,167.00	5,167.00	5,167.40	0.40
Prorate/Port of Entry Fees	23,000.00	23,000.00	34,386.35	11,386.35
63 3/4% Mobile Home	3,000.00	3,000.00	8,283.68	5,283.68
Secondary Road Motor Vehicle Remittances	52,490.00	52,490.00	82,161.20	29,671.20
<b>Total Revenues</b>	<b>453,162.00</b>	<b>453,162.00</b>	<b>914,132.02</b>	<b>460,970.02</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	626,111.00	889,841.15	909,009.17	(19,168.02)
Debt Service	41,988.00	41,988.00	41,987.28	0.72
<b>Total Expenditures</b>	<b>668,099.00</b>	<b>931,829.15</b>	<b>950,996.45</b>	<b>(19,167.30)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(214,937.00)</b>	<b>(478,667.15)</b>	<b>(36,864.43)</b>	<b>441,802.72</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	250,000.00	250,000.00	423,000.00	173,000.00
Sale of County Property	100.00	100.00	2,275.75	2,175.75
<b>Total Other Financing Sources (Uses)</b>	<b>250,100.00</b>	<b>250,100.00</b>	<b>425,275.75</b>	<b>175,175.75</b>
<b>Net Change in Fund Balance</b>	<b>35,163.00</b>	<b>(228,567.15)</b>	<b>388,411.32</b>	<b>616,978.47</b>
<b>Fund Balance - Beginning</b>	<b>126,741.11</b>	<b>126,741.11</b>	<b>126,741.11</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 161,904.11</b>	<b>\$ (101,826.04)</b>	<b>\$ 515,152.43</b>	<b>\$ 616,978.47</b>

HAAKON COUNTY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County Commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.
4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.
5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

Note 2. Expenditures in Excess of Appropriations:

The following represents the overdrafts of the expenditures compared to appropriations at the legal level of budgetary control for the General Fund.

	<u>Year Ended</u> <u>12/31/2013</u>
General Fund:	
<u>Activity</u>	
Legislative – Board of County Commissioners	\$ 729.15
Other Administration – General Government Building	\$ 1,612.74
Health Assistance – Women, Infants and Children	\$ 153.14
Road and Bridge Fund:	
<u>Activity</u>	
Public Works – Highway, Roads and Bridges	\$ 28,732.48
	<u>Year Ended</u> <u>12/31/2012</u>
Road and Bridge Fund:	
<u>Activity</u>	
Public Works – Highways, Roads and Bridges	\$ 19,168.02

The County incurred expenditures in excess of appropriations in the General Fund due to unexpected or unanticipated expenses at year end and would not have had an opportunity to supplemental appropriations. The County incurred expenditures in excess of appropriations in the Road and Bridge Fund due to misinterpreting the supplemental appropriations procedures.

**HAAKON COUNTY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Two Years Ended December 31, 2013**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2012</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2013</u>
<b>Governmental Long-Term Debt:</b>				
Financing (Capital Acquisition) Lease Payable	\$ 115,271.85	\$ 237,194.01	\$ (75,116.65)	\$ 277,349.21

Note 1 - Long-Term Debt:

Debt payable at December 31, 2013 is comprised of the following:

Financing (Capital Acquisition) Leases:

Motorgrader Leases, Merchants Capital Resources, Maturing 5/20/2018, Interest rate of 2.65%, Payable from the Road Fund.	\$ 237,194.01
Motorgrader Leases, Merchants Capital Resources, Maturing 3/01/2014, Interest rate of 4.50%, Payable from the Road Fund.	\$ 40,155.20