

**HAND COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2014**

HAND COUNTY  
COUNTY OFFICIALS  
December 31, 2014

Board of Commissioners:

James Iverson  
Larry Rowen  
Luke Wernsmann  
J. D. Wangsness  
Jim Jones

Auditor:  
Sandra Selting

Treasurer:  
Sheri Koeck

State's Attorney:  
Elton Anson

Register of Deeds:  
DeAnn Hargens

Sheriff:  
Doug DeBoer



HAND 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  
Hand County  
Miller, 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 Hand 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 September 1, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item No. 2014-001 to be a material weakness.

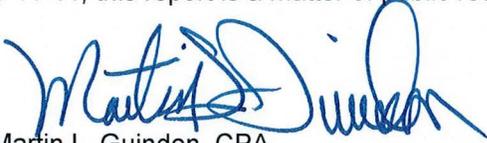
### ***Compliance and Other Matters***

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

The County did not wish to respond to the finding identified in our audit as described in the accompanying Schedule of Current Audit Findings and Questioned Costs.

### ***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

September 1, 2015



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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission  
Hand County  
Miller, South Dakota

We have audited Hand County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the biennial period ended December 31, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Hand County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2014.

## **Report on Internal Control Over Compliance**

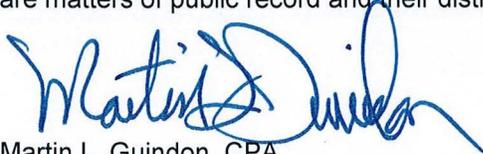
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Martin L. Guindon, CPA  
Auditor General

September 1, 2015

HAND COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Federal Audit Findings:**

The prior audit report contained no written federal audit findings.

**Prior Other Audit Finding:**

Finding No. 2012-01:

Internal accounting controls over financial reporting were inadequate resulting in inaccurate information being presented to users of the annual financial reports. This finding has not been corrected and is restated as current other audit finding No. 2014-001.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**

**Summary of the Independent Auditor's Results:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of internal controls over financial reporting as discussed in current audit finding No. 2014-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal award tested as a major program was:
  - Community Facilities Loans and Grants Cluster
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Hand County did not qualify as a low-risk auditee.

**Current Federal Audit Findings:**

There are no written current federal compliance audit findings to report.

**Current Other Audit Finding:**

***Internal Control-Related Findings - Material Weakness:***

Financial Reporting Errors

Finding No. 2014-001:

Internal accounting controls over financial reporting were inadequate, resulting in inaccurate information being presented to users of the annual financial reports. This is the second consecutive audit in which a similar finding was noted.

Analysis:

We noted the following significant errors in the County's annual financial report for the years ended December 31, 2013.

- a. In the 2013 Statement of Activities, Intergovernmental expenditures were overstated \$1,045,877.33, Public Works expenditures were understated \$111,150.48, Health and Welfare expenditures were understated \$790,108.22 and Interest on Long-Term Debt expenditures were understated \$144,618.63.
- b. In the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Hospital Capital Projects Fund, Long-Term Debt Issued was overstated \$68,985.00, Beginning Fund Balance was overstated \$22,995.00, resulting in Ending Fund Balance being overstated \$91,980.00.
- c. In the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds – Hospital Debt Service Fund, Hospital Lease Payments was understated \$252,945.00, Debt Service expenditures was understated \$91,980.00, Long-Term Debt Issued was overstated \$183,960.00 and Beginning Fund Balance was understated \$22,995.00.

Other less significant errors were also noted in the County's annual financial reports.

We were able to correct the material reporting errors and therefore have issued an unmodified auditor's opinion on the financial statements contained in this audit report. However, users of the annual financial reports received information of diminished reliability.

RECOMMENDATION:

We recommend the County strengthen internal accounting controls over financial reporting.

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  
Hand County  
Miller, 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 Hand 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 Hand 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.

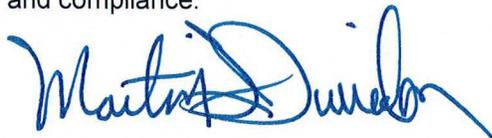
### **Other Matters**

#### *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 Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Budgetary Comparison Schedules and the Schedule of Changes in Long-Term Debt 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 September 1, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

September 1, 2015

**HAND COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2014**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 2,287,463.37
Investments	23,033.00
Restricted Assets:	
Cash and Cash Equivalents	22,995.00
<b>TOTAL ASSETS</b>	<b>\$ 2,333,491.37</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 5)	
911 Service Purposes	\$ 127,726.90
Library Purposes	13,783.07
Modernization and Preservation Relief Purposes	12,858.34
Debt Service Purposes	22,995.00
Permanently Restricted Purposes:	
Nonexpendable	23,033.00
Other Purposes	4,751.97
Unrestricted	2,128,343.09
<b>TOTAL NET POSITION</b>	<b>\$ 2,333,491.37</b>

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

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

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	\$ 700,506.34	\$ 107,159.55	\$ 21,487.15	\$ (571,859.64)
Public Safety	288,238.08	10,811.32	74,478.26	(202,948.50)
Public Works	2,086,256.54	76,100.15	1,167,942.31	(842,214.08)
Health and Welfare	3,536,885.84	314,029.13		(3,222,856.71)
Culture and Recreation	71,373.23	11,871.92		(59,501.31)
Conservation of Natural Resources	141,994.13	5,702.28	6,300.00	(129,991.85)
Urban and Economic Development	2,476.14			(2,476.14)
*Interest on Long-Term Debt	133,112.09			(133,112.09)
<b>Total Primary Government</b>	<b>\$ 6,960,842.39</b>	<b>\$ 525,674.35</b>	<b>\$ 1,270,207.72</b>	<b>(5,164,960.32)</b>
<b>General Revenues:</b>				
Taxes:				
				2,064,381.70
				62,509.33
				3,853.46
				4,461.34
				3,323,855.48
				13,151.14
				<u>5,472,212.45</u>
				307,252.13
				<u>2,026,239.24</u>
				<u>\$ 2,333,491.37</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.

**HAND 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	\$ 736,004.83	\$ 110,805.98	\$ 2,989.73	\$ (622,209.12)
Public Safety	316,758.20	8,734.50	130,813.17	(177,210.53)
Public Works	2,029,477.80	68,241.40	803,832.06	(1,157,404.34)
Health and Welfare	839,642.68	264,261.67		(575,381.01)
Culture and Recreation	80,636.38	11,396.03		(69,240.35)
Conservation of Natural Resources	144,606.93	2,280.05		(142,326.88)
Urban and Economic Development	2,615.85			(2,615.85)
*Interest on Long-Term Debt	144,618.63			(144,618.63)
<b>Total Primary Government</b>	<b>\$ 4,294,361.30</b>	<b>\$ 465,719.63</b>	<b>\$ 937,634.96</b>	<b>(2,891,006.71)</b>
<b>General Revenues:</b>				
Taxes:				
				2,005,474.20
				65,416.29
				5,233.59
				4,684.71
				582,065.64
				104,001.31
				<u>2,766,875.74</u>
				(124,130.97)
				<u>2,150,370.21</u>
				<u>\$ 2,026,239.24</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.

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,569,009.56	\$ 538,624.81	\$	\$ 179,829.00	\$ 2,287,463.37
Investments				23,033.00	23,033.00
Restricted Cash and Cash Equivalents			22,995.00		22,995.00
<b>TOTAL ASSETS</b>	<u>\$ 1,569,009.56</u>	<u>\$ 538,624.81</u>	<u>\$ 22,995.00</u>	<u>\$ 202,862.00</u>	<u>\$ 2,333,491.37</u>
<b>FUND BALANCES: (See Note 1.j.)</b>					
Nonspendable	\$	\$	\$	\$ 23,033.00	\$ 23,033.00
Restricted			22,995.00	159,120.28	182,115.28
Assigned	526,612.49	538,624.81		20,708.72	1,085,946.02
Unassigned	1,042,397.07				1,042,397.07
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,569,009.56</u>	<u>\$ 538,624.81</u>	<u>\$ 22,995.00</u>	<u>\$ 202,862.00</u>	<u>\$ 2,333,491.37</u>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes:					
General Property Taxes--Current	\$ 1,961,137.61	\$ 91,261.71	\$	\$	\$ 2,052,399.32
General Property Taxes--Delinquent	6,993.85	372.87			7,366.72
Penalties and Interest	4,402.49	139.67			4,542.16
Telephone Tax (Outside)	11.98				11.98
Mobile Home Tax	61.52				61.52
Licenses and Permits	7,811.96	150.00		810.00	8,771.96
Intergovernmental Revenue:					
Federal Grants	18,979.91	264,120.35		26,100.14	309,200.40
Federal Payments in Lieu of Taxes	3,684.03	169.43			3,853.46
State Grants	13,500.00				13,500.00
State Shared Revenue:					
Bank Franchise	14,187.47	269.95			14,457.42
Motor Vehicle Licenses		835,439.84			835,439.84
State Highway Fund (former 10% game)		1,492.31			1,492.31
Court Appointed Attorney/Public Defender	428.81				428.81
Prorate License Fees		55,761.56			55,761.56
63 3/4% Mobile Home		1,823.25			1,823.25
Telecommunications Gross Receipts Tax	18,599.94				18,599.94
Motor Vehicle 1/4%	2,078.43				2,078.43
Wind Farm Taxes	29,451.97				29,451.97
Motor Fuel Tax		9,305.00			9,305.00
911 Remittances				41,178.12	41,178.12
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	6,831.35				6,831.35
Register of Deeds' Fees	67,167.00			7,436.86	74,603.86
Driver's License Exam	2,610.00				2,610.00
Clerk of Court Fees	5,483.80				5,483.80
Other Fees	6,833.18				6,833.18

Public Safety:				
Law Enforcement	7,333.82			7,333.82
Prisoner Care	2,525.00			2,525.00
Sobriety Testing			80.00	80.00
Public Works:				
Road Maintenance Contract Charges		55,882.69		55,882.69
Other	20,067.46			20,067.46
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	14,518.97			14,518.97
Veterans Service Officer	1,875.00			1,875.00
Social Services	2,281.17			2,281.17
Culture and Recreation			11,871.92	11,871.92
Conservation of Natural Resources	5,702.28			5,702.28
Fines and Forfeits:				
Costs	872.50			872.50
Miscellaneous Revenue:				
Investment Earnings	4,193.21		268.13	4,461.34
Rent	1,110.40			1,110.40
Hospital Lease Payments			296,418.99	296,418.99
Refund of Prior Year's Expenditures	2,060.00			2,060.00
Other	498.02	255.38	150.00	903.40
Total Revenues	<u>2,233,293.13</u>	<u>1,316,444.01</u>	<u>296,418.99</u>	<u>3,934,051.30</u>

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners	42,527.36			42,527.36
Elections	21,522.05			21,522.05
Judicial System	6,905.92			6,905.92

## Financial Administration:

Auditor	108,404.88			108,404.88
Treasurer	99,224.53			99,224.53

## Legal Services:

State's Attorney	76,144.28			76,144.28
Court Appointed Attorney	2,631.52			2,631.52

## Other Administration:

General Government Building	119,294.68			119,294.68
Director of Equalization	139,035.84			139,035.84
Register of Deeds	66,209.29		500.00	66,709.29
Veterans Service Officer	11,305.31			11,305.31

**HAND COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**  
**(Continued)**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Predatory Animal	6,800.68				6,800.68
Public Safety:					
Law Enforcement:					
Sheriff	166,164.72				166,164.72
County Jail	21,144.87				21,144.87
Coroner	247.83				247.83
Protective and Emergency Services:					
Emergency and Disaster Services				61,953.59	61,953.59
Communication Center				38,727.07	38,727.07
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		1,882,884.41			1,882,884.41
Sanitation:					
Solid Waste	18,792.40				18,792.40
Health and Welfare:					
Economic Assistance:					
Support of Poor	5,732.00				5,732.00
Health Assistance:					
County Nurse	32,442.96				32,442.96
Social Services:					
Domestic Abuse				1,200.00	1,200.00
Mental Health Services:					
Developmentally Disabled	2,160.00				2,160.00
Mental Health Centers	10,920.00				10,920.00
Mental Illness Board	1,126.74				1,126.74
Culture and Recreation:					
Culture:					
Public Library	61,705.90			9,667.33	71,373.23
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	43,218.08				43,218.08

Weed and Pest Control	98,776.05				98,776.05
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	2,476.14				2,476.14
Debt Service		203,716.49	3,597,279.47		3,800,995.96
Total Expenditures	<u>1,164,914.03</u>	<u>2,086,600.90</u>	<u>3,597,279.47</u>	<u>112,047.99</u>	<u>6,960,842.39</u>
Excess of Revenues Over (Under) Expenditures	<u>1,068,379.10</u>	<u>(770,156.89)</u>	<u>(3,300,860.48)</u>	<u>(24,152.82)</u>	<u>(3,026,791.09)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In		1,000,000.00		13,708.72	1,013,708.72
Transfers Out	(1,000,700.00)			(13,008.72)	(1,013,708.72)
Long-Term Debt Issued			3,323,855.48		3,323,855.48
Sale of County Property	5,467.24	4,720.50			10,187.74
Total Other Financing Sources (Uses)	<u>(995,232.76)</u>	<u>1,004,720.50</u>	<u>3,323,855.48</u>	<u>700.00</u>	<u>3,334,043.22</u>
Net Change in Fund Balance	73,146.34	234,563.61	22,995.00	(23,452.82)	307,252.13
Fund Balance - Beginning	<u>1,495,863.22</u>	<u>304,061.20</u>		<u>226,314.82</u>	<u>2,026,239.24</u>
FUND BALANCE - ENDING	<u>\$ 1,569,009.56</u>	<u>\$ 538,624.81</u>	<u>\$ 22,995.00</u>	<u>\$ 202,862.00</u>	<u>\$ 2,333,491.37</u>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Hospital Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes:					
General Property Taxes--Current	\$ 1,907,239.58	\$ 88,017.09	\$	\$	\$ 1,995,256.67
General Property Taxes--Delinquent	5,755.72				5,755.72
Penalties and Interest	4,258.44	118.12			4,376.56
Mobile Home Tax	85.25				85.25
Licenses and Permits	8,770.00			300.00	9,070.00
Intergovernmental Revenue:					
Federal Grants	39,833.22	7,290.20		52,828.32	99,951.74
Federal Payments in Lieu of Taxes	5,074.38	159.21			5,233.59
State Shared Revenue:					
Bank Franchise	13,529.30	257.43			13,786.73
Motor Vehicle Licenses		734,773.08			734,773.08
State Highway Fund (former 10% game)		1,492.31			1,492.31
Court Appointed Attorney/Public Defender	667.70				667.70
Prorate License Fees		49,551.86			49,551.86
Abused and Neglected Child Defense	515.87				515.87
63 3/4% Mobile Home		4,495.01			4,495.01
Telecommunications Gross Receipts Tax	24,861.17				24,861.17
Motor Vehicle 1/4%	1,806.16				1,806.16
Wind Farm Taxes	26,768.39				26,768.39
Motor Fuel Tax		6,229.60			6,229.60
911 Remittances				38,151.63	38,151.63
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	7,063.14				7,063.14
Register of Deeds' Fees	71,705.50			9,243.42	80,948.92
Driver's License Exam	2,245.00				2,245.00
Clerk of Court Fees	5,287.20				5,287.20
Other Fees	5,381.32				5,381.32

Public Safety:				
Law Enforcement	4,683.61			4,683.61
Prisoner Care	1,745.00			1,745.00
Other	702.89			702.89
Public Works:				
Road Maintenance Contract Charges		59,579.06		59,579.06
Other	8,662.34			8,662.34
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	9,277.62			9,277.62
Social Services	1,739.05			1,739.05
Culture and Recreation			11,396.03	11,396.03
Conservation of Natural Resources	2,280.05			2,280.05
Fines and Forfeits:				
Costs	1,603.00			1,603.00
Miscellaneous Revenue:				
Investment Earnings	4,358.19		326.52	4,684.71
Rent	1,110.40			1,110.40
Hospital Lease Payments			252,945.00	252,945.00
Contributions and Donations	400.00			400.00
Refund of Prior Year's Expenditures	4,838.00			4,838.00
Other	55.70	30.01	250.00	335.71
Total Revenues	<u>2,172,303.19</u>	<u>951,992.98</u>	<u>0.00</u>	<u>3,489,737.09</u>

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners	55,188.47			55,188.47
Elections	6,674.53			6,674.53
Judicial System	7,640.64			7,640.64

## Financial Administration:

Auditor	114,902.69			114,902.69
Treasurer	97,383.01			97,383.01

## Legal Services:

State's Attorney	76,330.31			76,330.31
Court Appointed Attorney	10,915.74			10,915.74

## Other Administration:

General Government Building	135,596.01			135,596.01
Director of Equalization	135,756.14			135,756.14
Register of Deeds	73,853.45		4,790.00	78,643.45
Veterans Service Officer	10,173.16			10,173.16

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

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	6,800.68				6,800.68
Public Safety:					
Law Enforcement:					
Sheriff	179,314.64				179,314.64
County Jail	34,253.44				34,253.44
Coroner	255.65				255.65
Protective and Emergency Services:					
Emergency and Disaster Services				50,814.02	50,814.02
Communication Center				52,120.45	52,120.45
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		1,870,966.74			1,870,966.74
Sanitation:					
Solid Waste	17,360.58				17,360.58
Health and Welfare:					
Economic Assistance:					
Support of Poor	4,754.00				4,754.00
Health Assistance:					
County Nurse	31,970.46				31,970.46
Social Services:					
Domestic Abuse				1,200.00	1,200.00
Mental Health Services:					
Developmentally Disabled	2,160.00				2,160.00
Mental Health Centers	9,450.00				9,450.00
Culture and Recreation:					
Culture:					
Public Library	72,039.01			8,597.37	80,636.38
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	40,797.60				40,797.60
Weed and Pest Control	103,809.33				103,809.33

Urban and Economic Development:

Urban Development:

Planning and Zoning	2,615.85				2,615.85
Debt Service	127,855.90	30,000.00		275,940.00	433,795.90
Capital Outlay			642,081.43		642,081.43
Total Expenditures	<u>1,357,851.29</u>	<u>1,900,966.74</u>	<u>642,081.43</u>	<u>393,461.84</u>	<u>4,294,361.30</u>
Excess of Revenues Over (Under) Expenditures	<u>814,451.90</u>	<u>(948,973.76)</u>	<u>(642,081.43)</u>	<u>(28,020.92)</u>	<u>(804,624.21)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In		700,000.00		7,000.00	707,000.00
Transfers Out	(700,000.00)			(7,000.00)	(707,000.00)
Long-Term Debt Issued			582,065.64		582,065.64
Sale of County Property		98,427.60			98,427.60
Total Other Financing Sources (Uses)	<u>(700,000.00)</u>	<u>798,427.60</u>	<u>582,065.64</u>	<u>0.00</u>	<u>680,493.24</u>
Net Change in Fund Balance	114,451.90	(150,546.16)	(60,015.79)	(28,020.92)	(124,130.97)
Fund Balance - Beginning	<u>1,381,411.32</u>	<u>454,607.36</u>	<u>60,015.79</u>	<u>254,335.74</u>	<u>2,150,370.21</u>
FUND BALANCE - ENDING	<u>\$ 1,495,863.22</u>	<u>\$ 304,061.20</u>	<u>\$ 0.00</u>	<u>\$ 226,314.82</u>	<u>\$ 2,026,239.24</u>

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

**HAND COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2014**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 135,673.97</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 135,673.97</u></u>
<b>NET POSITION:</b>	
Net Position Held in Agency Capacity	<u>\$ 135,673.97</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 135,673.97</u></u>

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

HAND 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 Hand 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 Fines/Memorial, 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

*Debt Service Funds* – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Hospital Debt Service Fund – to account for property taxes and hospital lease payments which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund in 2014.

*Capital Projects Funds* – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Hospital Capital Projects Fund – to account for financial resources to be used for the construction and renovation of the county owned hospital. This is a major fund in 2013.

*Permanent Funds* – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs—that is for the benefit of the County and its citizenry.

Library Investment Fund – to account for gifts and donations given to the library which have restrictions placed on the expenditure of the principal by the donor. This is not a major fund.

## **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 partially 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 nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact in the form of stock certificates.

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**

Grants, Property Taxes, and State Shared Revenue

A schedule of fund balances is provided as follows:

**HAND 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>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>					
Nonspendable:					
Library Investment-Nonspendable Purposes	\$	\$	\$	\$ 23,033.00	\$ 23,033.00
Restricted For:					
911 Service Purposes				127,726.90	127,726.90
Library Purposes				13,783.07	13,783.07
Modernization and Preservation Relief Purposes				12,858.34	12,858.34
Emergency Management Purposes				4,277.96	4,277.96
Domestic Abuse Purposes				394.01	394.01
24/7 Sobriety Purposes				80.00	80.00
Debt Service Requirements Purposes			22,995.00		22,995.00
Assigned To:					
Applied to Next Year's Budget	526,612.49				526,612.49
Road and Bridge Purposes		538,624.81			538,624.81
Emergency Management Purposes				20,008.72	20,008.72
Domestic Abuse Purposes				700.00	700.00
Unassigned	<u>1,042,397.07</u>				<u>1,042,397.07</u>
<b>Total Fund Balances</b>	<u><u>\$ 1,569,009.56</u></u>	<u><u>\$ 538,624.81</u></u>	<u><u>\$ 22,995.00</u></u>	<u><u>\$ 202,862.00</u></u>	<u><u>\$ 2,333,491.37</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.

As of December 31, 2014, the County had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Cost Value</u>	<u>Fair Value</u>
*TECO Energy, Inc.	N/A	\$ 3,082	\$ 4,098
*Nextra Energy, Inc.	N/A	<u>7,551</u>	\$ 21,258
<b>TOTAL INVESTMENTS</b>		<u>\$ 10,633</u>	

\*Although these stocks are not allowable investments for South Dakota counties, they represent donated money held in trust for library operations at the request of the donor.

**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 911 Service Fund, Modernization and Preservation Relief Fund and the Library Investment Fund which retains their 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 should be reported, however the County has not reported the interfund transfer of investment earnings.

3. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 22,995.00	For Hospital Debt Service, by hospital operating lease agreement

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, 2014 was as follows:

**Major Purposes:**

911 Service Purposes	\$ 127,726.90
Library Purposes	13,783.07
Modernization and Preservation	
Relief Purposes	12,858.34
Debt Service Purposes	<u>22,995.00</u>

**Permanently Restricted Purposes:**

Library Investment Fund – Nonexpendable	<u>23,033.00</u>
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**Other Purposes:**

Domestic Abuse Purposes	394.01
Emergency Management Purposes	4,277.96
24/7 Sobriety Purposes	<u>80.00</u>

Total Other Purposes	<u>4,751.97</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 205,148.28</u></b>
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These balances are restricted due to federal grant and statutory requirements.

6. INTERFUND TRANSFERS

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

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	<b>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	
Major Funds:			
General Fund	\$ 1,000,000.00	\$ 700.00	\$ 1,000,700.00
Other Governmental Funds:			
911 Service Fund		13,008.72	13,008.72
<b>Total</b>	<b>\$ 1,000,000.00</b>	<b>\$ 13,708.72</b>	<b>\$ 1,013,708.72</b>

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>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	
Major Funds:			
General Fund	\$ 700,000.00	\$	\$ 700,000.00
Other Governmental Funds:			
911 Service Fund		7,000.00	7,000.00
<b>Total</b>	<b>\$ 700,000.00</b>	<b>\$ 7,000.00</b>	<b>\$ 707,000.00</b>

The County typically budgets transfers to the Road and Bridge Fund to conduct the indispensable functions of the County. The County transferred funds from the 911 Service Fund (Other Governmental Funds) to the Emergency and Disaster Fund (Other Governmental Fund) for the reimbursement of 911 costs.

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, 2014, 2013, and 2012 were \$53,087.11, \$55,511.79, and \$57,000.78, respectively, equal to the required contributions each year.

## 8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2014, the County was involved in three lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance (SDPAA). Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

## 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:

Automobile Liability  
General Liability  
Property Liability

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000.00 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 \$64,991.55.

The County carries a \$2,000 deductible for the Law Enforcement coverage and \$500 deductible for the Wrongful Acts coverage.

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 has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year two years ended December 31, 2014 no claims for unemployment benefits were paid. At December 31, 2014 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**SUPPLEMENTARY INFORMATION  
HAND COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 1,967,121.01	\$ 1,967,121.01	\$ 1,961,137.61	\$ (5,983.40)
General Property Taxes--Delinquent	4,000.00	4,000.00	6,993.85	2,993.85
Penalties and Interest	1,000.00	1,000.00	4,402.49	3,402.49
Telephone Tax (Outside)	0.00	0.00	11.98	11.98
Mobile Home Tax	60.00	60.00	61.52	1.52
Licenses and Permits	5,300.00	5,300.00	7,811.96	2,511.96
Intergovernmental Revenue:				
Federal Grants	2,920.00	2,920.00	18,979.91	16,059.91
Federal Payments in Lieu of Taxes	2,000.00	2,000.00	3,684.03	1,684.03
State Grants	0.00	0.00	13,500.00	13,500.00
State Shared Revenue:				
Bank Franchise	13,000.00	13,000.00	14,187.47	1,187.47
Court Appointed Attorney/Public Defender	200.00	200.00	428.81	228.81
Telecommunications Gross Receipts Tax	22,000.00	22,000.00	18,599.94	(3,400.06)
Motor Vehicle 1/4%	1,000.00	1,000.00	2,078.43	1,078.43
Wind Farm Taxes	27,000.00	27,000.00	29,451.97	2,451.97
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	4,700.00	4,700.00	6,831.35	2,131.35
Register of Deeds' Fees	48,000.00	48,000.00	67,167.00	19,167.00
Driver's License Exam	3,000.00	3,000.00	2,610.00	(390.00)
Clerk of Courts Fees	5,000.00	5,000.00	5,483.80	483.80
Other Fees	2,900.00	2,900.00	6,833.18	3,933.18
Public Safety:				
Law Enforcement	5,000.00	5,000.00	7,333.82	2,333.82
Prisoner Care	1,500.00	1,500.00	2,525.00	1,025.00
Public Works:				
Other	8,500.00	8,500.00	20,067.46	11,567.46
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,000.00	4,000.00	14,518.97	10,518.97
Veterans Service Officer	0.00	0.00	1,875.00	1,875.00
Social Services	1,500.00	1,500.00	2,281.17	781.17
Conservation of Natural Resources	8,000.00	8,000.00	5,702.28	(2,297.72)
Fines and Forfeits:				
Costs	1,500.00	1,500.00	872.50	(627.50)
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	4,193.21	(806.79)
Rent	1,110.00	1,110.00	1,110.40	0.40
Refund of Prior Year's Expenditures	1,500.00	1,500.00	2,060.00	560.00
Other	0.00	0.00	498.02	498.02
<b>Total Revenues</b>	<b>2,146,811.01</b>	<b>2,146,811.01</b>	<b>2,233,293.13</b>	<b>86,482.12</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	44,175.20	44,175.20	42,527.36	1,647.84
Contingency	100,000.00	100,000.00		
Amount Transferred		(1,749.54)		98,250.46
Elections	21,770.00	21,770.00	21,522.05	247.95
Judicial System	17,000.00	17,000.00	6,905.92	10,094.08
Financial Administration:				
Auditor	116,091.06	116,091.06	108,404.88	7,686.18
Treasurer	102,991.85	102,991.85	99,224.53	3,767.32
Legal Services:				
State's Attorney	80,750.32	80,750.32	76,144.28	4,606.04
Court Appointed Attorney	10,000.00	10,000.00	2,631.52	7,368.48
Abused and Neglected Child Defense	750.00	750.00	0.00	750.00
Other Administration:				
General Government Building	164,930.07	164,930.07	119,294.68	45,635.39

**SUPPLEMENTARY INFORMATION  
HAND COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2014  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Director of Equalization	143,775.63	143,775.63	139,035.84	4,739.79
Register of Deeds	73,007.75	73,007.75	66,209.29	6,798.46
Veterans Service Officer	10,708.75	11,305.31	11,305.31	0.00
Predatory Animal	6,800.68	6,800.68	6,800.68	0.00
Public Safety:				
Law Enforcement:				
Sheriff	252,314.84	252,314.84	166,164.72	86,150.12
County Jail	53,600.00	53,600.00	21,144.87	32,455.13
Coroner	1,725.00	1,725.00	247.83	1,477.17
Public Works:				
Sanitation:				
Solid Waste	19,192.00	19,192.00	18,792.40	399.60
Health and Welfare:				
Economic Assistance:				
Support of Poor	60,150.00	60,150.00	5,732.00	54,418.00
Public Welfare	200.00	200.00	0.00	200.00
Health Assistance:				
County Nurse	32,442.90	32,442.96	32,442.96	0.00
Mental Health Services:				
Mentally Ill	2,400.00	2,400.00	0.00	2,400.00
Developmentally Disabled	2,160.00	2,160.00	2,160.00	0.00
Mental Health Centers	10,950.00	10,950.00	10,920.00	30.00
Mental Illness Board	2,400.00	2,400.00	1,126.74	1,273.26
Other	350.00	350.00	0.00	350.00
Culture and Recreation:				
Culture:				
Public Library	70,045.42	70,045.42	61,705.90	8,339.52
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	42,065.16	43,218.08	43,218.08	0.00
Weed and Pest Control	112,898.38	112,898.38	98,776.05	14,122.33
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	2,825.70	2,825.70	2,476.14	349.56
Total Expenditures	<u>1,558,470.71</u>	<u>1,558,470.71</u>	<u>1,164,914.03</u>	<u>393,556.68</u>
Excess of Revenues Over (Under) Expenditures	<u>588,340.30</u>	<u>588,340.30</u>	<u>1,068,379.10</u>	<u>480,038.80</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,100,776.81)	(1,100,776.81)	(1,000,700.00)	100,076.81
Sale of County Property	300.00	300.00	5,467.24	5,167.24
Total Other Financing Sources (Uses)	<u>(1,100,476.81)</u>	<u>(1,100,476.81)</u>	<u>(995,232.76)</u>	<u>105,244.05</u>
Net Change in Fund Balance	(512,136.51)	(512,136.51)	73,146.34	585,282.85
Fund Balance - Beginning	1,495,863.22	1,495,863.22	1,495,863.22	0.00
<b>FUND BALANCE - ENDING</b>	<u>\$ 983,726.71</u>	<u>\$ 983,726.71</u>	<u>\$ 1,569,009.56</u>	<u>\$ 585,282.85</u>

**SUPPLEMENTARY INFORMATION  
HAND COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
ROAD AND BRIDGE FUND  
For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 83,028.77	\$ 83,028.77	\$ 91,261.71	\$ 8,232.94
General Property Taxes--Delinquent	0.00	0.00	372.87	372.87
Penalties and Interest	0.00	0.00	139.67	139.67
Licenses and Permits	50.00	50.00	150.00	100.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	264,120.35	264,120.35
Federal Payments in Lieu of Taxes	0.00	0.00	169.43	169.43
State Shared Revenue:				
Bank Franchise	300.00	300.00	269.95	(30.05)
Motor Vehicle Licenses	725,000.00	725,000.00	835,439.84	110,439.84
State Highway Fund (former 10% game)	0.00	0.00	1,492.31	1,492.31
Prorate License Fees	50,000.00	50,000.00	55,761.56	5,761.56
63 3/4% Mobile Home	0.00	0.00	1,823.25	1,823.25
Motor Fuel Tax	0.00	0.00	9,305.00	9,305.00
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	25,000.00	25,000.00	55,882.69	30,882.69
Miscellaneous Revenue:				
Other	400.00	400.00	255.38	(144.62)
<b>Total Revenues</b>	<b>883,778.77</b>	<b>883,778.77</b>	<b>1,316,444.01</b>	<b>432,665.24</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,930,620.93	1,930,620.93	1,882,884.41	47,736.52
Debt Service	200,000.00	200,000.00	203,716.49	(3,716.49)
<b>Total Expenditures</b>	<b>2,130,620.93</b>	<b>2,130,620.93</b>	<b>2,086,600.90</b>	<b>44,020.03</b>
Excess of Revenues Over (Under) Expenditures	(1,246,842.16)	(1,246,842.16)	(770,156.89)	476,685.27
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,100,776.81	1,100,776.81	1,000,000.00	(100,776.81)
Sale of County Property	5,000.00	5,000.00	4,720.50	(279.50)
<b>Total Other Financing Sources (Uses)</b>	<b>1,105,776.81</b>	<b>1,105,776.81</b>	<b>1,004,720.50</b>	<b>(101,056.31)</b>
Net Change in Fund Balance	(141,065.35)	(141,065.35)	234,563.61	375,628.96
Fund Balance - Beginning	304,061.20	304,061.20	304,061.20	0.00
<b>FUND BALANCE - ENDING</b>	<b>\$ 162,995.85</b>	<b>\$ 162,995.85</b>	<b>\$ 538,624.81</b>	<b>\$ 375,628.96</b>

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 1,915,208.37	\$ 1,915,208.37	\$ 1,907,239.58	\$ (7,968.79)
General Property Taxes--Delinquent	8,200.00	8,200.00	5,755.72	(2,444.28)
Penalties and Interest	3,000.00	3,000.00	4,258.44	1,258.44
Mobile Home Tax	125.00	125.00	85.25	(39.75)
Licenses and Permits	5,600.00	5,600.00	8,770.00	3,170.00
Intergovernmental Revenue:				
Federal Grants	5,920.00	5,920.00	39,833.22	33,913.22
Federal Payments in Lieu of Taxes	2,000.00	2,000.00	5,074.38	3,074.38
State Grants	1,000.00	1,000.00	0.00	(1,000.00)
State Shared Revenue:				
Bank Franchise	8,000.00	8,000.00	13,529.30	5,529.30
Court Appointed Attorney/Public Defender	200.00	200.00	667.70	467.70
Abused and Neglected Child Defense	0.00	0.00	515.87	515.87
Telecommunications Gross Receipts Tax	22,000.00	22,000.00	24,861.17	2,861.17
Motor Vehicle 1/4%	1,000.00	1,000.00	1,806.16	806.16
Wind Farm Taxes	27,000.00	27,000.00	26,768.39	(231.61)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	4,700.00	4,700.00	7,063.14	2,363.14
Register of Deeds' Fees	46,000.00	46,000.00	71,705.50	25,705.50
Driver's License Exam	3,000.00	3,000.00	2,245.00	(755.00)
Clerk of Courts Fees	5,500.00	5,500.00	5,287.20	(212.80)
Other Fees	2,500.00	2,500.00	5,381.32	2,881.32
Public Safety:				
Law Enforcement	5,000.00	5,000.00	4,683.61	(316.39)
Prisoner Care	1,500.00	1,500.00	1,745.00	245.00
Other	0.00	0.00	702.89	702.89
Public Works:				
Other	8,500.00	8,500.00	8,662.34	162.34
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,000.00	4,000.00	9,277.62	5,277.62
Social Services	1,500.00	1,500.00	1,739.05	239.05
Conservation of Natural Resources	10,000.00	10,000.00	2,280.05	(7,719.95)
Fines and Forfeits:				
Costs	1,500.00	1,500.00	1,603.00	103.00
Miscellaneous Revenue:				
Investment Earnings	11,000.00	11,000.00	4,358.19	(6,641.81)
Rent	1,110.00	1,110.00	1,110.40	0.40
Contributions and Donations	0.00	0.00	400.00	400.00
Refund of Prior Year's Expenditures	1,500.00	1,500.00	4,838.00	3,338.00
Other	500.00	500.00	55.70	(444.30)
<b>Total Revenues</b>	<b>2,107,063.37</b>	<b>2,107,063.37</b>	<b>2,172,303.19</b>	<b>65,239.82</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	53,324.20	55,188.47	55,188.47	0.00
Contingency	100,000.00	100,000.00		
Amount Transferred		(12,647.20)		87,352.80
Elections	6,720.00	6,720.00	6,674.53	45.47
Judicial System	17,000.00	17,000.00	7,640.64	9,359.36
Financial Administration:				
Auditor	116,557.96	116,557.96	114,902.69	1,655.27
Treasurer	97,907.25	97,907.25	97,383.01	524.24
Legal Services:				
State's Attorney	73,217.63	76,330.31	76,330.31	0.00
Court Appointed Attorney	10,000.00	10,915.74	10,915.74	0.00
Abused and Neglected Child Defense	750.00	750.00	0.00	750.00
Other Administration:				
General Government Building	160,461.95	160,461.95	135,596.01	24,865.94

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Director of Equalization	136,778.11	136,778.11	135,756.14	1,021.97
Register of Deeds	80,911.24	80,911.24	73,853.45	7,057.79
Veterans Service Officer	10,608.75	10,608.75	10,173.16	435.59
Predatory Animal	6,800.68	6,800.68	6,800.68	0.00
Public Safety:				
Law Enforcement:				
Sheriff	245,720.78	245,720.78	179,314.64	66,406.14
County Jail	53,600.00	53,600.00	34,253.44	19,346.56
Coroner	1,725.00	1,725.00	255.65	1,469.35
Public Works:				
Sanitation:				
Solid Waste	19,134.00	19,134.00	17,360.58	1,773.42
Health and Welfare:				
Economic Assistance:				
Support of Poor	59,650.00	59,650.00	4,754.00	54,896.00
Public Welfare	200.00	200.00	0.00	200.00
Health Assistance:				
County Nurse	31,497.96	31,970.46	31,970.46	0.00
Mental Health Services:				
Mentally Ill	2,400.00	2,400.00	0.00	2,400.00
Developmentally Disabled	2,160.00	2,160.00	2,160.00	0.00
Mental Health Centers	10,950.00	10,950.00	9,450.00	1,500.00
Mental Illness Board	2,400.00	2,400.00	0.00	2,400.00
Other	350.00	350.00	0.00	350.00
Culture and Recreation:				
Culture:				
Public Library	77,608.71	77,608.71	72,039.01	5,569.70
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	39,946.77	40,797.60	40,797.60	0.00
Weed and Pest Control	127,241.18	127,241.18	103,809.33	23,431.85
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	2,915.70	2,915.70	2,615.85	299.85
Debt Service	132,000.00	132,000.00	127,855.90	4,144.10
Total Expenditures	<u>1,680,537.87</u>	<u>1,675,106.69</u>	<u>1,357,851.29</u>	<u>317,255.40</u>
Excess of Revenues Over (Under) Expenditures	<u>426,525.50</u>	<u>431,956.68</u>	<u>814,451.90</u>	<u>382,495.22</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(765,000.00)	(765,000.00)	(700,000.00)	65,000.00
Insurance Proceeds	200.00	200.00	0.00	(200.00)
Sale of County Property	100.00	100.00	0.00	(100.00)
Total Other Financing Sources (Uses)	<u>(764,700.00)</u>	<u>(764,700.00)</u>	<u>(700,000.00)</u>	<u>64,700.00</u>
Net Change in Fund Balance	(338,174.50)	(332,743.32)	114,451.90	447,195.22
Fund Balance - Beginning	<u>1,381,411.32</u>	<u>1,381,411.32</u>	<u>1,381,411.32</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,043,236.82</u>	<u>\$ 1,048,668.00</u>	<u>\$ 1,495,863.22</u>	<u>\$ 447,195.22</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 81,008.24	\$ 81,008.24	\$ 88,017.09	\$ 7,008.85
General Property Taxes--Delinquent	300.00	300.00	0.00	(300.00)
Penalties and Interest	100.00	100.00	118.12	18.12
Licenses and Permits	50.00	50.00	0.00	(50.00)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	7,290.20	7,290.20
Federal Payments in Lieu of Taxes	100.00	100.00	159.21	59.21
State Shared Revenue:				
Bank Franchise	150.00	150.00	257.43	107.43
Motor Vehicle Licenses	625,000.00	625,000.00	734,773.08	109,773.08
State Highway Fund (former 10% game)	1,300.00	1,300.00	1,492.31	192.31
Prorate License Fees	43,000.00	43,000.00	49,551.86	6,551.86
63 3/4% Mobile Home	0.00	0.00	4,495.01	4,495.01
Motor Fuel Tax	0.00	0.00	6,229.60	6,229.60
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	15,100.00	15,100.00	59,579.06	44,479.06
Miscellaneous Revenue:				
Other	400.00	400.00	30.01	(369.99)
<b>Total Revenues</b>	<u>766,508.24</u>	<u>766,508.24</u>	<u>951,992.98</u>	<u>185,484.74</u>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,896,531.00	1,870,966.74	1,870,966.74	0.00
Debt Service	0.00	30,000.00	30,000.00	0.00
<b>Total Expenditures</b>	<u>1,896,531.00</u>	<u>1,900,966.74</u>	<u>1,900,966.74</u>	<u>0.00</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,130,022.76)</u>	<u>(1,134,458.50)</u>	<u>(948,973.76)</u>	<u>185,484.74</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	750,000.00	750,000.00	700,000.00	(50,000.00)
Sale of County Property	500.00	500.00	98,427.60	97,927.60
<b>Total Other Financing Sources (Uses)</b>	<u>750,500.00</u>	<u>750,500.00</u>	<u>798,427.60</u>	<u>47,927.60</u>
Net Change in Fund Balance	(379,522.76)	(383,958.50)	(150,546.16)	233,412.34
Fund Balance - Beginning	<u>454,607.36</u>	<u>454,607.36</u>	<u>454,607.36</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 75,084.60</u>	<u>\$ 70,648.86</u>	<u>\$ 304,061.20</u>	<u>\$ 233,412.34</u>

HAND 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.

**HAND COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Two Years Ended December 31, 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2013	Expenditures 2014
US Department of Agriculture: Community Facilities Loans and Grants Cluster: Direct Federal Funding: Community Facilities Loans and Grants (Note 3)	10.780		\$ 642,081.43	\$
US Department of Interior: Direct Federal Funding: Bureau of Land Management, Distribution of Receipts to State and Local Governments (Note 2)	15.227		2,095.90	2,344.23
US Department of Justice: Direct Federal Funding: Public Safety Partnership and Community Policing Grants	16.710		34,340.25	6,428.19
US Department of Transportation: Highway Safety Cluster: Indirect Federal Funding: SD Department of Public Safety, State and Community Highway Safety	20.600		5,492.97	6,711.72
US General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		182.52	68.00
US Elections Assistance Commission: Indirect Federal Funding: SD Secretary of State, Help America Vote Act Requirements Payments	90.401			5,840.00
US Department of Homeland Security: Indirect Federal Funding: SD Department of Public Safety, Office of Emergency Management, Emergency Management Performance Grants Homeland Security Grant Program	97.042 97.067		25,146.57 27,681.75	26,100.14
Total US Department of Homeland Security			52,828.32	26,100.14
GRAND TOTAL			\$ 737,021.39	\$ 47,492.28

**Note 1:** This accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified cash basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**Note 2:** Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 3:** This represents a Major Federal Financial Assistance Program.

**Note 4:** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

**HAND COUNTY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Two Years Ended December 31, 2014**

Indebtedness	Long-Term Debt January 1, 2013	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2014
<b>Governmental Long-Term Debt:</b>				
Equipment Installment Loan Contracts	\$ 420,145.20	\$ 262,600.00	\$ (265,730.21)	\$ 417,014.99
Rural Development - Community Facilities Loan	2,904,009.06	622,940.64	(3,526,949.70)	0.00
General Obligation Refunding Bonds		3,323,855.48	(104,381.23)	3,219,474.25
Gravel Royalty Contracts	45,000.00	75,000.00	(60,000.00)	60,000.00
<b>Total</b>	<b>\$ 3,369,154.26</b>	<b>\$ 4,284,396.12</b>	<b>\$ (3,957,061.14)</b>	<b>\$ 3,696,489.24</b>

Note 1 - Long-Term Debt:

Debt payable at December 31, 2014 is comprised of the following:

Equipment Installment Loan Contracts:

Installment loan contract for the purchase of a John Deere Motorgrader. The contract had an original balance of \$214,534.29, an interest rate of 3.95% and called for annual payments of \$40,937.09 beginning April 14, 2012 and ending April 14, 2017. Payments are made by the Road and Bridge Fund. \$ 113,734.23

Installment loan contract for the purchase of a John Deere Motorgrader. The contract had an original balance of \$262,600.00, an interest rate of 3.20% and called for annual payments of \$46,117.35 beginning June 1, 2014 and ending June 1, 2018. Payments are made by the Road and Bridge Fund. \$ 223,021.65

Installment loan contract for the purchase of a Asphalt Stripper. The contract had an original balance of \$155,000.00, an interest rate of 3.99% and called for annual payments of \$42,756.85 beginning July 5, 2013 and ending July 5, 2016. Payments are made by the Road and Bridge Fund. \$ 80,259.11

Rural Development - Community Facilities Loan:

Community Facilities Loan was for the construction and renovation of the County owned hospital. The loan was drawn for \$3,500,000 which allowed for multiple draws during the construction phase. The loan was dated November 4, 2010 and had an interest rate of 4.125%. Interest only payments were due November 4, 2011 and 2012 with 2016 consecutive monthly principal and interest payments of \$22,995 commencing on December 4, 2014. This loan was repaid in full during the audit period using the proceeds of the General Obligation Refunding Bond. \$ 0.00

General Obligation Refunding Bonds:

General Obligation Refunding Bonds were issued May 13, 2014 to refinance a Rural Development Loan. The initial balance of the bond was \$3,323,855.48 and an initial interest rate of 2.80% for the first 7.5 years a rate equal to the 30 day average FHLB 7 year fixed rate index capped at 5.05% and a 2.80% floor. Monthly principal and interest payments of \$22,635.57 began on June 13, 2014 and end May 13, 2029. Payments are made from the Debt Service Fund and financed through an operating agreement with Avera. \$ 3,219,474.25

Gravel Royalty Contracts:

The debt is comprised of two contracts. The first contract was signed on November 22, 2011 for purchase of 32,400 tons of gravel at \$1.50 per ton or \$48,445. The contract calls for one payment of \$3,445.50 on January 15, 2012 and three subsequent annual payments of \$15,000 beginning January 15, 2013. The second contract was signed September 27, 2013 for the purchase of 50,000 tons of gravel at \$1.50 per ton or \$75,000. The contract calls for five payments of \$15,000, the first due December 31, 2013 and four annual payments beginning January 15, 2014 and ending January 15, 2017. Payments are made from the Road and Bridge Fund. \$ 60,000.00