

HUGHES COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2014

HUGHES COUNTY
COUNTY OFFICIALS
December 31, 2014

Board of Commissioners:

Roger Inman
Norm Weaver
Jim Hardwick
Bill Abernathy
Tom Tveit

Finance Officer:

Jane Naylor

Co-Treasurer:

Linda Lafrentz
Mary Scott

State's Attorney:

Wendy Kloeppner

Register of Deeds:

Norine Riis

Sheriff:

Mike Leidholt

HUGHES 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
Hughes County
Pierre, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Hughes 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 October 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

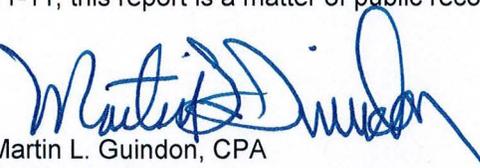
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Audit Findings as item No. 2014-001.

County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

October 19, 2015

HUGHES COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Finding:

Compliance and Other Matters:

Noncompliance with South Dakota Codified Laws

Finding No. 2014-001:

The County did not comply with several South Dakota Codified Laws (SDCL's) governing the operations of the County.

Analysis:

- a. The apportionment and distribution of the 2014 25% County Road remittance, totaling \$6,169.09, was not made as required by SDCL 10-12-9.
- b. The apportionment and distribution of the State Highway Funds (formerly 10% Game) for 2014 and 2013, totaling \$1,607.08 in both years, was not made to the effected township as required by SDCL 32-11-6.
- c. The apportionment and distribution of Motor Fuel Tax for 2014 and 2013, totaling \$156.41 and \$158.63, respectively, was not made to the effected township as required by SDCL 10-47B-149.1.
- d. The apportionment and distribution of the 2014 Rural Electric Gross Receipts Tax was not properly made as required by SDCL 10-36-10. The Agar-Blunt-Onida (ABO) School District No. 58-3 received \$24,562.90 but should have received \$8,477.64 and Highmore-Harrold School District No. 34-2 received \$8,477.64 but should have received \$24,562.90. This noncompliance was noted by the County Finance Officer and brought to our attention during the course of the audit. The County will correct the apportionment and distribution error in the coming year.
- e. The apportionment and distribution of the 2014 and 2013 Fire Insurance Premium Tax was not properly made as required by SDCL 10-44-9.4. Errors made in the apportionment and distribution resulted in three of the four certified fire departments receiving approximately \$1,472.00 too much and one certified fire department not receiving enough by approximately \$5,118.00.
- f. SDCL 10-17-9 states that the County Auditor shall reconcile the unpaid taxes shown in the tax lists that are no more than six years old to the unpaid balance of taxes in the tax list account each December thirty-first or within thirty days thereafter. We found no evidence that the Finance Officer performed the required reconciliation.
- g. SDCL 10-23-2 states that the County Treasurer shall give notice of the sale of real property for taxes or assessments by publication in the official newspapers of the County. The County Auditor is to reconcile the published list of unpaid taxes to the unpaid taxes in the tax list. The Finance Officer did not perform a reconciliation of the December 2014 published list of unpaid taxes to the unpaid taxes in the County Treasurer's tax list as required by SDCL 10-23-2.

- h. Changes in employee pay rates and new employees pay rates were not listed in the board minutes as required by SDCL 6-1-10.
- i. The Auditor's Account with the Treasurer was not being properly completed as required by SDCL 7-10-3. The Finance Officer was not physically counting the cash items listed on the treasurer's daily balance record on the last day of the month. The Auditor's Account with the Treasurer serves as a check and balance of the County Treasurer's Office by verifying all cash items and bank accounts noted in the Treasurer's Daily Balance Record for propriety.
- j. The Hughes/Stanley County Achievement Days Board did not submit a 2014 annual report to the County. SDCL 7-27-15 states that a county fair board or operating corporation must file with the county auditor an annual report of all receipts and expenditures not later than December thirty-first of each year.

RECOMMENDATIONS:

1. We recommend the County properly apportion and distribute the 2014 25% County Road remittance to the effected entities.
2. We recommend the County properly apportion and distribute the 2014 and 2013 State Highway Funds (formerly 10% Game) to the effected township.
3. We recommend the County properly apportion and distribute the 2014 and 2013 Motor Fuel Tax to the effected township.
4. We recommend the County contact the Highmore-Harrold School District and the Agar-Blunt-Onida School District regarding the error in distributing the 2014 Rural Electric Gross Receipts Tax and correct the distribution error.
5. We recommend the County contact the certified fire departments regarding the error in distributing the 2014 and 2013 Fire Insurance Premium Tax and correct the distribution error.
6. We recommend the Finance Officer reconcile the tax account record with the tax list as required by SDCL 10-17-9.
7. We recommend the Finance Officer reconcile the published list of unpaid taxes to the unpaid taxes in the tax list as required by SDCL 10-23-2.
8. We recommend the County list changes in pay rates and new hires pay rates in the minutes as required by SDCL 6-1-10.
9. We recommend the Finance Officer properly complete the Auditor's Account with the Treasurer as required by SDCL 7-10-3.
10. We recommend the County require the Hughes/Stanley County Achievement Days Board to submit an annual report as required by SDCL 7-27-15.

Management's Response:

Having been briefed on the audit findings by Dave Schlosser, Hughes County staff and Commissioners will work to correct the issues brought forward in the audit in a timely manner.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Hughes County
Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hughes 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, the business-type activities, each major fund, and the aggregate remaining fund information of Hughes 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.

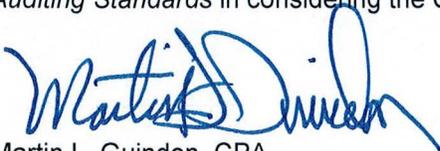
Other Matters

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 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 October 19, 2015 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

October 19, 2015

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 905,762.54	\$ 100,554.14	\$ 1,006,316.68
Investments	2,503,861.44		2,503,861.44
TOTAL ASSETS	\$ 3,409,623.98	\$ 100,554.14	\$ 3,510,178.12
NET POSITION:			
Restricted For: (See Note 5)			
Road and Bridge Purposes	\$ 224,651.99	\$	\$ 224,651.99
Courthouse Building Purposes	323,912.26		323,912.26
Other Purposes	129,758.56		129,758.56
Unrestricted	2,731,301.17	100,554.14	2,831,855.31
TOTAL NET POSITION	\$ 3,409,623.98	\$ 100,554.14	\$ 3,510,178.12

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

HUGHES 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	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 2,773,023.80	\$ 385,466.89	\$ 25,106.72	\$ (2,362,450.19)	\$	\$ (2,362,450.19)
Public Safety	4,685,416.07	2,489,434.64	316,053.03	(1,879,928.40)		(1,879,928.40)
Public Works	2,836,276.92	39,411.90	1,558,154.07	(1,238,710.95)		(1,238,710.95)
Health and Welfare	326,570.06	3,550.88		(323,019.18)		(323,019.18)
Culture and Recreation	44,953.65	34,175.12		(10,778.53)		(10,778.53)
Conservation of Natural Resources	134,206.23	19,089.18		(115,117.05)		(115,117.05)
Urban and Economic Development	135,909.98			(135,909.98)		(135,909.98)
*Interest on Long-Term Debt	376,898.70			(376,898.70)		(376,898.70)
Total Governmental Activities	11,313,255.41	2,971,128.61	1,899,313.82	(6,442,812.98)	0.00	(6,442,812.98)
Business-Type Activities:						
Sanitary System	101,008.12	131,209.54			30,201.42	30,201.42
Total Primary Government	\$ 11,414,263.53	\$ 3,102,338.15	\$ 1,899,313.82	(6,442,812.98)	30,201.42	(6,412,611.56)
General Revenues:						
Taxes:						
Property Taxes				4,649,411.79		4,649,411.79
Wheel Tax				189,916.62		189,916.62
State Shared Revenues				197,808.23		197,808.23
Grants and Contributions not Restricted to Specific Programs				93,310.66		93,310.66
Unrestricted Investment Earnings				19,317.59	423.75	19,741.34
Miscellaneous Revenue				358,015.47		358,015.47
Transfers				32,176.15	(32,176.15)	0.00
Total General Revenues and Transfers				5,539,956.51	(31,752.40)	5,508,204.11
Change in Net Position				(902,856.47)	(1,550.98)	(904,407.45)
Net Position - Beginning				4,312,480.45	102,105.12	4,414,585.57
NET POSITION - ENDING				\$ 3,409,623.98	\$ 100,554.14	\$ 3,510,178.12

* 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.

HUGHES 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	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 2,285,834.26	\$ 385,184.28	\$ 23,115.95	\$ (1,877,534.03)	\$	\$ (1,877,534.03)
Public Safety	4,571,888.79	3,251,082.41	332,358.21	(988,448.17)		(988,448.17)
Public Works	2,664,046.90	16,056.95	1,514,139.02	(1,133,850.93)		(1,133,850.93)
Health and Welfare	279,683.62	3,208.51		(276,475.11)		(276,475.11)
Culture and Recreation	41,311.84	13,311.59		(28,000.25)		(28,000.25)
Conservation of Natural Resources	141,076.33	6,740.40		(134,335.93)		(134,335.93)
Urban and Economic Development	102,181.34			(102,181.34)		(102,181.34)
*Interest on Long-Term Debt	398,308.27			(398,308.27)		(398,308.27)
Total Governmental Activities	10,484,331.35	3,675,584.14	1,869,613.18	(4,939,134.03)	0.00	(4,939,134.03)
Business-Type Activities:						
Sanitary System	74,331.29	141,171.20			66,839.91	66,839.91
Total Primary Government	\$ 10,558,662.64	\$ 3,816,755.34	\$ 1,869,613.18	(4,939,134.03)	66,839.91	(4,872,294.12)
General Revenues:						
Taxes:						
Property Taxes				4,459,262.92		4,459,262.92
Wheel Tax				191,117.11		191,117.11
State Shared Revenues				199,208.00		199,208.00
Grants and Contributions not Restricted to Specific Programs				79,276.00		79,276.00
Unrestricted Investment Earnings				20,787.49	431.87	21,219.36
Miscellaneous Revenue				187,101.74		187,101.74
Transfers				33,467.33	(33,467.33)	0.00
Total General Revenues and Transfers				5,170,220.59	(33,035.46)	5,137,185.13
Change in Net Position				231,086.56	33,804.45	264,891.01
Net Position - Beginning				4,081,393.89	68,300.67	4,149,694.56
NET POSITION - ENDING				\$ 4,312,480.45	\$ 102,105.12	\$ 4,414,585.57

* 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.

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 221,458.52	\$ 548,050.20	\$ 136,253.82	\$ 905,762.54
Investments	1,203,861.44	1,000,000.00	300,000.00	2,503,861.44
TOTAL ASSETS	<u><u>\$ 1,425,319.96</u></u>	<u><u>\$ 1,548,050.20</u></u>	<u><u>\$ 436,253.82</u></u>	<u><u>\$ 3,409,623.98</u></u>
FUND BALANCES: (See Note 1.k.)				
Restricted	\$ 46,273.08	\$ 224,651.99	\$ 407,397.74	\$ 678,322.81
Assigned	1,379,046.88	1,323,398.21	28,856.08	2,731,301.17
TOTAL FUND BALANCES	<u><u>\$ 1,425,319.96</u></u>	<u><u>\$ 1,548,050.20</u></u>	<u><u>\$ 436,253.82</u></u>	<u><u>\$ 3,409,623.98</u></u>

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

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HUGHES 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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 4,242,155.14	\$	\$ 348,617.78	\$ 4,590,772.92
General Property Taxes--Delinquent	41,689.26		2,742.59	44,431.85
Penalties and Interest	11,468.52		742.12	12,210.64
Telephone Tax (Outside)	484.48			484.48
Mobile Home Tax	1,439.76		72.14	1,511.90
Wheel Tax		189,916.62		189,916.62
Licenses and Permits	36,722.20		5,528.00	42,250.20
Intergovernmental Revenue:				
Federal Grants		5,577.05	101,508.40	107,085.45
Federal Shared Revenue	461.57		44.88	506.45
Federal Payments in Lieu of Taxes	93,310.66			93,310.66
State Shared Revenue:				
Bank Franchise	105,406.75		122.78	105,529.53
Motor Vehicle Licenses		1,099,510.96		1,099,510.96
State Highway Fund (former 10% game)		46,961.90		46,961.90
Court Appointed Attorney/Public Defender	19,991.27			19,991.27
Prorate License Fees		63,451.16		63,451.16
63 3/4% Mobile Home		15,864.99		15,864.99
Secondary Road Motor Vehicle Remittances		315,361.82		315,361.82
Telecommunications Gross Receipts Tax	92,278.68			92,278.68
Motor Vehicle 1/4%	4,653.88			4,653.88
Motor Fuel Tax		11,426.19		11,426.19
911 Remittances			214,499.75	214,499.75
Other Intergovernmental Revenue	5,062.77		2,439.46	7,502.23
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	28,178.00			28,178.00
Register of Deeds' Fees	192,702.50		12,590.86	205,293.36
Legal Services	77,121.58			77,121.58
Public Safety:				
Law Enforcement	54,327.34			54,327.34
Prisoner Care	2,338,597.72			2,338,597.72

Sobriety Testing			38,461.00	38,461.00
Public Works:				
Road Maintenance Contract Charges	39,411.90			39,411.90
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,550.88			3,550.88
Veterans Service Officer	4,150.00			4,150.00
Culture and Recreation	34,175.12			34,175.12
Conservation of Natural Resources	19,089.18			19,089.18
Other Charges	10,773.75			10,773.75
Fines and Forfeits:				
Costs	41,398.58			41,398.58
Forfeits	16,650.00			16,650.00
Miscellaneous Revenue:				
Investment Earnings	10,647.06	6,474.47	2,196.06	19,317.59
Rent	15,300.00		2,400.00	17,700.00
Refund of Prior Year's Expenditures	674.00		456.81	1,130.81
Other	4,748.48	2,798.71		7,547.19
Total Revenues	<u>7,507,209.13</u>	<u>1,796,755.77</u>	<u>732,422.63</u>	<u>10,036,387.53</u>

Expenditures:

General Government:				
Legislative:				
Board of County Commissioners	290,651.53			290,651.53
Elections	40,607.26			40,607.26
Judicial System	139,821.85			139,821.85
Financial Administration:				
Auditor	182,642.27			182,642.27
Treasurer	222,208.64			222,208.64
Data Processing	58,942.32			58,942.32
Legal Services:				
State's Attorney	316,704.24			316,704.24
Public Defender	249,746.05			249,746.05
Court Appointed Attorney	134,783.06			134,783.06
Abused and Neglected Child Defense	12,555.68			12,555.68
Other Administration:				
General Government Building	416,037.67		375,382.46	791,420.13
Director of Equalization	137,057.27			137,057.27
Register of Deeds	113,224.22		982.00	114,206.22
Veterans Service Officer	79,643.03			79,643.03
Predatory Animal	2,034.25			2,034.25
Public Safety:				
Law Enforcement:				
Sheriff	659,334.92			659,334.92

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
County Jail	2,470,032.54		47,909.14	2,517,941.68
Coroner	14,154.45			14,154.45
Juvenile Detention	542,507.24			542,507.24
Protective and Emergency Services:				
Fire Protection			109,905.85	109,905.85
Emergency and Disaster Services			209,722.18	209,722.18
Communication Center (E911 City Pierre)			214,499.75	214,499.75
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		2,801,276.92		2,801,276.92
Transportation:				
Transit	35,000.00			35,000.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	67,050.56			67,050.56
Health Assistance:				
Ambulance	52,560.00			52,560.00
Social Services:				
Domestic Abuse			5,457.00	5,457.00
Mental Health Services:				
Mentally Ill	161,206.63			161,206.63
Mental Illness Board	40,295.87			40,295.87
Culture and Recreation:				
Culture:				
Public Library	15,124.00			15,124.00
Recreation:				
Exhibition Building	9,029.65			9,029.65
County Fair	20,800.00			20,800.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	77,627.02			77,627.02
Weed and Pest Control	56,579.21			56,579.21

Urban and Economic Development:				
Urban Development:				
Planning and Zoning	77,250.76			77,250.76
Urban and Rural Development	13,161.00			13,161.00
Economic Development:				
Other Economic Development - Harrold Terminal			45,498.22	45,498.22
Debt Service			794,248.70	794,248.70
Total Expenditures	<u>6,708,373.19</u>	<u>2,801,276.92</u>	<u>1,803,605.30</u>	<u>11,313,255.41</u>
Excess of Revenues Over (Under) Expenditures	<u>798,835.94</u>	<u>(1,004,521.15)</u>	<u>(1,071,182.67)</u>	<u>(1,276,867.88)</u>
Other Financing Sources (Uses):				
Transfers In	32,176.15	745,498.23	913,398.70	1,691,073.08
Transfers Out	(1,613,398.70)		(45,498.23)	(1,658,896.93)
Insurance Proceeds	13,725.62		6,682.00	20,407.62
Sale of County Property		321,427.64		321,427.64
Total Other Financing Sources (Uses)	<u>(1,567,496.93)</u>	<u>1,066,925.87</u>	<u>874,582.47</u>	<u>374,011.41</u>
Net Change in Fund Balance	(768,660.99)	62,404.72	(196,600.20)	(902,856.47)
Fund Balance - Beginning	<u>2,193,980.95</u>	<u>1,485,645.48</u>	<u>632,854.02</u>	<u>4,312,480.45</u>
FUND BALANCE - ENDING	<u>\$ 1,425,319.96</u>	<u>\$ 1,548,050.20</u>	<u>\$ 436,253.82</u>	<u>\$ 3,409,623.98</u>

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

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

	General Fund	Road and Bridge Fund	Courthouse Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	\$ 4,070,514.13	\$	\$ 170,746.67	\$ 174,885.23	\$ 4,416,146.03
General Property Taxes--Delinquent	29,797.58		1,248.24	435.03	31,480.85
Penalties and Interest	9,211.44		385.92	226.92	9,824.28
Telephone Tax (Outside)	428.11				428.11
Mobile Home Tax	1,319.24		55.25	9.16	1,383.65
Wheel Tax		191,117.11			191,117.11
Licenses and Permits	41,236.52			4,955.91	46,192.43
Intergovernmental Revenue:					
Federal Grants	18,011.46	78,561.50		111,856.16	208,429.12
Federal Shared Revenue	296.44		12.40	16.42	325.26
Federal Payments in Lieu of Taxes	79,276.00				79,276.00
State Shared Revenue:					
Bank Franchise	92,960.88			89.69	93,050.57
Motor Vehicle Licenses		993,187.86			993,187.86
State Highway Fund (former 10% game)		45,354.82			45,354.82
Court Appointed Attorney/Public Defender	878.21				878.21
Prorate License Fees		59,403.57			59,403.57
63 3/4% Mobile Home		39,453.41			39,453.41
Secondary Road Motor Vehicle Remittances		286,747.84			286,747.84
Telecommunications Gross Receipts Tax	106,157.43				106,157.43
Motor Vehicle 1/4%	4,226.28				4,226.28
Motor Fuel Tax		11,430.02			11,430.02
911 Remittances				220,502.05	220,502.05
Other Intergovernmental Revenue				1,206.89	1,206.89
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	29,354.50				29,354.50
Register of Deeds' Fees	168,382.00			15,381.42	183,763.42
Legal Services	72,541.87				72,541.87
Public Safety:					
Law Enforcement	57,293.98				57,293.98
Prisoner Care	3,111,062.64				3,111,062.64

Sobriety Testing				42,676.00	42,676.00
Other				2,022.00	2,022.00
Public Works:					
Road Maintenance Contract Charges		16,056.95			16,056.95
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	3,208.51				3,208.51
Veterans Service Officer	12,912.99				12,912.99
Culture and Recreation	13,311.59				13,311.59
Conservation of Natural Resources	6,740.40				6,740.40
Other Charges	12,773.19			13,395.88	26,169.07
Fines and Forfeits:					
Costs	33,747.79				33,747.79
Forfeits	4,280.00				4,280.00
Miscellaneous Revenue:					
Investment Earnings	11,699.72	7,306.56	1,781.21		20,787.49
Rent	13,650.00			600.00	14,250.00
Other	126,675.05	2,520.18			129,195.23
Total Revenues	<u>8,131,947.95</u>	<u>1,731,139.82</u>	<u>174,229.69</u>	<u>588,258.76</u>	<u>10,625,576.22</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners	288,711.96				288,711.96
Elections	5,915.31				5,915.31
Judicial System	144,618.13				144,618.13

Financial Administration:

Auditor	178,791.74				178,791.74
Treasurer	216,912.11				216,912.11
Data Processing	76,805.33				76,805.33

Legal Services:

State's Attorney	307,507.28				307,507.28
Public Defender	249,647.66				249,647.66
Court Appointed Attorney	116,531.23				116,531.23
Abused and Neglected Child Defense	7,944.94				7,944.94

Other Administration:

General Government Building	369,560.65				369,560.65
Director of Equalization	131,350.29				131,350.29
Register of Deeds	109,159.46				109,159.46
Veterans Service Officer	80,343.92				80,343.92
Predatory Animal	2,034.25				2,034.25

Public Safety:

Law Enforcement:

Sheriff	657,746.30				657,746.30
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HUGHES COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Courthouse Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
County Jail	2,394,812.08			53,284.32	2,448,096.40
Coroner	12,140.00				12,140.00
Juvenile Detention	532,554.67				532,554.67
Protective and Emergency Services:					
Fire Protection				108,676.88	108,676.88
Emergency and Disaster Services				192,172.49	192,172.49
Communication Center (E911 City Pierre)				220,502.05	220,502.05
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		2,631,046.90			2,631,046.90
Transportation:					
Transit	33,000.00				33,000.00
Health and Welfare:					
Economic Assistance:					
Support of Poor	44,346.10				44,346.10
Health Assistance:					
County Nurse	7,725.00				7,725.00
Ambulance	72,919.47				72,919.47
Social Services:					
Domestic Abuse				4,828.91	4,828.91
Mental Health Services:					
Mentally Ill	122,086.86				122,086.86
Mental Illness Board	27,777.28				27,777.28
Culture and Recreation:					
Culture:					
Public Library	14,821.00				14,821.00
Recreation:					
Exhibition Building	5,690.84				5,690.84
County Fair	20,800.00				20,800.00
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	72,376.33				72,376.33
Weed and Pest Control	68,700.00				68,700.00

Urban and Economic Development:					
Urban Development:					
Planning and Zoning	76,693.85			76,693.85	
Urban and Rural Development	12,820.56			12,820.56	
Economic Development:					
Other Economic Development - Harrold Terminal				12,666.93	12,666.93
Debt Service				798,308.27	798,308.27
Total Expenditures	<u>6,462,844.60</u>	<u>2,631,046.90</u>	<u>0.00</u>	<u>1,390,439.85</u>	<u>10,484,331.35</u>
Excess of Revenues Over (Under) Expenditures	<u>1,669,103.35</u>	<u>(899,907.08)</u>	<u>174,229.69</u>	<u>(802,181.09)</u>	<u>141,244.87</u>
Other Financing Sources (Uses):					
Transfers In	33,467.33	786,385.17		917,458.27	1,737,310.77
Transfers Out	(1,617,458.27)			(86,385.17)	(1,703,843.44)
Insurance Proceeds	7,012.00				7,012.00
Sale of County Property	6,862.36	42,500.00			49,362.36
Total Other Financing Sources (Uses)	<u>(1,570,116.58)</u>	<u>828,885.17</u>	<u>0.00</u>	<u>831,073.10</u>	<u>89,841.69</u>
Net Change in Fund Balance	98,986.77	(71,021.91)	174,229.69	28,892.01	231,086.56
Fund Balance - Beginning	<u>2,094,994.18</u>	<u>1,556,667.39</u>	<u>342,424.06</u>	<u>87,308.26</u>	<u>4,081,393.89</u>
FUND BALANCE - ENDING	<u>\$ 2,193,980.95</u>	<u>\$ 1,485,645.48</u>	<u>\$ 516,653.75</u>	<u>\$ 116,200.27</u>	<u>\$ 4,312,480.45</u>

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

HUGHES COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2014

	Enterprise Fund Sanitary System Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 100,554.14
TOTAL ASSETS	\$ 100,554.14
NET POSITION:	
Unrestricted	\$ 100,554.14
TOTAL NET POSITION	\$ 100,554.14

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

HUGHES COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Fund Sanitary System Fund
Operating Revenues:	
Charges for Goods and Services	\$ 130,761.06
Miscellaneous	448.48
	131,209.54
Total Operating Revenues	
Operating Expenses:	
Personal Services	25,486.80
Other Current Expense	31,530.26
Materials	43,991.06
	101,008.12
Total Operating Expenses	
Operating Income (Loss)	30,201.42
Nonoperating Revenues (Expenses):	
Investment Earnings	423.75
	30,625.17
Income (Loss) Before Transfers	
Transfers Out	(32,176.15)
	(1,550.98)
Change in Net Position	
Net Position - Beginning	102,105.12
	100,554.14
NET POSITION - ENDING	\$ 100,554.14

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

HUGHES COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Enterprise Fund Sanitary System Fund
Operating Revenues:	
Charges for Goods and Services	\$ 139,542.90
Miscellaneous	1,628.30
	141,171.20
Total Operating Revenues	141,171.20
Operating Expenses:	
Personal Services	23,932.79
Other Current Expense	10,428.26
Materials	39,970.24
	74,331.29
Total Operating Expenses	74,331.29
Operating Income (Loss)	66,839.91
Nonoperating Revenues (Expenses):	
Investment Earnings	431.87
	431.87
Income (Loss) Before Transfers	67,271.78
Transfers Out	(33,467.33)
	33,804.45
Change in Net Position	33,804.45
Net Position - Beginning	68,300.67
	68,300.67
NET POSITION - ENDING	\$ 102,105.12

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

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

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 610,322.60
TOTAL ASSETS	<u>\$ 610,322.60</u>
NET POSITION:	
Net Position Held in Agency Capacity	\$ 610,322.60
TOTAL NET POSITION	<u>\$ 610,322.60</u>

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

HUGHES 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 Hughes 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and 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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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.

Courthouse Building Fund – authorized by SDCL 7-25-1 to account for the accumulation of a special tax levy not to exceed ninety cents per thousand dollars of taxable valuation annually for the acquisition or construction of a courthouse, office, jail building, county extension buildings, grandstands and bleachers, highway maintenance buildings, or public library. This is a major fund in 2013 only.

The remaining Special Revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, Courthouse Building (2014 only), 24/7 Sobriety, Modernization and Preservation Relief, and the Harrold TIF. 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.

Jail Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related

primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

- b. *Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Sanitary System Fund – financed primarily by user charges this fund accounts for the operation and maintenance of the sanitary system located at Cow/Spring Creek. The County has elected to report this as 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, both governmental and business-type 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 and business-type 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, while the fund financial statements for proprietary fund types would use the 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 primarily 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, governmental and business-type activities 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, Limited Tax General Obligation Certificates of Participation.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities 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. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets 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. Proprietary fund equity is classified the same as in the government-wide financial statements.

Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

j. Application of Net Assets:

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.

k. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County classifies governmental fund balances as follows:

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Road and Bridge Fund	Federal and State Grants, Wheel Taxes, and Motor Vehicle License
Courthouse Building Fund (2013)	Property Taxes

A schedule of fund balances is provided as follows:

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted For:				
Exposition Building Purposes	\$ 46,273.08	\$	\$	\$ 46,273.08
Snow Removal Purposes		224,651.99		224,651.99
24/7 Sobriety Purposes			51,240.20	51,240.20
Domestic Abuse Program Purposes			410.00	410.00
Courthouse Building Purposes			323,912.26	323,912.26
Modernization and Preservation Relief Purposes			31,835.28	31,835.28
Assigned To:				
Applied to Next Year's Budget	1,379,046.88			1,379,046.88
Road and Bridge Purposes		1,323,398.21		1,323,398.21
Emergency Management Purposes			16,822.93	16,822.93
Fire Protection Purposes			12,033.15	12,033.15
Total Fund Balances	<u><u>\$ 1,425,319.96</u></u>	<u><u>\$ 1,548,050.20</u></u>	<u><u>\$ 436,253.82</u></u>	<u><u>\$ 3,409,623.98</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>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 3,862.36

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

3. PROPERTY TAXES

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

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

4. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there were three series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$7,977,328.41.

5. RESTRICTED NET POSITION

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

Major Purposes:

Road and Bridge Purposes	\$ 224,651.99
Courthouse Building Purposes	<u>323,912.26</u>

Other Purposes:

Exposition Building Purposes	46,273.08
Domestic Abuse Purposes	410.00
24/7 Sobriety Program Purposes	51,240.20
Modernization and Preservation Relief Purposes	<u>31,835.28</u>

Total Other Purposes	<u>129,758.56</u>
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Total Restricted Net Position	<u>\$ 678,322.81</u>
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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:

<u>Transfers From:</u>	<u>Transfers To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:				
General Fund	\$	\$ 700,000.00	\$ 913,398.70	\$ 1,613,398.70
Sanitary System Fund	32,176.15			32,176.15
Other Governmental Funds:				
Harrold TIF Fund		45,498.23		45,498.23
Total	<u>\$ 32,176.15</u>	<u>\$ 745,498.23</u>	<u>\$ 913,398.70</u>	<u>\$ 1,691,073.08</u>

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

<u>Transfers From:</u>	<u>Transfers To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:				
General Fund	\$	\$ 700,000.00	\$ 917,458.27	\$ 1,617,458.27
Sanitary System Fund	33,467.33			33,467.33
Other Governmental Funds:				
Harrold TIF Fund		86,385.17		86,385.17
Total	<u>\$ 33,467.33</u>	<u>\$ 786,385.17</u>	<u>\$ 917,458.27</u>	<u>\$ 1,737,310.77</u>

The County typically budgets transfers to the Road and Bridge Fund, the Rural Fire Fund, the Jail Debt Service Fund, and the Emergency Management Fund to conduct the indispensable functions of the County. The transfer from the Sanitary System Fund to the General Fund was to repay previous advances to the Sanitary System Fund. The transfer from the Harrold TIF Fund to the Road and Bridge Fund was made in accordance with the Tax Incremental Project Plan.

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 South Dakota Codified Law 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 \$253,381.78, \$249,242.04, and \$241,784.06 respectively, equal to the required contributions each year.

8. EXPOSITION BUILDING

The Exposition Building is an undivided interest, or joint operation, between Hughes County, Stanley County, Pierre City, and Ft. Pierre City for the construction and operation of a multiple use exposition building, located at the Stanley County Fairgrounds in Ft. Pierre, South Dakota. The primary use of the facility during the winter months will be for hockey with multiple uses during other times. Interest in the facility is as follows:

Hughes County	35%
Stanley County	15%
City of Pierre	35%
City of Ft. Pierre	15%

Hughes County is acting in the capacity of fiscal agent.

Operating revenues are paid to the Expo Board and maintained by Hughes County. Expenditures are approved by the Expo Board and paid by Hughes County. Each member, in proportion to their interest, pays their respective share of operation and maintenance costs. Hughes County's interest in the operation and maintenance of the facility is reported in the General Fund.

9. SIGNIFICANT CONTINGENCIES - LITIGATION

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

10. 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:

General Government Liability,
Errors and Omissions of Officials and Employees,
Automobile Liability and Physical Damage,
Law Enforcement Liability,
Property and Building, and
Boiler and Machinery

The agreement with the SDPAA provides that the above coverages will be provided to varying limits. 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 \$117,795.87.

The County carries various deductibles for the various coverages.

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

Worker's Compensation:

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

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

Unemployment Benefits:

The County 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, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$690.00. At December 31, 2014, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 4,278,730.00	\$ 4,278,730.00	\$ 4,242,155.14	\$ (36,574.86)
General Property Taxes--Delinquent	30,900.00	30,900.00	41,689.26	10,789.26
Penalties and Interest	10,000.00	10,000.00	11,468.52	1,468.52
Telephone Tax (Outside)	300.00	300.00	484.48	184.48
Mobile Home Tax	1,500.00	1,500.00	1,439.76	(60.24)
Licenses and Permits	34,000.00	34,000.00	36,722.20	2,722.20
Intergovernmental Revenue:				
Federal Grants	28,000.00	28,000.00	0.00	(28,000.00)
Federal Shared Revenue	300.00	300.00	461.57	161.57
Federal Payments in Lieu of Taxes	75,000.00	75,000.00	93,310.66	18,310.66
State Shared Revenue:				
Bank Franchise	65,000.00	65,000.00	105,406.75	40,406.75
Court Appointed Attorney/Public Defender	22,000.00	22,000.00	19,991.27	(2,008.73)
Telecommunications Gross Receipts Tax	90,000.00	90,000.00	92,278.68	2,278.68
Motor Vehicle 1/4%	2,500.00	2,500.00	4,653.88	2,153.88
Other Intergovernmental Revenue	0.00	0.00	5,062.77	5,062.77
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	23,050.00	23,050.00	28,178.00	5,128.00
Register of Deeds' Fees	125,000.00	125,000.00	192,702.50	67,702.50
Legal Services	60,000.00	60,000.00	77,121.58	17,121.58
Public Safety:				
Law Enforcement	54,000.00	54,000.00	54,327.34	327.34
Prisoner Care	3,014,000.00	3,014,000.00	2,338,597.72	(675,402.28)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,000.00	3,000.00	3,550.88	550.88
Veterans Service Officer	10,000.00	10,000.00	4,150.00	(5,850.00)
Culture and Recreation	16,500.00	16,500.00	34,175.12	17,675.12
Conservation of Natural Resources	10,000.00	10,000.00	19,089.18	9,089.18
Other Charges	9,700.00	9,700.00	10,773.75	1,073.75
Fines and Forfeits:				
Costs	40,000.00	40,000.00	41,398.58	1,398.58
Forfeits	4,000.00	4,000.00	16,650.00	12,650.00
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	10,647.06	(9,352.94)
Rent	15,300.00	15,300.00	15,300.00	0.00
Refund of Prior Year's Expenditures	0.00	0.00	674.00	674.00
Other	5,400.00	5,400.00	4,748.48	(651.52)
Total Revenues	8,048,180.00	8,048,180.00	7,507,209.13	(540,970.87)
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	304,500.00	304,500.00	290,651.53	13,848.47
Contingency	250,000.00	250,000.00		
Amount Transferred		(221,395.51)		28,604.49
Elections	72,770.00	72,770.00	40,607.26	32,162.74
Judicial System	128,500.00	139,821.85	139,821.85	0.00
Financial Administration:				
Auditor	178,700.00	182,822.83	182,642.27	180.56
Treasurer	224,950.00	224,950.00	222,208.64	2,741.36
Data Processing	90,150.00	90,150.00	58,942.32	31,207.68
Legal Services:				
State's Attorney	337,736.00	337,736.00	316,704.24	21,031.76
Public Defender	260,830.00	260,830.00	249,746.05	11,083.95
Court Appointed Attorney	80,000.00	134,782.86	134,783.06	(0.20)
Abused and Neglected Child Defense	10,000.00	13,012.68	12,555.68	457.00
Other Administration:				
General Government Building	468,215.00	468,215.00	416,037.67	52,177.33
Director of Equalization	150,520.00	150,520.00	137,057.27	13,462.73

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Register of Deeds	120,639.00	120,639.00	113,224.22	7,414.78
Veterans Service Officer	84,717.00	84,717.00	79,643.03	5,073.97
Predatory Animal	2,100.00	2,100.00	2,034.25	65.75
Public Safety:				
Law Enforcement:				
Sheriff	753,558.00	753,558.00	659,334.92	94,223.08
County Jail	2,543,793.00	2,543,793.00	2,470,032.54	73,760.46
Coroner	13,825.00	14,154.45	14,154.45	0.00
Juvenile Detention	591,775.00	587,929.00	542,507.24	45,421.76
Public Works:				
Transportation:				
Transit	35,000.00	35,000.00	35,000.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	90,650.00	90,650.00	67,050.56	23,599.44
Health Assistance:				
Ambulance	55,000.00	55,000.00	52,560.00	2,440.00
Mental Health Services:				
Mentally Ill	128,000.00	161,206.63	161,206.63	0.00
Mental Illness Board	33,000.00	40,295.87	40,295.87	0.00
Culture and Recreation:				
Culture:				
Public Library	14,850.00	15,124.00	15,124.00	0.00
Recreation:				
Exhibition Building	0.00	0.00	9,029.65	(9,029.65)
County Fair	20,800.00	20,800.00	20,800.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	94,632.00	94,632.00	77,627.02	17,004.98
Weed and Pest Control	54,950.00	56,950.00	56,579.21	370.79
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	101,797.00	101,797.00	77,250.76	24,546.24
Urban and Rural Development	13,161.00	13,161.00	13,161.00	0.00
Total Expenditures	7,309,118.00	7,200,222.66	6,708,373.19	491,849.47
Excess of Revenues Over (Under) Expenditures	739,062.00	847,957.34	798,835.94	(49,121.40)
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	32,176.15	32,176.15
Transfers Out	(1,612,650.00)	(1,612,650.00)	(1,613,398.70)	(748.70)
Insurance Proceeds	5,000.00	5,000.00	13,725.62	8,725.62
Total Other Financing Sources (Uses)	(1,607,650.00)	(1,607,650.00)	(1,567,496.93)	40,153.07
Net Change in Fund Balance	(868,588.00)	(759,692.66)	(768,660.99)	(8,968.33)
Fund Balance - Beginning	2,193,980.95	2,193,980.95	2,193,980.95	0.00
FUND BALANCE - ENDING	\$ 1,325,392.95	\$ 1,434,288.29	\$ 1,425,319.96	\$ (8,968.33)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
Wheel Tax	\$ 190,000.00	\$ 190,000.00	\$ 189,916.62	\$ (83.38)
Intergovernmental Revenue:				
Federal Grants	5,600.00	5,600.00	5,577.05	(22.95)
State Shared Revenue:				
Motor Vehicle Licenses	1,000,000.00	1,000,000.00	1,099,510.96	99,510.96
State Highway Fund (former 10% game)	47,000.00	47,000.00	46,961.90	(38.10)
Prorate License Fees	100,000.00	100,000.00	63,451.16	(36,548.84)
63 3/4% Mobile Home	30,000.00	30,000.00	15,864.99	(14,135.01)
Secondary Road Motor Vehicle Remittances	300,000.00	300,000.00	315,361.82	15,361.82
Motor Fuel Tax	11,500.00	11,500.00	11,426.19	(73.81)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	12,000.00	12,000.00	39,411.90	27,411.90
Miscellaneous Revenue:				
Investment Earnings	8,000.00	8,000.00	6,474.47	(1,525.53)
Other	1,400.00	1,400.00	2,798.71	1,398.71
Total Revenues	<u>1,705,500.00</u>	<u>1,705,500.00</u>	<u>1,796,755.77</u>	<u>91,255.77</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	3,103,300.00	3,103,300.00	2,801,276.92	302,023.08
Excess of Revenues Over (Under) Expenditures	<u>(1,397,800.00)</u>	<u>(1,397,800.00)</u>	<u>(1,004,521.15)</u>	<u>393,278.85</u>
Other Financing Sources (Uses):				
Transfers In	743,000.00	743,000.00	745,498.23	2,498.23
Sale of County Property	320,000.00	320,000.00	321,427.64	1,427.64
Total Other Financing Sources (Uses)	<u>1,063,000.00</u>	<u>1,063,000.00</u>	<u>1,066,925.87</u>	<u>3,925.87</u>
Net Change in Fund Balance	(334,800.00)	(334,800.00)	62,404.72	397,204.72
Fund Balance - Beginning	1,485,645.48	1,485,645.48	1,485,645.48	0.00
FUND BALANCE - ENDING	<u>\$ 1,150,845.48</u>	<u>\$ 1,150,845.48</u>	<u>\$ 1,548,050.20</u>	<u>\$ 397,204.72</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 4,127,700.00	\$ 4,127,700.00	\$ 4,070,514.13	\$ (57,185.87)
General Property Taxes--Delinquent	30,000.00	30,000.00	29,797.58	(202.42)
Penalties and Interest	10,000.00	10,000.00	9,211.44	(788.56)
Telephone Tax (Outside)	300.00	300.00	428.11	128.11
Mobile Home Tax	1,500.00	1,500.00	1,319.24	(180.76)
Licenses and Permits	29,800.00	29,800.00	41,236.52	11,436.52
Intergovernmental Revenue:				
Federal Grants	2,000.00	2,000.00	18,011.46	16,011.46
Federal Shared Revenue	300.00	300.00	296.44	(3.56)
Federal Payments in Lieu of Taxes	75,000.00	75,000.00	79,276.00	4,276.00
State Shared Revenue:				
Bank Franchise	60,000.00	60,000.00	92,960.88	32,960.88
Court Appointed Attorney/Public Defender	22,000.00	22,000.00	878.21	(21,121.79)
Telecommunications Gross Receipts Tax	90,000.00	90,000.00	106,157.43	16,157.43
Motor Vehicle 1/4%	2,400.00	2,400.00	4,226.28	1,826.28
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	22,700.00	22,700.00	29,354.50	6,654.50
Register of Deeds' Fees	129,000.00	129,000.00	168,382.00	39,382.00
Legal Services	55,000.00	55,000.00	72,541.87	17,541.87
Public Safety:				
Law Enforcement	55,000.00	55,000.00	57,293.98	2,293.98
Prisoner Care	2,975,000.00	2,975,000.00	3,111,062.64	136,062.64
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,000.00	3,000.00	3,208.51	208.51
Veterans Service Officer	10,000.00	10,000.00	12,912.99	2,912.99
Culture and Recreation	16,500.00	16,500.00	13,311.59	(3,188.41)
Conservation of Natural Resources	10,000.00	10,000.00	6,740.40	(3,259.60)
Other Charges	9,000.00	9,000.00	12,773.19	3,773.19
Fines and Forfeits:				
Costs	40,000.00	40,000.00	33,747.79	(6,252.21)
Forfeits	6,000.00	6,000.00	4,280.00	(1,720.00)
Miscellaneous Revenue:				
Investment Earnings	25,000.00	25,000.00	11,699.72	(13,300.28)
Rent	18,000.00	18,000.00	13,650.00	(4,350.00)
Other	5,400.00	5,400.00	126,675.05	121,275.05
Total Revenues	7,830,600.00	7,830,600.00	8,131,947.95	301,347.95
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	317,500.00	317,500.00	288,711.96	28,788.04
Contingency	350,000.00	350,000.00		
Amount Transferred		(146,147.84)		203,852.16
Elections	7,200.00	7,200.00	5,915.31	1,284.69
Judicial System	108,700.00	144,618.13	144,618.13	0.00
Financial Administration:				
Auditor	183,750.00	183,750.00	178,791.74	4,958.26
Treasurer	221,250.00	221,250.00	216,912.11	4,337.89
Data Processing	100,850.00	100,850.00	76,805.33	24,044.67
Legal Services:				
State's Attorney	324,700.00	324,700.00	307,507.28	17,192.72
Public Defender	241,300.00	249,647.63	249,647.66	(0.03)
Court Appointed Attorney	66,000.00	116,531.23	116,531.23	0.00
Abused and Neglected Child Defense	10,000.00	10,000.00	7,944.94	2,055.06
Other Administration:				
General Government Building	368,900.00	378,900.00	369,560.65	9,339.35
Director of Equalization	144,750.00	144,750.00	131,350.29	13,399.71
Register of Deeds	118,200.00	118,200.00	109,159.46	9,040.54
Veterans Service Officer	81,350.00	81,350.00	80,343.92	1,006.08

SUPPLEMENTARY INFORMATION
HUGHES 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)
Predatory Animal	2,100.00	2,100.00	2,034.25	65.75
Public Safety:				
Law Enforcement:				
Sheriff	715,650.00	715,650.00	657,746.30	57,903.70
County Jail	2,473,150.00	2,473,150.00	2,394,812.08	78,337.92
Coroner	13,325.00	13,325.00	12,140.00	1,185.00
Juvenile Detention	570,550.00	570,550.00	532,554.67	37,995.33
Public Works:				
Transportation:				
Transit	33,000.00	33,000.00	33,000.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	91,600.00	91,600.00	44,346.10	47,253.90
Health Assistance:				
County Nurse	0.00	7,725.00	7,725.00	0.00
Ambulance	62,000.00	72,919.47	72,919.47	0.00
Mental Health Services:				
Mentally Ill	123,000.00	123,000.00	122,086.86	913.14
Mental Illness Board	32,000.00	32,000.00	27,777.28	4,222.72
Culture and Recreation:				
Culture:				
Public Library	14,850.00	14,850.00	14,821.00	29.00
Recreation:				
Exhibition Building	0.00	0.00	5,690.84	(5,690.84)
County Fair	20,800.00	20,800.00	20,800.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	93,150.00	93,150.00	72,376.33	20,773.67
Weed and Pest Control	53,700.00	68,700.00	68,700.00	0.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	98,550.00	98,550.00	76,693.85	21,856.15
Urban and Rural Development	12,850.00	12,850.00	12,820.56	29.44
Total Expenditures	<u>7,054,725.00</u>	<u>7,047,018.62</u>	<u>6,462,844.60</u>	<u>584,174.02</u>
Excess of Revenues Over (Under) Expenditures	<u>775,875.00</u>	<u>783,581.38</u>	<u>1,669,103.35</u>	<u>885,521.97</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	33,467.33	33,467.33
Transfers Out	(1,612,650.00)	(1,613,714.23)	(1,617,458.27)	(3,744.04)
Insurance Proceeds	5,000.00	5,000.00	7,012.00	2,012.00
Sale of County Property	0.00	0.00	6,862.36	6,862.36
Total Other Financing Sources (Uses)	<u>(1,607,650.00)</u>	<u>(1,608,714.23)</u>	<u>(1,570,116.58)</u>	<u>38,597.65</u>
Net Change in Fund Balance	(831,775.00)	(825,132.85)	98,986.77	924,119.62
Fund Balance - Beginning	<u>2,094,994.18</u>	<u>2,094,994.18</u>	<u>2,094,994.18</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,263,219.18</u>	<u>\$ 1,269,861.33</u>	<u>\$ 2,193,980.95</u>	<u>\$ 924,119.62</u>

SUPPLEMENTARY INFORMATION
HUGHES 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>		
Revenues:				
Taxes:				
Wheel Tax	\$ 185,000.00	\$ 185,000.00	\$ 191,117.11	\$ 6,117.11
Intergovernmental Revenue:				
Federal Grants	5,000.00	5,000.00	78,561.50	73,561.50
State Shared Revenue:				
Motor Vehicle Licenses	1,000,000.00	1,000,000.00	993,187.86	(6,812.14)
State Highway Fund (former 10% game)	47,000.00	47,000.00	45,354.82	(1,645.18)
Prorate License Fees	60,000.00	60,000.00	59,403.57	(596.43)
63 3/4% Mobile Home	25,000.00	25,000.00	39,453.41	14,453.41
Secondary Road Motor Vehicle Remittances	220,000.00	220,000.00	286,747.84	66,747.84
Motor Fuel Tax	11,500.00	11,500.00	11,430.02	(69.98)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	11,000.00	11,000.00	16,056.95	5,056.95
Miscellaneous Revenue:				
Investment Earnings	8,000.00	8,000.00	7,306.56	(693.44)
Other	900.00	900.00	2,520.18	1,620.18
Total Revenues	<u>1,573,400.00</u>	<u>1,573,400.00</u>	<u>1,731,139.82</u>	<u>157,739.82</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	2,996,350.00	2,996,350.00	2,631,046.90	365,303.10
Excess of Revenues Over (Under) Expenditures	<u>(1,422,950.00)</u>	<u>(1,422,950.00)</u>	<u>(899,907.08)</u>	<u>523,042.92</u>
Other Financing Sources (Uses):				
Transfers In	800,000.00	800,000.00	786,385.17	(13,614.83)
Sale of County Property	72,000.00	72,000.00	42,500.00	(29,500.00)
Total Other Financing Sources (Uses)	<u>872,000.00</u>	<u>872,000.00</u>	<u>828,885.17</u>	<u>(43,114.83)</u>
Net Change in Fund Balance	<u>(550,950.00)</u>	<u>(550,950.00)</u>	<u>(71,021.91)</u>	<u>479,928.09</u>
Fund Balance - Beginning	<u>1,556,667.39</u>	<u>1,556,667.39</u>	<u>1,556,667.39</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,005,717.39</u>	<u>\$ 1,005,717.39</u>	<u>\$ 1,485,645.48</u>	<u>\$ 479,928.09</u>

SUPPLEMENTARY INFORMATION
HUGHES COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
COURTHOUSE BUILDING 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>		
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 172,600.00	\$ 172,600.00	\$ 170,746.67	\$ (1,853.33)
General Property Taxes--Delinquent	1,400.00	1,400.00	1,248.24	(151.76)
Penalties and Interest	300.00	300.00	385.92	85.92
Mobile Home Tax	100.00	100.00	55.25	(44.75)
Intergovernmental Revenue:				
Federal Shared Revenue	0.00	0.00	12.40	12.40
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	1,781.21	781.21
Total Revenues	<u>175,400.00</u>	<u>175,400.00</u>	<u>174,229.69</u>	<u>(1,170.31)</u>
Expenditures:				
General Government:				
Other Administration:				
General Government Building	250,000.00	250,000.00	0.00	250,000.00
Net Change in Fund Balance	(74,600.00)	(74,600.00)	174,229.69	248,829.69
Fund Balance - Beginning	<u>342,424.06</u>	<u>342,424.06</u>	<u>342,424.06</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 267,824.06</u>	<u>\$ 267,824.06</u>	<u>\$ 516,653.75</u>	<u>\$ 248,829.69</u>

HUGHES 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.

SUPPLEMENTARY INFORMATION
HUGHES COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Two Years Ended December 31, 2014

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2013</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2014</u>
Governmental Long-Term Debt:				
Limited Tax G.O. Certificate of Participation	\$ 8,875,000.00	\$	\$ 815,000.00	\$ 8,060,000.00

Note 1 - Long-Term Debt:

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

General Obligation Certificates of Participation:

Limited Tax General Obligation Certificates of Participation, Series 2008, Maturity - 2015 to 2028, Interest Rate - 3.90% to 4.9%, Paid from the Jail Debt Service Fund	\$ 8,060,000.00
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