

**HUGHES COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2020**

HUGHES COUNTY  
COUNTY OFFICIALS  
December 31, 2020

Board of Commissioners:

Randy Vance  
Roger Inman  
Connie Hohn  
Bill Abernathy  
Norm Weaver

Finance Officer:

Jane Naylor

Chief Deputy Treasurer:

Linda LaFrentz  
Thomas Oliva

State's Attorney:

Jessica LaMie

Chief Deputy Register of Deeds:

Norine Riis

Sheriff:

Darin Johnson

HUGHES COUNTY  
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427 SOUTH CHAPELLE  
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PIERRE, SD 57501-5070  
(605) 773-3595

RUSSELL A. OLSON  
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, 2020, 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 December 20, 2021.

***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) as a basis for designing 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson  
Auditor General

December 20, 2021



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RUSSELL A. OLSON  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

County Commission  
Hughes County  
Pierre, South Dakota

***Report on Compliance for Each Major Federal Program***

We have audited Hughes County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) 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, 2020. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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, Hughes 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, 2020.

## ***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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 the Uniform Guidance. 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.



Russell A. Olson  
Auditor General

December 20, 2021



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

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Finding:**

Finding No. 2018-001:

The County does not have an internal control system designed to provide for the preparation of the annual financial reports in accordance with the modified cash basis of accounting. We noted numerous significant reporting errors within the annual reports prepared by the County. This finding has been substantially resolved.

**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. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- 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 are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:  

Coronavirus Relief Fund      CFDA # 21.019
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Hughes 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 Findings:**

There are no written current other audit findings to report.



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RUSSELL A. OLSON  
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, 2020, 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, 2020, 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.

### ***Emphasis of Matter***

As discussed in Notes 2 and 15 to the financial statements, in 2020, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of January 1, 2020. Our opinions are 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 20, 2021, 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 solely 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

effectiveness of the County's 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.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson  
Auditor General

December 20, 2021

**HUGHES COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 6,832,414.76	\$ 169,382.18	\$ 7,001,796.94
Investments	2,575,000.00		2,575,000.00
<b>TOTAL ASSETS</b>	<b>\$ 9,407,414.76</b>	<b>\$ 169,382.18</b>	<b>\$ 9,576,796.94</b>
<b>NET POSITION:</b>			
Restricted For: (See Note 6)			
Courthouse Building Purposes	\$ 1,037,309.78	\$	\$ 1,037,309.78
Other Purposes	132,624.50		132,624.50
Unrestricted	8,237,480.48	169,382.18	8,406,862.66
<b>TOTAL NET POSITION</b>	<b>\$ 9,407,414.76</b>	<b>\$ 169,382.18</b>	<b>\$ 9,576,796.94</b>

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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 3,181,579.38	\$ 486,304.72	\$ 46,310.17	\$ 17,601.13	\$ (2,631,363.36)	\$	\$ (2,631,363.36)
Public Safety	11,712,796.52	2,751,438.19	2,785,097.59		(6,176,260.74)		(6,176,260.74)
Public Works	2,771,229.90	16,408.21	2,141,952.31		(612,869.38)		(612,869.38)
Health and Welfare	365,216.33	4,736.40			(360,479.93)		(360,479.93)
Culture and Recreation	10,162.46	4,788.46			(5,374.00)		(5,374.00)
Conservation of Natural Resources	64,993.93	7,035.20			(57,958.73)		(57,958.73)
Urban and Economic Development	190,571.29				(190,571.29)		(190,571.29)
**Interest on Long-Term Debt	130,786.93				(130,786.93)		(130,786.93)
Total Governmental Activities	18,427,336.74	3,270,711.18	4,973,360.07	17,601.13	(10,165,664.36)	0.00	(10,165,664.36)
Business-type Activities:							
Sanitary System	158,933.36	227,378.65				68,445.29	68,445.29
Total Primary Government	\$ 18,586,270.10	\$ 3,498,089.83	\$ 4,973,360.07	\$ 17,601.13	(10,165,664.36)	68,445.29	(10,097,219.07)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					5,470,006.72		5,470,006.72
Wheel Tax					242,609.41		242,609.41
State Shared Revenues					443,327.78		443,327.78
Grants and Contributions not Restricted to Specific Programs					145,208.56		145,208.56
Unrestricted Investment Earnings					95,548.78	1,635.45	97,184.23
Debt Issued					5,966,822.67		5,966,822.67
Miscellaneous Revenue					58,096.52		58,096.52
Special Items: (See Note 16)							
Legal Settlement					250,000.00		250,000.00
Payment of Sanitary District Legal Costs						(25,000.00)	(25,000.00)
Total General Revenues and Special Items					12,671,620.44	(23,364.55)	12,648,255.89
Change in Net Position					2,505,956.08	45,080.74	2,551,036.82
Net Position - Beginning					6,901,458.68	124,301.44	7,025,760.12
NET POSITION - ENDING					\$ 9,407,414.76	\$ 169,382.18	\$ 9,576,796.94

\*\*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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 2,941,716.31	\$ 456,023.61	\$ 13,104.70	\$ 50,007.50	\$ (2,422,580.50)	\$	\$ (2,422,580.50)
Public Safety	5,816,182.89	4,264,951.96	531,457.43		(1,019,773.50)		(1,019,773.50)
Public Works	4,200,573.93	7,747.06	2,196,682.18		(1,996,144.69)		(1,996,144.69)
Health and Welfare	286,877.76	7,798.86			(279,078.90)		(279,078.90)
Culture and Recreation	6,746.98	10,326.23			3,579.25		3,579.25
Conservation of Natural Resources	39,975.32	6,200.00			(33,775.32)		(33,775.32)
Urban and Economic Development	201,699.40				(201,699.40)		(201,699.40)
**Interest on Long-Term Debt	149,266.84				(149,266.84)		(149,266.84)
Total Governmental Activities	13,643,039.43	4,753,047.72	2,741,244.31	50,007.50	(6,098,739.90)	0.00	(6,098,739.90)
Business-type Activities:							
Sanitary System	101,574.63	175,087.45				73,512.82	73,512.82
Total Primary Government	\$ 13,744,614.06	\$ 4,928,135.17	\$ 2,741,244.31	\$ 50,007.50	(6,098,739.90)	73,512.82	(6,025,227.08)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					5,271,432.49		5,271,432.49
Wheel Tax					237,082.51		237,082.51
State Shared Revenues					313,554.49		313,554.49
Grants and Contributions not Restricted to Specific Programs					166,582.87		166,582.87
Unrestricted Investment Earnings					135,654.65	950.49	136,605.14
Miscellaneous Revenue					121,504.78		121,504.78
Total General Revenues					6,245,811.79	950.49	6,246,762.28
Change in Net Position					147,071.89	74,463.31	221,535.20
Net Position - Beginning					6,754,386.79	49,838.13	6,804,224.92
NET POSITION - ENDING					\$ 6,901,458.68	\$ 124,301.44	\$ 7,025,760.12

\*\*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**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2020**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Courthouse Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 4,303,675.36	\$ 1,604,874.19	\$ 737,309.78	\$ 186,555.43	\$ 6,832,414.76
Investments	1,275,000.00	1,000,000.00	300,000.00		2,575,000.00
<b>TOTAL ASSETS</b>	<b>\$ 5,578,675.36</b>	<b>\$ 2,604,874.19</b>	<b>\$ 1,037,309.78</b>	<b>\$ 186,555.43</b>	<b>\$ 9,407,414.76</b>
<b>FUND BALANCES:</b> (See Note 1.k.)					
Restricted	\$ 33,254.62	\$	\$ 1,037,309.78	\$ 99,369.88	\$ 1,169,934.28
Assigned	2,744,315.39	2,604,874.19		87,185.55	5,436,375.13
Unassigned	2,801,105.35				2,801,105.35
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,578,675.36</b>	<b>\$ 2,604,874.19</b>	<b>\$ 1,037,309.78</b>	<b>\$ 186,555.43</b>	<b>\$ 9,407,414.76</b>

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, 2020**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Courthouse Building Fund</b>	<b>Jail Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>						
Taxes:						
General Property Taxes--Current	\$ 4,979,245.17	\$	\$ 208,830.15	\$	\$ 196,666.93	\$ 5,384,742.25
General Property Taxes--Delinquent	59,384.75		2,477.25		1,935.03	63,797.03
Penalties and Interest	18,421.40		770.52		618.18	19,810.10
Telephone Tax (Outside)	243.92					243.92
Wheel Tax		242,609.41				242,609.41
Tax Deed Revenue	1,413.42					1,413.42
Licenses and Permits	47,449.20				2,457.00	49,906.20
Intergovernmental Revenue:						
Federal Grants	2,346,741.23	94,399.81			331,285.68	2,772,426.72
Federal Shared Revenue	319.00		13.35		13.57	345.92
Federal Payments in Lieu of Taxes	93,119.00					93,119.00
State Grants	9,895.49	221,008.60			2,399.00	233,303.09
State Shared Revenue:						
Bank Franchise	266,116.32				4,634.41	270,750.73
Motor Vehicle Licenses		1,292,309.01				1,292,309.01
Prorate License Fees		67,349.97				67,349.97
63 3/4% Mobile Home		14,968.79				14,968.79
Secondary Road Remittances		445,024.54				445,024.54
Telecommunications Gross Receipts Tax	82,579.44					82,579.44
Motor Vehicle 1/4%	5,699.68					5,699.68
Motor Fuel Tax		6,891.59				6,891.59
911 Remittances					135,386.68	135,386.68
Liquor Tax Reversion (25%)	79,564.42					79,564.42
Other Payments in Lieu of Taxes	10,433.19					10,433.19
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	79,723.97					79,723.97
Register of Deeds' Fees	201,079.50				14,973.20	216,052.70
Legal Services	101,797.52					101,797.52
Clerk of Courts Fees					1,625.00	1,625.00
Other Fees					6,975.00	6,975.00

Public Safety:					
Law Enforcement	167,877.59				167,877.59
Prisoner Care	2,513,314.53				2,513,314.53
Sobriety Testing				25,684.08	25,684.08
Public Works:					
Road Maintenance Contract Charges		16,408.21			16,408.21
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	4,736.40				4,736.40
Veterans Service Officer	8,260.00				8,260.00
Culture and Recreation	4,788.46				4,788.46
Conservation of Natural Resources	7,035.20				7,035.20
Other Charges	3,134.33				3,134.33
Fines and Forfeits:					
Costs	35,261.99				35,261.99
Forfeits	9,300.00				9,300.00
Miscellaneous Revenue:					
Investment Earnings	43,171.64	39,133.99	11,484.55	1,758.60	95,548.78
Rent	16,380.00			2,450.00	18,830.00
Contributions and Donations		51,743.64			51,743.64
Refund of Prior Year's Expenditures	27,057.84				27,057.84
Other	5,427.14	3,286.75			8,713.89
Total Revenues	11,228,971.74	2,495,134.31	223,575.82	0.00	14,676,544.23

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners	391,541.26				391,541.26
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Elections	56,868.20				56,868.20
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Judicial System	144,292.15				144,292.15
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## Financial Administration:

Auditor	231,567.57				231,567.57
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Treasurer	259,744.14				259,744.14
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## Legal Services:

State's Attorney	518,710.27				518,710.27
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Public Defender	315,000.00				315,000.00
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Court Appointed Attorney	244,084.57				244,084.57
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Abused and Neglected Child Defense	19,318.98				19,318.98
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## Other General Government:

General Government Building	406,288.99		80,370.00		486,658.99
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Director of Equalization	164,132.75				164,132.75
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Register of Deeds	134,820.13			1,494.99	136,315.12
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Veterans Service Officer	96,301.65				96,301.65
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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, 2020**  
**(Continued)**

	General Fund	Road and Bridge Fund	Courthouse Building Fund	Jail Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	2,042.52					2,042.52
Information Technology	115,001.21					115,001.21
Public Safety:						
Law Enforcement:						
Sheriff	706,374.47				53,500.78	759,875.25
County Jail	3,049,293.24					3,049,293.24
Coroner	35,072.74					35,072.74
Juvenile Detention	623,810.10					623,810.10
Protective and Emergency Services:						
Fire Protection					118,296.06	118,296.06
Emergency and Disaster Services					432,900.32	432,900.32
Communication Center					125,015.44	125,015.44
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		2,736,229.90				2,736,229.90
Transportation:						
Other Transportation	35,000.00					35,000.00
Health and Welfare:						
Economic Assistance:						
Support of Poor	82,318.25					82,318.25
Health Assistance:						
Ambulance	56,970.00					56,970.00
Social Services:						
Domestic Abuse					3,930.00	3,930.00
Mental Health Services:						
Mentally Ill	202,601.11					202,601.11
Mental Illness Board	19,396.97					19,396.97
Culture and Recreation:						
Recreation:						
Exhibition Building	10,162.46					10,162.46
Conservation of Natural Resources:						
Soil Conservation:						
Weed and Pest Control	64,993.93					64,993.93

Urban and Economic Development:						
Urban Development:						
Planning and Zoning	87,084.01					87,084.01
Economic Development:						
Tourism, Industrial or Recreational Development					103,487.28	103,487.28
Debt Service				6,699,320.30		6,699,320.30
Total Expenditures	<u>8,072,791.67</u>	<u>2,736,229.90</u>	<u>80,370.00</u>	<u>6,699,320.30</u>	<u>838,624.87</u>	<u>18,427,336.74</u>
Excess of Revenues Over (Under) Expenditures	<u>3,156,180.07</u>	<u>(241,095.59)</u>	<u>143,205.82</u>	<u>(6,699,320.30)</u>	<u>(109,762.51)</u>	<u>(3,750,792.51)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In		600,000.00		732,497.63	120,000.00	1,452,497.63
Transfers Out	(1,452,497.63)					(1,452,497.63)
Long-Term Debt Issued				5,966,822.67		5,966,822.67
Insurance Proceeds	17,601.13					17,601.13
Sale of County Property	1,716.64	20,608.15				22,324.79
Total Other Financing Sources (Uses)	<u>(1,433,179.86)</u>	<u>620,608.15</u>	<u>0.00</u>	<u>6,699,320.30</u>	<u>120,000.00</u>	<u>6,006,748.59</u>
Special Item - Legal Settlement (See Note 16)	250,000.00					250,000.00
Net Change in Fund Balance	1,973,000.21	379,512.56	143,205.82	0.00	10,237.49	2,505,956.08
Fund Balance - Beginning	<u>3,605,675.15</u>	<u>2,225,361.63</u>	<u>894,103.96</u>	<u>0.00</u>	<u>176,317.94</u>	<u>6,901,458.68</u>
FUND BALANCE - ENDING	<u>\$ 5,578,675.36</u>	<u>\$ 2,604,874.19</u>	<u>\$ 1,037,309.78</u>	<u>\$ 0.00</u>	<u>\$ 186,555.43</u>	<u>\$ 9,407,414.76</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, 2019**

	<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>
<b>Revenues:</b>					
Taxes:					
General Property Taxes--Current	\$ 4,815,656.39	\$	\$ 200,909.37	\$ 195,233.36	\$ 5,211,799.12
General Property Taxes--Delinquent	39,487.56		1,650.48	854.74	41,992.78
Penalties and Interest	16,252.98		678.38	475.83	17,407.19
Telephone Tax (Outside)	233.40				233.40
Wheel Tax		237,082.51			237,082.51
Licenses and Permits	39,933.00			2,970.00	42,903.00
Intergovernmental Revenue:					
Federal Grants	25,702.93			309,630.92	335,333.85
Federal Shared Revenue	487.41		20.33	20.83	528.57
Federal Payments in Lieu of Taxes	93,422.00				93,422.00
State Grants		381,518.02		3,616.00	385,134.02
State Shared Revenue:					
Bank Franchise	176,425.92				176,425.92
Motor Vehicle Licenses		1,280,301.38			1,280,301.38
Court Appointed Attorney/Public Defender	7,490.91				7,490.91
Prorate License Fees		65,914.01			65,914.01
63 3/4% Mobile Home		22,301.01			22,301.01
Secondary Road Remittances		439,774.98			439,774.98
Telecommunications Gross Receipts Tax	62,215.58				62,215.58
Motor Vehicle 1/4%	5,613.79				5,613.79
Motor Fuel Tax		6,872.78			6,872.78
911 Remittances				192,507.58	192,507.58
Liquor Tax Reversion (25%)	74,912.99				74,912.99
Other Intergovernmental Revenue				20,000.00	20,000.00
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	76,956.25				76,956.25

Register of Deeds' Fees	157,257.50			11,575.70	168,833.20
Legal Services	108,884.99				108,884.99
Clerk of Courts Fees				1,972.50	1,972.50
Public Safety:					
Law Enforcement	166,796.74				166,796.74
Prisoner Care	3,981,071.21				3,981,071.21
Sobriety Testing				52,165.79	52,165.79
Other				13,950.00	13,950.00
Public Works:					
Road Maintenance Contract Charges		7,747.06			7,747.06
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	7,798.86				7,798.86
Veterans Service Officer	28,094.00				28,094.00
Culture and Recreation	10,326.23				10,326.23
Conservation of Natural Resources	6,200.00				6,200.00
Other Charges	8,949.67				8,949.67
Fines and Forfeits:					
Costs	42,718.22				42,718.22
Forfeits	8,250.00				8,250.00
Miscellaneous Revenue:					
Investment Earnings	54,437.01	61,818.95	15,715.87	3,682.82	135,654.65
Rent	16,380.00			3,050.00	19,430.00
Contributions and Donations		52,632.30			52,632.30
Refund of Prior Year's Expenditures	21,423.02				21,423.02
Other	8,959.59	2,686.25			11,645.84
Total Revenues	<u>10,062,338.15</u>	<u>2,558,649.25</u>	<u>218,974.43</u>	<u>811,706.07</u>	<u>13,651,667.90</u>

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners

327,146.28

327,146.28

Elections

3,884.90

3,884.90

Judicial System

150,332.14

150,332.14

## Financial Administration:

Auditor

217,870.82

217,870.82

Treasurer

248,312.53

248,312.53

## Legal Services:

State's Attorney

473,096.54

473,096.54

**HUGHES COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2019**  
**(Continued)**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Courthouse Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Public Defender	356,250.00				356,250.00
Court Appointed Attorney	123,184.21				123,184.21
Abused and Neglected Child Defense	4,462.15				4,462.15
Other General Government:					
General Government Building	414,673.09		146,250.00		560,923.09
Director of Equalization	148,449.24				148,449.24
Register of Deeds	126,552.90			4,119.97	130,672.87
Veterans Service Officer	96,385.36				96,385.36
Predatory Animal	2,042.52				2,042.52
Information Technology	93,760.16				93,760.16
Public Safety:					
Law Enforcement:					
Sheriff	677,600.10			61,000.00	738,600.10
County Jail	3,041,753.95				3,041,753.95
Coroner	15,984.09				15,984.09
Juvenile Detention	653,554.87				653,554.87
Protective and Emergency Services:					
Fire Protection				114,639.36	114,639.36
Emergency and Disaster Services				465,301.94	465,301.94
Communication Center				192,507.58	192,507.58
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		4,140,574.01			4,140,574.01
Other Public Works	59,999.92				59,999.92
Health and Welfare:					
Economic Assistance:					
Support of Poor	55,402.04				55,402.04
Health Assistance:					
Ambulance	48,510.00				48,510.00



Social Services:					
Domestic Abuse				4,943.50	4,943.50
Mental Health Services:					
Mentally Ill	167,261.69				167,261.69
Mental Illness Board	15,704.03				15,704.03
Culture and Recreation:					
Recreation:					
Exhibition Building	6,746.98				6,746.98
Conservation of Natural Resources:					
Soil Conservation:					
Weed and Pest Control	39,975.32				39,975.32
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	83,025.21				83,025.21
Urban and Rural Development	13,409.59				13,409.59
Economic Development:					
Tourism, Industrial or Recreational Development				105,264.60	105,264.60
Debt Service				743,107.84	743,107.84
2 Total Expenditures	<u>7,665,330.63</u>	<u>4,140,574.01</u>	<u>146,250.00</u>	<u>1,690,884.79</u>	<u>13,643,039.43</u>
Excess of Revenues Over (Under) Expenditures	<u>2,397,007.52</u>	<u>(1,581,924.76)</u>	<u>72,724.43</u>	<u>(879,178.72)</u>	<u>8,628.47</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In		600,000.00		863,107.84	1,463,107.84
Transfers Out	(1,463,107.84)				(1,463,107.84)
Insurance Proceeds	37,640.42			12,367.08	50,007.50
Sale of County Property		88,435.92			88,435.92
Total Other Financing Sources (Uses)	<u>(1,425,467.42)</u>	<u>688,435.92</u>	<u>0.00</u>	<u>875,474.92</u>	<u>138,443.42</u>
Net Change in Fund Balance	971,540.10	(893,488.84)	72,724.43	(3,703.80)	147,071.89
Fund Balance - Beginning	<u>2,634,135.05</u>	<u>3,118,850.47</u>	<u>821,379.53</u>	<u>180,021.74</u>	<u>6,754,386.79</u>
FUND BALANCE - ENDING	<u>\$ 3,605,675.15</u>	<u>\$ 2,225,361.63</u>	<u>\$ 894,103.96</u>	<u>\$ 176,317.94</u>	<u>\$ 6,901,458.68</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, 2020**

	<u>Enterprise Fund Sanitary System Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$        169,382.18</u>
<b>TOTAL ASSETS</b>	<u><u>\$        169,382.18</u></u>
<b>NET POSITION:</b>	
Unrestricted	<u>\$        169,382.18</u>
<b>TOTAL NET POSITION</b>	<u><u>\$        169,382.18</u></u>

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, 2020**

	<u>Enterprise Fund</u> <u>Sanitary System</u> <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for Goods and Services	\$ 225,175.09
Miscellaneous	<u>2,203.56</u>
Total Operating Revenues	<u>227,378.65</u>
<b>Operating Expenses:</b>	
Personal Services	36,118.40
Other Current Expense	1,795.04
Materials	<u>121,019.92</u>
Total Operating Expenses	<u>158,933.36</u>
Operating Income (Loss)	68,445.29
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	<u>1,635.45</u>
Income (Loss) Before Special Items	70,080.74
Special Item - Payment of Sanitary District Legal Costs (See Note 16)	<u>(25,000.00)</u>
Change in Net Position	45,080.74
Net Position - Beginning	<u>124,301.44</u>
NET POSITION - ENDING	<u><u>\$ 169,382.18</u></u>

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, 2019**

	<u>Enterprise Funds</u> <u>Sanitary System</u> <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for Goods and Services	\$ 174,376.90
Miscellaneous	710.55
	<hr/>
Total Operating Revenues	175,087.45
	<hr/>
<b>Operating Expenses:</b>	
Personal Services	29,872.18
Other Current Expense	7,808.05
Materials	63,894.40
	<hr/>
Total Operating Expenses	101,574.63
	<hr/>
Operating Income (Loss)	73,512.82
	<hr/>
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	950.49
	<hr/>
Change in Net Position	74,463.31
	<hr/>
Net Position - Beginning	49,838.13
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NET POSITION - ENDING	\$ 124,301.44
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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, 2020**

	<u>Custodial Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 1,303,367.37</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,303,367.37</u></u>
<b>NET POSITION:</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>\$ 1,303,367.37</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,303,367.37</u></u>

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

**HUGHES COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Custodial Funds</b>
<b>ADDITIONS:</b>	
Property Tax Collections for Other Governments	\$ 18,236,286.58
State Shared Revenue Collections for Other Governments	5,514,920.15
Other Additions	<u>1,729,095.24</u>
Total Additions	<u>25,480,301.97</u>
<b>DEDUCTIONS:</b>	
Payments of Property Tax to Other Governments	18,195,267.20
Payments of State Shared Revenue to Other Governments	5,490,334.57
Other Deductions	<u>1,710,916.14</u>
Total Deductions	<u>25,396,517.91</u>
Change in Net Position	<u>83,784.06</u>
Net Position - Beginning	0.00
Restatement - Implementation of GASB 84 (See Note 15)	<u>1,219,583.31</u>
Net Position - Beginning, as Restated	<u>1,219,583.31</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 1,303,367.37</u></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); 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.

The remaining special revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, Harrold TIF, 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.*

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 a major fund in 2020 only.

#### **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 operating and maintenance of the sanitary system located at Cow Creek/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:

*Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial 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 entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, 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, 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 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 or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are 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 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 is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

j. 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.

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 nor 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 County would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The County *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

Courthouse Building Fund

**Revenue Source**

Wheel Tax, State and Federal Grants, and  
Motor Vehicle Licenses

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, 2020**

	<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>
<b>Fund Balances:</b>					
Restricted For:					
Exposition Building Purposes	\$ 33,254.62	\$	\$	\$	\$ 33,254.62
Courthouse Building Purposes			1,037,309.78		1,037,309.78
911 Service Purposes				10,371.24	10,371.24
Domestic Abuse Purposes				416.00	416.00
Harrold TIF Purposes				124.77	124.77
24/7 Sobriety Purposes				3,347.47	3,347.47
Modernization and Preservation Relief Purposes				85,110.40	85,110.40
Assigned To:					
Applied to Next Year's Budget	1,943,346.00				1,943,346.00
Building Improvement Purposes	800,969.39				800,969.39
Road and Bridge Purposes		2,604,874.19			2,604,874.19
Fire Protection Purposes				48,269.45	48,269.45
Emergency Management Purposes				38,916.10	38,916.10
Unassigned	<u>2,801,105.35</u>				<u>2,801,105.35</u>
Total Fund Balances	<u>\$ 5,578,675.36</u>	<u>\$ 2,604,874.19</u>	<u>\$ 1,037,309.78</u>	<u>\$ 186,555.43</u>	<u>\$ 9,407,414.76</u>

## 2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the County present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard required the County to reclassify previously reported agency funds as custodial funds. The implementation relates only to 2020. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

## 3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of December 31, 2020, the investments reported in the financial statements consist of only certificates of deposit.

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

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2020, the County's deposits in financial institutions were not exposed to custodial credit risk.

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

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

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

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. 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, 2020, there were three series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$4,264,686.32.

6. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2020 was as follows:

**Major Purposes:**

Courthouse Building Purposes	<u>\$ 1,037,309.78</u>
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**Other Purposes:**

Exposition Building Purposes	33,254.62
911 Service Purposes	10,371.24
Domestic Abuse Purposes	416.00
Harrold TIF Purposes	124.77
24/7 Sobriety Purposes	3,347.47
Modernization and Preservation	
Relief Purposes	<u>85,110.40</u>

Total Other Purposes	<u>132,624.50</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 1,169,934.28</u></b>
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These balances are restricted due to federal grant, statutory and contractual requirements.

## 7. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>			<b><u>Total</u></b>
	Road and Bridge Fund	Jail Debt Service Fund	Other Governmental Funds	
Major Funds:				
General Fund	\$ 600,000.00	\$ 732,497.63	\$ 120,000.00	\$ 1,452,497.63

Interfund transfers for the year ended December 31, 2019 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 600,000.00	\$ 863,107.84	\$ 1,463,107.84

The County typically budgets transfers to the Road and Bridge Fund, the Jail Debt Service Fund, the Fire Protection Fund (Other Governmental Fund), and the Emergency Management Fund (Other Governmental Fund) to conduct the indispensable functions of the County.

## 8. TAX ABATEMENTS

### Hughes County:

The County created the Hughes County Tax Increment District No. 1 in 2010 under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely significantly enhance the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

In 2010, the County entered into a development agreement with Harrold Terminal, LLC. The County agreed to pay the Tax Increment Fund revenues it receives for the District to the developer as a discretionary grant to assist in funding the costs of project infrastructure. In addition, Harrold Terminal, LLC, and Hughes County Regional Rail Authority entered into a loan agreement through the South Dakota Department of Transportation for a \$2,620,000.00, fifteen-year loan. This loan is secured by the levying authority of the Tax Incremental District.

The proportionate share of the general property taxes collected from the tax increment district that were related to Hughes County, during the two years ended December 31, 2020 was \$27,609.62 in 2019 and \$26,873.53 in 2020. However, in accordance with a Road Maintenance Agreement between Hughes County and Harrold Terminal, LLC (Developer) signed in 2012, the Developer



agreed to pay Hughes County 50% of the revenues derived from the Tax Increment District levy. These payments amounted to \$52,632.30 in 2019 and \$51,743.64 in 2020.

*Municipality of Pierre:*

The Municipality of Pierre has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or other natural resources; and the improvement of the area will likely enhance the value of all of the other real property in the tax increment district.

The county, municipal and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years. The Municipality of Pierre has four active tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Hughes County during the life of the tax increment district.

The proportionate share of the general property taxes collected from these tax increment districts that were not available to Hughes County, during the two years ended December 31, 2020 was \$56,048.47 in 2019 and \$52,087.13 in 2020.

9. PENSION PLAN

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS 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 at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational

public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the calendar years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 304,999.47
2019	\$ 296,557.72
2018	\$ 282,447.08

#### **Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2020 are as follows:

Proportionate share of total pension liability	\$ 28,060,408.91
Less proportionate share of net position restricted for pension benefits	<u>28,070,322.34</u>
Proportionate share of net pension asset	<u><u>\$ (9,913.43)</u></u>

The net pension asset was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to

the pension plan relative to the contributions of all participating entities. At June 30, 2020, the County's proportion was 0.2282634%, which is an increase of 0.0030757% from its proportion measured as of June 30, 2019.

**Actuarial Assumptions:**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2017, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore,

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the County's proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset)	\$ 3,845,755.65	\$ (9,913.43)	\$ (3,163,774.80)

**Pension Plan Fiduciary Net Position:**

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

10. ACCOUNTABILITY FOR RELATED ORGANIZATIONS

The County, in conjunction with the Town of Harrold (members) created the Hughes County Regional Railroad Authority (Authority). The Authority was created to maintain and improve the railroad to and in their respective jurisdictions. The Authority was create as allowed by SDCL 49-17A and was incorporated on May 14, 1996. The Authority's board is comprised of five commissioners, two commissioners appointed by each of the members and one commissioner appointed by the joint agreement of the members. The political subdivisions which are members of the Authority and their commissioners, officers and agents shall not be liable for any obligations of the Authority. The Authority shall not certify to any of the governing bodies of the members any tax from the governing body to which the certification shall be made. The Authority shall not issue bonds or notes as allowed by SDCL 49-17A-27 for which it or any other entity shall become liable without the approval of the governing boards of a majority of the Members.

11. 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 is for hockey with multiple uses during other times of the year. 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 cost. Hughes County's interest in the operation and maintenance of the facility is reported in the General Fund.

## 12. COW CREEK/SPRING CREEK SANITARY SYSTEM

The County maintained the Cow Creek/Spring Creek sanitary system until December 31, 2020. The assets, revenues and expenses of this operation are accounted for in an Enterprise Fund called the Sanitary System Fund.

During June of 2020 a special election was held, and the results of the election were to form the Spring Creek/Cow Creek Sanitary District. On December 7, 2020, the Board of County Commissioners passed a resolution declaring the entirety of the Sanitary System surplus. During the same meeting the Board of County Commissioners approved signing the asset transfer agreement with the newly formed Spring Creek/Cow Creek Sanitary District. The official transfer date is to be January 1, 2021. All the assets of the system, to include real property, all of the water and sewer services, to include the buildings, structures, water lines, water tanks, pumping stations, sewer lines, lift stations, wastewater treatment lagoons, and other system facilities. All of the funds in the accounts associated with the System will also be transferred, with a portion paid at closing and the remainder paid in February 2021 after the end of year bills are paid.

## 13. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2020, the County was involved in several 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 the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

## 14. 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, 2020, 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 a Members' Annual Operating Contribution, 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 Liability,  
Automobile Liability and Physical Damage,  
Law Enforcement Liability, and  
Property, Building and Equipment Coverage

Effective January 1, 2019, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

As of December 31, 2020, the County's balance available to be refunded per the SDPAA was \$268,545.00, which was an increase of \$4,186.00 from the previous year.

The County carries various deductibles for the above coverages.

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

#### Worker's Compensation:

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

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

#### Unemployment Benefits:

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

During the two years ended December 31, 2020, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$702.14. At December 31, 2020, 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.

#### 15. IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of January 1, 2020, the County implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84).

The County restated the net position and fund balance of the fund(s) indicated below to appropriately reflect the January 1, 2020 balances as follows:

	Net Position December 31, 2019 as previously Stated	Restatement Implementation of GASB 84	Net Position January 1, 2020 as Restated
Custodial Funds	\$ 0.00	\$ 1,219,583.31	\$ 1,219,583.31

#### 16. SPECIAL ITEMS

In August of 2020, the County made a motion to settle a lawsuit it was involved with related a capital improvement project in the amount of \$250,000.00.

Also, in 2020, the County made the decision to pay for the legal expenses and related cost for the determination of the creation of the Spring Creek/Cow Creek Sanitary District.

**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,057,227.00	\$ 5,057,227.00	\$ 4,979,245.17	\$ (77,981.83)
General Property Taxes--Delinquent	40,000.00	40,000.00	59,384.75	19,384.75
Penalties and Interest	15,000.00	15,000.00	18,421.40	3,421.40
Telephone Tax (Outside)	250.00	250.00	243.92	(6.08)
Mobile Home Tax	250.00	250.00	0.00	(250.00)
Tax Deed Revenue	200.00	200.00	1,413.42	1,213.42
Licenses and Permits	35,000.00	35,000.00	47,449.20	12,449.20
Intergovernmental Revenue:				
Federal Grants	152,000.00	152,000.00	2,346,741.23	2,194,741.23
Federal Shared Revenue	500.00	500.00	319.00	(181.00)
Federal Payments in Lieu of Taxes	90,000.00	90,000.00	93,119.00	3,119.00
State Grants	10,000.00	10,000.00	9,895.49	(104.51)
State Shared Revenue:				
Bank Franchise	175,000.00	175,000.00	266,116.32	91,116.32
Court Appointed Attorney/Public Defender	20,000.00	20,000.00	0.00	(20,000.00)
Telecommunications Gross Receipts Tax	65,000.00	65,000.00	82,579.44	17,579.44
Motor Vehicle 1/4%	5,000.00	5,000.00	5,699.68	699.68
Liquor Tax Reversion (25%)	65,000.00	65,000.00	79,564.42	14,564.42
Other Payments in Lieu of Taxes	10,000.00	10,000.00	10,433.19	433.19
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	60,600.00	60,600.00	79,723.97	19,123.97
Register of Deeds' Fees	153,000.00	153,000.00	201,079.50	48,079.50
Legal Services	80,000.00	80,000.00	101,797.52	21,797.52
Public Safety:				
Law Enforcement	136,500.00	136,500.00	167,877.59	31,377.59
Prisoner Care	2,840,000.00	2,840,000.00	2,513,314.53	(326,685.47)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,000.00	3,000.00	4,736.40	1,736.40
Veterans Service Officer	5,000.00	5,000.00	8,260.00	3,260.00
Culture and Recreation	7,770.00	7,770.00	4,788.46	(2,981.54)
Conservation of Natural Resources	0.00	0.00	7,035.20	7,035.20
Other Charges	5,000.00	5,000.00	3,134.33	(1,865.67)
Fines and Forfeits:				
Costs	40,000.00	40,000.00	35,261.99	(4,738.01)
Forfeits	15,000.00	15,000.00	9,300.00	(5,700.00)
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	43,171.64	13,171.64
Rent	15,000.00	15,000.00	16,380.00	1,380.00
Refund of Prior Year's Expenditures	0.00	0.00	27,057.84	27,057.84
Other	10,300.00	10,300.00	5,427.14	(4,872.86)
Total Revenues	9,141,597.00	9,141,597.00	11,228,971.74	2,087,374.74
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	337,795.00	391,541.26	391,541.26	0.00
Contingency	250,000.00	250,000.00		
Amount Transferred		(243,173.28)		6,826.72
Elections	216,350.00	216,350.00	56,868.20	159,481.80
Judicial System	120,800.00	144,292.15	144,292.15	0.00
Financial Administration:				
Auditor	226,307.00	231,567.57	231,567.57	0.00
Treasurer	279,826.00	279,826.00	259,744.14	20,081.86



**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**  
**(Continued)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Legal Services:				
State's Attorney	532,014.00	532,014.00	518,710.27	13,303.73
Public Defender	350,500.00	350,500.00	315,000.00	35,500.00
Court Appointed Attorney	100,000.00	244,084.57	244,084.57	0.00
Abused and Neglected Child Defense	10,000.00	19,318.98	19,318.98	0.00
Other General Government:				
General Government Building	425,538.00	435,447.00	406,288.99	29,158.01
Director of Equalization	174,988.00	174,988.00	164,132.75	10,855.25
Register of Deeds	136,038.00	136,038.00	134,820.13	1,217.87
Veterans Service Officer	100,769.00	100,769.00	96,301.65	4,467.35
Predatory Animal	2,100.00	2,100.00	2,042.52	57.48
Information Technology	97,697.00	115,001.21	115,001.21	0.00
Public Safety:				
Law Enforcement:				
Sheriff	878,833.00	883,027.00	706,374.47	176,652.53
County Jail	3,304,565.00	3,304,565.00	3,049,293.24	255,271.76
Coroner	16,950.00	35,072.74	35,072.74	0.00
Juvenile Detention	706,071.00	706,071.00	623,810.10	82,260.90
Public Works:				
Transportation:				
Other Transportation	35,000.00	35,000.00	35,000.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	88,450.00	88,450.00	82,318.25	6,131.75
Health Assistance:				
Ambulance	55,000.00	55,000.00	56,970.00	(1,970.00)
Mental Health Services:				
Mentally Ill	250,000.00	250,000.00	202,601.11	47,398.89
Mental Illness Board	30,000.00	30,000.00	19,396.97	10,603.03
Culture and Recreation:				
Recreation:				
Exhibition Building	10,200.00	10,200.00	10,162.46	37.54
Conservation of Natural Resources:				
Soil Conservation:				
Weed and Pest Control	71,125.00	71,125.00	64,993.93	6,131.07
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	106,319.00	106,319.00	87,084.01	19,234.99
Economic Development:				
Tourism, Industrial or Recreational Development	14,800.00	14,800.00	0.00	14,800.00
Total Expenditures	8,928,035.00	8,970,294.20	8,072,791.67	897,502.53
Excess of Revenues Over (Under) Expenditures	213,562.00	171,302.80	3,156,180.07	2,984,877.27
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,470,000.00)	(1,470,000.00)	(1,452,497.63)	17,502.37
Insurance Proceeds	5,000.00	5,000.00	17,601.13	12,601.13
Sale of County Property	0.00	0.00	1,716.64	1,716.64
Total Other Financing Sources (Uses)	(1,465,000.00)	(1,465,000.00)	(1,433,179.86)	31,820.14
Special Items	0.00	0.00	250,000.00	250,000.00
Net Change in Fund Balance	(1,251,438.00)	(1,293,697.20)	1,973,000.21	3,266,697.41
Fund Balance - Beginning	3,605,675.15	3,605,675.15	3,605,675.15	0.00
FUND BALANCE - ENDING	\$ 2,354,237.15	\$ 2,311,977.95	\$ 5,578,675.36	\$ 3,266,697.41

**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 200,000.00	\$ 200,000.00	\$ 242,609.41	\$ 42,609.41
Intergovernmental Revenue:				
Federal Grants	47,000.00	47,000.00	94,399.81	47,399.81
State Grants	152,600.00	152,600.00	221,008.60	68,408.60
State Shared Revenue:				
Motor Vehicle Licenses	1,120,000.00	1,120,000.00	1,292,309.01	172,309.01
Prorate License Fees	60,000.00	60,000.00	67,349.97	7,349.97
63 3/4% Mobile Home	20,000.00	20,000.00	14,968.79	(5,031.21)
Secondary Road Remittances	380,000.00	380,000.00	445,024.54	65,024.54
Motor Fuel Tax	11,500.00	11,500.00	6,891.59	(4,608.41)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	14,500.00	14,500.00	16,408.21	1,908.21
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	39,133.99	9,133.99
Contributions and Donations	45,000.00	45,000.00	51,743.64	6,743.64
Other	1,400.00	1,400.00	3,286.75	1,886.75
<b>Total Revenues</b>	<b>2,082,000.00</b>	<b>2,082,000.00</b>	<b>2,495,134.31</b>	<b>413,134.31</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	3,579,022.00	3,579,022.00	2,736,229.90	842,792.10
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,497,022.00)</b>	<b>(1,497,022.00)</b>	<b>(241,095.59)</b>	<b>1,255,926.41</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	600,000.00	600,000.00	600,000.00	0.00
Sale of County Property	50,000.00	50,000.00	20,608.15	(29,391.85)
<b>Total Other Financing Sources (Uses)</b>	<b>650,000.00</b>	<b>650,000.00</b>	<b>620,608.15</b>	<b>(29,391.85)</b>
<b>Net Change in Fund Balance</b>	<b>(847,022.00)</b>	<b>(847,022.00)</b>	<b>379,512.56</b>	<b>1,226,534.56</b>
<b>Fund Balance - Beginning</b>	<b>2,225,361.63</b>	<b>2,225,361.63</b>	<b>2,225,361.63</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,378,339.63</b>	<b>\$ 1,378,339.63</b>	<b>\$ 2,604,874.19</b>	<b>\$ 1,226,534.56</b>

**SUPPLEMENTARY INFORMATION  
HUGHES COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
COURTHOUSE BUILDING FUND  
For the Year Ended December 31, 2020**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 211,815.00	\$ 211,815.00	\$ 208,830.15	\$ (2,984.85)
General Property Taxes--Delinquent	1,500.00	1,500.00	2,477.25	977.25
Penalties and Interest	500.00	500.00	770.52	270.52
Mobile Home Tax	70.00	70.00	0.00	(70.00)
Intergovernmental Revenue:				
Federal Shared Revenue	0.00	0.00	13.35	13.35
Miscellaneous Revenue:				
Investment Earnings	9,000.00	9,000.00	11,484.55	2,484.55
Total Revenues	222,885.00	222,885.00	223,575.82	690.82
Expenditures:				
General Government:				
Other General Government:				
General Government Building	250,000.00	250,000.00	80,370.00	169,630.00
Net Change in Fund Balance	(27,115.00)	(27,115.00)	143,205.82	170,320.82
Fund Balance - Beginning	894,103.96	894,103.96	894,103.96	0.00
FUND BALANCE - ENDING	\$ 866,988.96	\$ 866,988.96	\$ 1,037,309.78	\$ 170,320.82

**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 4,894,424.00	\$ 4,894,424.00	\$ 4,815,656.39	\$ (78,767.61)
General Property Taxes--Delinquent	40,000.00	40,000.00	39,487.56	(512.44)
Penalties and Interest	15,000.00	15,000.00	16,252.98	1,252.98
Telephone Tax (Outside)	300.00	300.00	233.40	(66.60)
Mobile Home Tax	50.00	50.00	0.00	(50.00)
Tax Deed Revenue	500.00	500.00	0.00	(500.00)
Licenses and Permits	35,000.00	35,000.00	39,933.00	4,933.00
Intergovernmental Revenue:				
Federal Grants	152,000.00	152,000.00	25,702.93	(126,297.07)
Federal Shared Revenue	500.00	500.00	487.41	(12.59)
Federal Payments in Lieu of Taxes	100,000.00	100,000.00	93,422.00	(6,578.00)
State Shared Revenue:				
Bank Franchise	175,000.00	175,000.00	176,425.92	1,425.92
Court Appointed Attorney/Public Defender	20,000.00	20,000.00	7,490.91	(12,509.09)
Telecommunications Gross Receipts Tax	65,000.00	65,000.00	62,215.58	(2,784.42)
Motor Vehicle 1/4%	5,000.00	5,000.00	5,613.79	613.79
Liquor Tax Reversion (25%)	65,000.00	65,000.00	74,912.99	9,912.99
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	57,600.00	57,600.00	76,956.25	19,356.25
Register of Deeds' Fees	148,000.00	148,000.00	157,257.50	9,257.50
Legal Services	80,000.00	80,000.00	108,884.99	28,884.99
Public Safety:				
Law Enforcement	81,500.00	81,500.00	166,796.74	85,296.74
Prisoner Care	2,785,000.00	2,785,000.00	3,981,071.21	1,196,071.21
Sobriety Testing	105,000.00	105,000.00	0.00	(105,000.00)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,000.00	3,000.00	7,798.86	4,798.86
Veterans Service Officer	4,000.00	4,000.00	28,094.00	24,094.00
Culture and Recreation	11,620.00	11,620.00	10,326.23	(1,293.77)
Conservation of Natural Resources	0.00	0.00	6,200.00	6,200.00
Other Charges	11,000.00	11,000.00	8,949.67	(2,050.33)
Fines and Forfeits:				
Costs	40,000.00	40,000.00	42,718.22	2,718.22
Forfeits	15,000.00	15,000.00	8,250.00	(6,750.00)
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	54,437.01	34,437.01
Rent	15,000.00	15,000.00	16,380.00	1,380.00
Refund of Prior Year's Expenditures	0.00	0.00	21,423.02	21,423.02
Other	5,300.00	5,300.00	8,959.59	3,659.59
Total Revenues	8,949,794.00	8,949,794.00	10,062,338.15	1,112,544.15
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	381,500.00	381,500.00	327,146.28	54,353.72
Contingency	250,000.00	250,000.00		
Amount Transferred		(89,139.44)		160,860.56
Elections	159,000.00	159,000.00	3,884.90	155,115.10
Judicial System	119,800.00	150,332.14	150,332.14	0.00
Financial Administration:				
Auditor	226,500.00	226,500.00	217,870.82	8,629.18

**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2019**  
**(Continued)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Treasurer	274,450.00	274,450.00	248,312.53	26,137.47
Legal Services:				
State's Attorney	513,400.00	513,400.00	473,096.54	40,303.46
Public Defender	350,500.00	356,250.00	356,250.00	0.00
Court Appointed Attorney	100,000.00	123,184.21	123,184.21	0.00
Abused and Neglected Child Defense	10,000.00	10,000.00	4,462.15	5,537.85
Other General Government:				
General Government Building	385,000.00	452,313.51	414,673.09	37,640.42
Director of Equalization	166,750.00	166,750.00	148,449.24	18,300.76
Register of Deeds	133,094.00	133,094.00	126,552.90	6,541.10
Veterans Service Officer	98,700.00	98,700.00	96,385.36	2,314.64
Predatory Animal	2,100.00	2,100.00	2,042.52	57.48
Information Technology	94,000.00	94,000.00	93,760.16	239.84
Public Safety:				
Law Enforcement:				
Sheriff	822,250.00	822,250.00	677,600.10	144,649.90
County Jail	3,171,250.00	3,171,250.00	3,041,753.95	129,496.05
Coroner	16,400.00	16,400.00	15,984.09	415.91
Juvenile Detention	689,500.00	689,500.00	653,554.87	35,945.13
Public Works:				
Other Public Works	60,000.00	60,000.00	59,999.92	0.08
Health and Welfare:				
Economic Assistance:				
Support of Poor	90,450.00	90,450.00	55,402.04	35,047.96
Health Assistance:				
Ambulance	55,000.00	55,000.00	48,510.00	6,490.00
Mental Health Services:				
Mentally Ill	263,000.00	263,000.00	167,261.69	95,738.31
Mental Illness Board	32,000.00	32,000.00	15,704.03	16,295.97
Culture and Recreation:				
Recreation:				
Exhibition Building	11,970.00	11,970.00	6,746.98	5,223.02
Conservation of Natural Resources:				
Soil Conservation:				
Weed and Pest Control	71,125.00	71,125.00	39,975.32	31,149.68
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	93,400.00	93,400.00	83,025.21	10,374.79
Urban and Rural Development	13,500.00	13,500.00	13,409.59	90.41
Total Expenditures	8,654,639.00	8,692,279.42	7,665,330.63	1,026,948.79
Excess of Revenues Over (Under) Expenditures	295,155.00	257,514.58	2,397,007.52	2,139,492.94
<b>Other Financing Sources (Uses):</b>				
Transfers In	85,000.00	85,000.00	0.00	(85,000.00)
Transfers Out	(1,470,000.00)	(1,470,000.00)	(1,463,107.84)	6,892.16
Insurance Proceeds	5,000.00	5,000.00	37,640.42	32,640.42
Total Other Financing Sources (Uses)	(1,380,000.00)	(1,380,000.00)	(1,425,467.42)	(45,467.42)
Net Change in Fund Balance	(1,084,845.00)	(1,122,485.42)	971,540.10	2,094,025.52
Fund Balance - Beginning	2,634,135.05	2,634,135.05	2,634,135.05	0.00
FUND BALANCE - ENDING	\$ 1,549,290.05	\$ 1,511,649.63	\$ 3,605,675.15	\$ 2,094,025.52

**SUPPLEMENTARY INFORMATION**  
**HUGHES COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 200,000.00	\$ 200,000.00	\$ 237,082.51	\$ 37,082.51
Intergovernmental Revenue:				
Federal Grants	5,600.00	5,600.00	0.00	(5,600.00)
State Grants	147,000.00	147,000.00	381,518.02	234,518.02
State Shared Revenue:				
Motor Vehicle Licenses	1,120,000.00	1,120,000.00	1,280,301.38	160,301.38
State Highway Fund (former 10% game)	47,000.00	47,000.00	0.00	(47,000.00)
Prorate License Fees	60,000.00	60,000.00	65,914.01	5,914.01
63 3/4% Mobile Home	20,000.00	20,000.00	22,301.01	2,301.01
Secondary Road Remittances	380,000.00	380,000.00	439,774.98	59,774.98
Motor Fuel Tax	11,500.00	11,500.00	6,872.78	(4,627.22)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	16,000.00	16,000.00	7,747.06	(8,252.94)
Miscellaneous Revenue:				
Investment Earnings	7,000.00	7,000.00	61,818.95	54,818.95
Contributions and Donations	45,000.00	45,000.00	52,632.30	7,632.30
Other	1,400.00	1,400.00	2,686.25	1,286.25
<b>Total Revenues</b>	<b>2,060,500.00</b>	<b>2,060,500.00</b>	<b>2,558,649.25</b>	<b>498,149.25</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	5,305,532.00	5,305,532.00	4,140,574.01	1,164,957.99
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,245,032.00)</b>	<b>(3,245,032.00)</b>	<b>(1,581,924.76)</b>	<b>1,663,107.24</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	600,000.00	600,000.00	600,000.00	0.00
Sale of County Property	150,000.00	150,000.00	88,435.92	(61,564.08)
<b>Total Other Financing Sources (Uses)</b>	<b>750,000.00</b>	<b>750,000.00</b>	<b>688,435.92</b>	<b>(61,564.08)</b>
<b>Net Change in Fund Balance</b>	<b>(2,495,032.00)</b>	<b>(2,495,032.00)</b>	<b>(893,488.84)</b>	<b>1,601,543.16</b>
<b>Fund Balance - Beginning</b>	<b>3,118,850.47</b>	<b>3,118,850.47</b>	<b>3,118,850.47</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 623,818.47</b>	<b>\$ 623,818.47</b>	<b>\$ 2,225,361.63</b>	<b>\$ 1,601,543.16</b>

**SUPPLEMENTARY INFORMATION  
HUGHES COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
COURTHOUSE BUILDING FUND  
For the Year Ended December 31, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 204,465.00	\$ 204,465.00	\$ 200,909.37	\$ (3,555.63)
General Property Taxes--Delinquent	1,000.00	1,000.00	1,650.48	650.48
Penalties and Interest	500.00	500.00	678.38	178.38
Mobile Home Tax	20.00	20.00	0.00	(20.00)
Intergovernmental Revenue:				
Federal Shared Revenue	0.00	0.00	20.33	20.33
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	15,715.87	13,715.87
Total Revenues	207,985.00	207,985.00	218,974.43	10,989.43
Expenditures:				
General Government:				
Other General Government:				
General Government Building	250,000.00	250,000.00	146,250.00	103,750.00
Net Change in Fund Balance	(42,015.00)	(42,015.00)	72,724.43	114,739.43
Fund Balance - Beginning	821,379.53	821,379.53	821,379.53	0.00
FUND BALANCE - ENDING	\$ 779,364.53	\$ 779,364.53	\$ 894,103.96	\$ 114,739.43

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 THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

\*Last 10 Years

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.2282634%	0.2251877%	0.2235152%	0.2228892%	0.2307334%	0.2362568%	0.2399113%
County's proportionate share of net pension liability (asset)	\$ (9,913)	\$ (23,864)	\$ (5,213)	\$ (20,227)	\$ 779,395	\$ (1,002,037)	\$ (1,728,463)
County's covered payroll	\$ 3,540,505	\$ 4,089,373	\$ 3,950,948	\$ 3,841,667	\$ 3,774,893	\$ 3,643,350	\$ 3,580,727
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.28%	0.58%	0.13%	0.53%	20.65%	27.50%	48.27%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

HUGHES COUNTY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedule of the Proportionate Share of the Net Pension Liability (Asset)

**Changes from Prior Valuation**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.

**SUPPLEMENTARY INFORMATION  
HUGHES COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Two Years Ended December 31, 2020**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures 2019</b>	<b>Total Federal Expenditures 2020</b>
US Department of Interior - Direct Programs: Bureau of Land Management, Payments in Lieu of Taxes (Note 3)	15.226		\$	\$ 93,422.00	\$ 93,119.00
<b>Total US Department of the Interior</b>			<b>0.00</b>	<b>93,422.00</b>	<b>93,119.00</b>
US Department of Justice - Pass-Through Programs: SD Department of Corrections, Juvenile Justice and Delinquency Prevention	16.540			3,852.65	
<b>Total US Department of Justice</b>			<b>0.00</b>	<b>3,852.65</b>	<b>0.00</b>
Highway Safety Cluster: US Department of Transportation - Pass-Through Programs: SD Department of Public Safety, State and Community Highway Safety National Priority Safety Programs	20.600 20.616			1,081.26 12,405.07	1,476.25
Total Highway Safety Cluster				13,486.33	1,476.25
<b>Total US Department of Transportation</b>			<b>0.00</b>	<b>13,486.33</b>	<b>1,476.25</b>
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund (Note 4)	21.019				2,610,525.86
<b>Total US Department of Treasury</b>			<b>0.00</b>	<b>0.00</b>	<b>2,610,525.86</b>
US Elections Assistance Commission - Pass-Through Programs: SD Secretary of State, Help America Vote Act Requirements Payments COVID 19 - Help America Vote Act Requirements Payments	90.401 90.401			113,790.00	9,000.00 12,471.50
<b>Total US Elections Assistance Commission</b>			<b>0.00</b>	<b>113,790.00</b>	<b>21,471.50</b>
US Department of Homeland Security - Pass-Through Programs: SD Department of Public Safety - Office of Emergency Management, Disaster Grants-Public Assistance (Presidentially Declared Disasters) Emergency Management Performance Grants Homeland Security Grant Program	97.036 97.042 97.067	EMW2020SS00008	468,245.56	59,750.00 249,880.92	81,613.37 44,068.45 247,869.60
<b>Total US Department of Homeland Security</b>			<b>468,245.56</b>	<b>309,630.92</b>	<b>373,551.42</b>
<b>GRAND TOTAL</b>			<b>\$ 468,245.56</b>	<b>\$ 534,181.90</b>	<b>\$ 3,100,144.03</b>

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified cash basis basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Reimbursement**

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

**Note 4: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.

**SUPPLEMENTARY INFORMATION  
HUGHES COUNTY  
SCHEDULE OF CHANGES IN LONG-TERM DEBT  
For the Two Years Ended December 31, 2020**

Indebtedness	Long-Term Debt January 1, 2019	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2020
<b>Governmental Long-Term Debt:</b>				
Limited Tax General Obligation Certificates of Participation (Series 2014)	\$ 6,465,000.00	\$	\$ (6,465,000.00)	\$ 0.00
Limited Tax General Obligation Certificates of Participation (Series 2020)		5,966,700.79	(642,783.36)	5,323,917.43
<b>Total</b>	<u>\$ 6,465,000.00</u>	<u>\$ 5,966,700.79</u>	<u>\$ (7,107,783.36)</u>	<u>\$ 5,323,917.43</u>

Note 1 - Long-Term Debt:

Debt payable at December 31, 2020 is comprised of the following:

Limited Tax General Obligation Certificates of Participation:

Limited Tax General Obligation Certificates of Participation, Series 2020, Matures December 2028, Interest Rate 2.180%.  
Payments are to be made from the Jail Debt Service Fund.

\$ 5,323,917.43