

**LAWRENCE COUNTY**

**AUDIT REPORT**

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

LAWRENCE COUNTY  
COUNTY OFFICIALS  
December 31, 2014

Board of Commissioners:  
Richard Sleep (Chairperson)  
Terry W. Weisenberg (Vice Chairperson)  
Robert Ewing  
Brandon Flanagan  
Daryl Johnson

Auditor:  
Connie Atkinson

Treasurer:  
Debora Tridle

State's Attorney:  
John Fitzgerald

Register of Deeds:  
Sheree Green

Sheriff:  
Brian Dean



LAWRENCE COUNTY  
TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3
Schedule of Prior Audit Findings.....	5
Schedule of Current Audit Findings and Questioned Costs.....	5
Independent Auditor's Report.....	7
 <i>Basic Financial Statements</i>	
<b><u>Government-wide Financial Statements:</u></b>	
As of December 31, 2014:	
Statement of Net Position--Modified Cash Basis.....	10
For the Year Ended December 31, 2014:	
Statement of Activities--Modified Cash Basis.....	11
For the Year Ended December 31, 2013:	
Statement of Activities--Modified Cash Basis.....	12
 <b><u>Fund Financial Statements:</u></b>	
<u>Governmental Funds</u>	
As of December 31, 2014:	
Balance Sheet--Modified Cash Basis.....	13
For the Year Ended December 31, 2014:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis.....	14
For the Year Ended December 31, 2013:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis.....	18
 <u>Fiduciary Funds</u>	
As of December 31, 2014:	
Statement of Fiduciary Net Position--Modified Cash Basis.....	22
Notes to the Modified Cash Basis Financial Statements.....	23

*Supplementary Information:*

Schedule of Expenditures of Federal Awards..... 35



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

County Commission  
Lawrence County  
Deadwood, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 1, 2015. An adverse opinion for the aggregate discreetly presented component unit was issued due to the County's financial statements not including the financial information of the Lawrence County Housing and Redevelopment Commission. An unmodified opinion was issued for the remaining opinion units.

***Internal Control Over Financial Reporting***

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

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

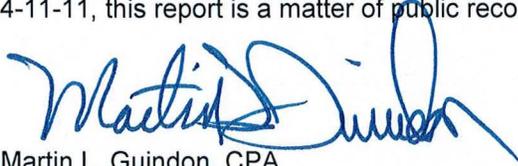
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

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

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

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



Martin L. Guindon, CPA  
Auditor General

September 1, 2015



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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

County Commission  
Lawrence County  
Deadwood, South Dakota

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

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

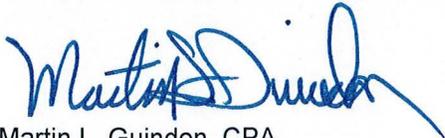
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types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

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

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

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

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



Martin L. Guindon, CPA  
Auditor General

September 1, 2015



**Current Other Audit Finding:**

**Compliance and Other Matters:**

Surplus Unassigned Fund Balance

Finding No. 2014-001:

The unassigned fund balance of the General Fund exceeded the maximum allowed by South Dakota Codified Law (SDCL) 7-21-18.1 by approximately \$1,284,000 as of December 31, 2014.

Analysis:

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

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

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

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

Total Unassigned Fund Balance at December 31, 2014		\$ 6,142,355.43
Less:		
2015 General Fund Appropriations	12,145,485.00	
Percentage of Allowable Retainage	<u>40%</u>	
Allowable Fund Balance Retainage		<u>(4,858,194.00)</u>
Unassigned Surplus Fund Balance at December 31, 2014 in Excess of the Amount Allowed by SDCL 7-21-18.1		<u>\$ 1,284,161.43</u>

RECOMMENDATION:

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

Management's Response:

Lawrence County has been involved in multiple Capital Improvement Projects at the Lawrence County Airport. We were responsible for initially funding these large projects and then submitting for reimbursement to the Federal and State Government for reimbursements. As these projects come to a close and funding has been restored to the County we have exceeded the cash surplus allowed in SDCL 7-21-18.1. The County is now able to focus on other issues before them. On September 1, 2015 the County Commission voted to assign \$700,000 to Courthouse Buildings/Grounds projects and improvements and \$700,000 to Road & Bridge improvements.



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Lawrence County  
Deadwood, South Dakota

### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit***

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, net position, revenues, and expenses of the aggregate discretely presented component unit are not presented and are not reasonably determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Lawrence County as of December 31, 2014, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County as of December 31, 2014, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### ***Basis of Accounting***

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

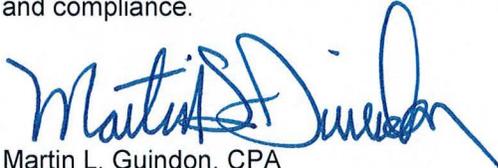
#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA  
Auditor General

September 1, 2015

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

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 13,413,463.24
Investments	3,100,000.00
Restricted Assets:	
Cash and Cash Equivalents	1,283,275.19
Notes Receivable	243,619.23
<b>TOTAL ASSETS</b>	<b>\$ 18,040,357.66</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 5)	
Road and Bridge Purposes	\$ 2,436,410.86
Mineral Severance Tax Purposes	1,526,894.42
Courthouse Building Purposes	1,651,153.10
Other Purposes	890,792.76
Unrestricted	11,535,106.52
<b>TOTAL NET POSITION</b>	<b>\$ 18,040,357.66</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 4,203,809.58	\$ 770,608.62	\$ 40,321.61	\$	\$ (3,392,879.35)
Public Safety	3,424,311.83	239,510.50	366,190.94	6,790.40	(2,811,819.99)
Public Works	4,554,019.04	155,195.59	2,972,019.76	404,432.08	(1,022,371.61)
Health and Welfare	181,425.22	29,239.03			(152,186.19)
Culture and Recreation	514,782.00				(514,782.00)
Conservation of Natural Resources	1,163,498.20	23,636.50	419,945.40		(719,916.30)
Urban and Economic Development	181,337.66	97,109.00			(84,228.66)
<b>Total Primary Government</b>	<b>\$ 14,223,183.53</b>	<b>\$ 1,315,299.24</b>	<b>\$ 3,798,477.71</b>	<b>\$ 411,222.48</b>	<b>(8,698,184.10)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes					9,490,801.87
State Shared Revenues					985,482.62
Unrestricted Investment Earnings					34,900.41
Miscellaneous Revenue					222,317.87
<b>Total General Revenues</b>					<b>10,733,502.77</b>
Change in Net Position					2,035,318.67
Net Position - Beginning					16,005,038.99
<b>NET POSITION - ENDING</b>					<b>\$ 18,040,357.66</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 4,190,764.56	\$ 810,007.29	\$ 39,503.82	\$	\$ (3,341,253.45)
Public Safety	3,513,979.30	241,671.49	384,611.02	96,671.00	(2,791,025.79)
Public Works	4,352,839.17	137,004.00	2,853,163.65	1,238,899.88	(123,771.64)
Health and Welfare	201,624.21	28,394.40			(173,229.81)
Culture and Recreation	514,782.00				(514,782.00)
Conservation of Natural Resources	582,420.43	64,984.00	286,500.00		(230,936.43)
Urban and Economic Development	218,765.62	82,028.00			(136,737.62)
<b>Total Primary Government</b>	<b>\$ 13,575,175.29</b>	<b>\$ 1,364,089.18</b>	<b>\$ 3,563,778.49</b>	<b>\$ 1,335,570.88</b>	<b>(7,311,736.74)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes					9,124,704.42
State Shared Revenues					1,005,105.16
Unrestricted Investment Earnings					29,272.52
Miscellaneous Revenue					264,617.36
<b>Total General Revenues</b>					<b>10,423,699.46</b>
Change in Net Position					3,111,962.72
Net Position - Beginning					12,893,076.27
<b>NET POSITION - ENDING</b>					<b>\$ 16,005,038.99</b>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Tax Fund</u>	<u>Courthouse Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 6,675,662.43	\$ 4,652,514.00	\$	\$ 929,456.88	\$ 1,155,829.93	\$ 13,413,463.24
Investments		1,100,000.00		2,000,000.00		3,100,000.00
Restricted Cash and Cash Equivalents			1,283,275.19			1,283,275.19
Notes Receivable			243,619.23			243,619.23
<b>TOTAL ASSETS</b>	<u><u>\$ 6,675,662.43</u></u>	<u><u>\$ 5,752,514.00</u></u>	<u><u>\$ 1,526,894.42</u></u>	<u><u>\$ 2,929,456.88</u></u>	<u><u>\$ 1,155,829.93</u></u>	<u><u>\$ 18,040,357.66</u></u>
<b>FUND BALANCES:</b>						
Restricted (See Note 1.i.)	\$	\$	\$	\$	\$ 890,792.76	\$ 890,792.76
Restricted Snow Removal Purposes		982,857.70				982,857.70
Restricted Highway and Bridge Reserve Purposes		1,453,553.16				1,453,553.16
Restricted Mineral Severance Tax Base Purposes			1,526,894.42			1,526,894.42
Restricted Courthouse and Jail Building Purposes Assigned (See Note 1.i.)				1,651,153.10		1,651,153.10
Assigned to Next Year's Budget	533,307.00				265,037.17	265,037.17
Assigned Road and Bridge Purposes		3,282,524.48				3,282,524.48
Assigned Snow Removal Purposes		13,532.29				13,532.29
Assigned Highway and Bridge Reserve Purposes		20,046.37				20,046.37
Assigned Courthouse and Jail Building Purposes Unassigned				1,278,303.78		1,278,303.78
	<u>6,142,355.43</u>					<u>6,142,355.43</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 6,675,662.43</u></u>	<u><u>\$ 5,752,514.00</u></u>	<u><u>\$ 1,526,894.42</u></u>	<u><u>\$ 2,929,456.88</u></u>	<u><u>\$ 1,155,829.93</u></u>	<u><u>\$ 18,040,357.66</u></u>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Tax 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	\$ 9,297,754.37	\$	\$	\$	\$ 79,117.02	\$ 9,376,871.39
General Property Taxes--Delinquent	61,934.73	2,900.90		432.54	610.52	65,878.69
Penalties and Interest	23,389.48	559.48		115.06	217.78	24,281.80
Telephone Tax (Outside)	96.05					96.05
Mobile Home Tax	22,181.73	31.94		0.54	186.61	22,400.82
Other Taxes	1,273.12					1,273.12
Licenses and Permits	123,774.00				9,270.00	133,044.00
Intergovernmental Revenue:						
Federal Grants	400,817.38	91,990.07			72,592.86	565,400.31
Federal Shared Revenue		210,111.57			34,606.61	244,718.18
Federal Payments in Lieu of Taxes		495,387.00				495,387.00
State Grants	437,328.15	231,603.17				668,931.32
State Shared Revenue:						
Bank Franchise	52,748.37				878.95	53,627.32
Motor Vehicle Licenses		1,403,239.10				1,403,239.10
Liquor Tax Reversion	1,004.12					1,004.12
Lottery Shared Revenue/Gambling	800,217.89					800,217.89
State Highway Fund (former 10% game)		14,604.60				14,604.60
Court Appointed Attorney/Public Defender	17,069.44					17,069.44
Prorate License Fees		84,537.30				84,537.30
Abused and Neglected Child Defense	3,590.50					3,590.50
63 3/4% Mobile Home		22,633.84				22,633.84
Secondary Road Motor Vehicle Remittances		408,701.69				408,701.69
Telecommunications Gross Receipts Tax	130,633.29					130,633.29
Motor Vehicle 1/4%	6,111.07					6,111.07
Motor Fuel Tax		9,211.42				9,211.42
911 Remittances					242,994.87	242,994.87
Other State Shared Revenue	14,299.00					14,299.00
Other Intergovernmental Revenue	8,270.55					8,270.55
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	50,149.52					50,149.52
Register of Deeds' Fees	347,058.15				20,948.86	368,007.01
Legal Services	191,839.89				2,075.00	193,914.89

Clerk of Court Fees	24,506.47					24,506.47
Other Fees	1,159.07					1,159.07
Public Safety:						
Law Enforcement	58,502.36					58,502.36
Prisoner Care	67,275.42					67,275.42
Sobriety Testing					27,496.00	27,496.00
Public Works:						
Road Maintenance Contract Charges		80,166.78				80,166.78
Other	75,028.81					75,028.81
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	7,707.51					7,707.51
Veterans Service Officer	4,375.00					4,375.00
Mental Health Services	12,261.52					12,261.52
Conservation of Natural Resources	23,636.50					23,636.50
Fines and Forfeits:						
Fines	27,715.85					27,715.85
Costs	8,351.87				469.00	8,820.87
Forfeits	47,300.00					47,300.00
Miscellaneous Revenue:						
Investment Earnings	10,092.46	11,526.92	6,957.27	4,302.52	2,021.24	34,900.41
Contributions and Donations	20,986.85					20,986.85
Other	143,673.92	55,657.10			2,000.00	201,331.02
Total Revenues	<u>12,524,114.41</u>	<u>3,122,862.88</u>	<u>6,957.27</u>	<u>4,850.66</u>	<u>495,485.32</u>	<u>16,154,270.54</u>

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners	376,400.69					376,400.69
Elections	39,848.76					39,848.76
Judicial System	88,681.44					88,681.44

## Financial Administration:

Auditor	292,442.06					292,442.06
Treasurer	365,963.25					365,963.25
Data Processing	360,053.32					360,053.32
Other	269,610.27					269,610.27

## Legal Services:

State's Attorney	448,502.87					448,502.87
Public Defender	363,126.15					363,126.15
Court Appointed Attorney	156,456.79					156,456.79

## Other Administration:

General Government Building	607,504.06					607,504.06
Director of Equalization	502,280.57					502,280.57
Register of Deeds	266,784.91				24,010.00	290,794.91
Veterans Service Officer	41,299.84					41,299.84
Predatory Animal	844.60					844.60

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Tax Fund</u>	<u>Courthouse Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Public Safety:						
Law Enforcement:						
Sheriff	1,488,174.75					1,488,174.75
County Jail	893,357.30				4,970.75	898,328.05
Coroner	62,508.12					62,508.12
Juvenile Detention	59,376.20					59,376.20
Protective and Emergency Services:						
Fire Protection					63,873.23	63,873.23
Emergency and Disaster Services					178,288.09	178,288.09
Communication Center	464,514.94				209,248.45	673,763.39
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		3,885,411.72				3,885,411.72
Transportation:						
Airport	668,607.32					668,607.32
Health and Welfare:						
Economic Assistance:						
Support of Poor	25,706.22					25,706.22
Health Assistance:						
County Nurse	51,795.95					51,795.95
Ambulance	10,450.00					10,450.00
Social Services:						
Domestic Abuse					11,814.00	11,814.00
Mental Health Services:						
Mentally Ill	39,591.34					39,591.34
Drug Abuse	10,000.00					10,000.00
Mental Health Centers	24,097.00					24,097.00
Mental Illness Board	7,970.71					7,970.71
Culture and Recreation:						
Culture:						
Public Library	492,282.00					492,282.00
Recreation:						
County Fair	10,000.00					10,000.00
Senior Center	12,500.00					12,500.00

Conservation of Natural Resources:						
Soil Conservation:						
County Extension	42,900.00					42,900.00
Soil Conservation Districts	20,000.00					20,000.00
Weed and Pest Control	1,100,598.20					1,100,598.20
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	181,337.66					181,337.66
Total Expenditures	<u>9,845,567.29</u>	<u>3,885,411.72</u>	<u>0.00</u>	<u>0.00</u>	<u>492,204.52</u>	<u>14,223,183.53</u>
Excess of Revenues Over (Under) Expenditures	<u>2,678,547.12</u>	<u>(762,548.84)</u>	<u>6,957.27</u>	<u>4,850.66</u>	<u>3,280.80</u>	<u>1,931,087.01</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In		1,615,000.00		600,000.00	125,075.00	2,340,075.00
Transfers Out	(2,340,075.00)					(2,340,075.00)
Insurance Proceeds	104,231.66					104,231.66
Total Other Financing Sources (Uses)	<u>(2,235,843.34)</u>	<u>1,615,000.00</u>	<u>0.00</u>	<u>600,000.00</u>	<u>125,075.00</u>	<u>104,231.66</u>
Net Change in Fund Balance	442,703.78	852,451.16	6,957.27	604,850.66	128,355.80	2,035,318.67
Fund Balance - Beginning	<u>6,232,958.65</u>	<u>4,900,062.84</u>	<u>1,519,937.15</u>	<u>2,324,606.22</u>	<u>1,027,474.13</u>	<u>16,005,038.99</u>
FUND BALANCE - ENDING	<u>\$ 6,675,662.43</u>	<u>\$ 5,752,514.00</u>	<u>\$ 1,526,894.42</u>	<u>\$ 2,929,456.88</u>	<u>\$ 1,155,829.93</u>	<u>\$ 18,040,357.66</u>

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

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

	General Fund	Road and Bridge Fund	Mineral Severance Tax Fund	Courthouse Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes:						
General Property Taxes--Current	\$ 8,553,175.71	\$ 374,887.41	\$	\$	\$ 75,712.11	\$ 9,003,775.23
General Property Taxes--Delinquent	65,474.21	3,194.12		846.37	590.53	70,105.23
Penalties and Interest	25,486.92	1,272.29		159.35	232.34	27,150.90
Telephone Tax (Outside)	1.47					1.47
Mobile Home Tax	20,898.27	921.12		7.30	186.10	22,012.79
Other Taxes	1,658.80					1,658.80
Licenses and Permits	111,351.50				10,260.00	121,611.50
Intergovernmental Revenue:						
Federal Grants	1,285,736.41	50,728.98			183,027.12	1,519,492.51
Federal Shared Revenue		223,855.92				223,855.92
Federal Payments in Lieu of Taxes		424,795.00				424,795.00
State Grants	286,500.00	225,926.35				512,426.35
State Shared Revenue:						
Bank Franchise	46,637.65	2,175.58			802.64	49,615.87
Motor Vehicle Licenses		1,250,488.79				1,250,488.79
Liquor Tax Reversion	934.94					934.94
Lottery Shared Revenue/Gambling	804,273.79					804,273.79
State Highway Fund (former 10% game)		14,604.60				14,604.60
Court Appointed Attorney/Public Defender	23,126.30					23,126.30
Prorate License Fees		78,048.70				78,048.70
Abused and Neglected Child Defense	3,842.31					3,842.31
63 3/4% Mobile Home		16,475.41				16,475.41
Secondary Road Motor Vehicle Remittances		372,776.26				372,776.26
Telecommunications Gross Receipts Tax	150,280.56					150,280.56
Motor Vehicle 1/4%	5,558.77					5,558.77
Motor Fuel Tax		9,134.41				9,134.41
911 Remittances					251,418.37	251,418.37
Other State Shared Revenue	186,329.23					186,329.23
Other Intergovernmental Revenue	6,976.44					6,976.44
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	48,800.97					48,800.97
Register of Deeds' Fees	361,510.75				24,633.42	386,144.17
Legal Services	205,283.82				2,475.00	207,758.82
Clerk of Court Fees	27,731.40					27,731.40

Other Fees	3,145.26					3,145.26
Public Safety:						
Law Enforcement	68,015.14					68,015.14
Prisoner Care	71,710.42					71,710.42
Sobriety Testing					27,108.00	27,108.00
Public Works:						
Road Maintenance Contract Charges		68,781.38				68,781.38
Other	68,222.62					68,222.62
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	7,317.30					7,317.30
Mental Health Services	10,817.10					10,817.10
Conservation of Natural Resources	64,984.00					64,984.00
Fines and Forfeits:						
Fines	7,226.30					7,226.30
Costs	42,040.67				381.00	42,421.67
Forfeits	21,973.96					21,973.96
Miscellaneous Revenue:						
Investment Earnings	5,697.42	10,254.63	7,740.97	3,884.43	1,695.07	29,272.52
Contributions and Donations	217,675.00					217,675.00
Other	38,833.94	1,059.08			584.00	40,477.02
Total Revenues	<u>12,849,229.35</u>	<u>3,129,380.03</u>	<u>7,740.97</u>	<u>4,897.45</u>	<u>579,105.70</u>	<u>16,570,353.50</u>

**Expenditures:**

## General Government:

Legislative:						
Board of County Commissioners	297,067.67					297,067.67
Elections	13,477.43					13,477.43
Judicial System	85,468.20					85,468.20
Financial Administration:						
Auditor	274,365.15					274,365.15
Treasurer	352,292.78					352,292.78
Data Processing	346,731.49					346,731.49
Other	511,597.17					511,597.17
Legal Services:						
State's Attorney	426,946.78					426,946.78
Public Defender	356,312.29					356,312.29
Court Appointed Attorney	182,388.09					182,388.09
Other Administration:						
General Government Building	593,472.05					593,472.05
Director of Equalization	438,822.51					438,822.51
Register of Deeds	261,969.65				10,555.00	272,524.65
Veterans Service Officer	38,453.70					38,453.70
Predatory Animal	844.60					844.60
Public Safety:						
Law Enforcement:						
Sheriff	1,437,912.04					1,437,912.04

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

	General Fund	Road and Bridge Fund	Mineral Severance Tax Fund	Courthouse Building Fund	Other Governmental Funds	Total Governmental Funds
County Jail	919,076.19				5,364.47	924,440.66
Coroner	36,130.19					36,130.19
Juvenile Detention	92,670.00					92,670.00
Protective and Emergency Services:						
Fire Protection					84,631.45	84,631.45
Emergency and Disaster Services					253,783.72	253,783.72
Communication Center	473,089.22				211,322.02	684,411.24
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		4,142,718.96				4,142,718.96
Transportation:						
Airport	210,120.21					210,120.21
Health and Welfare:						
Economic Assistance:						
Support of Poor	24,612.59					24,612.59
Health Assistance:						
County Nurse	51,761.00					51,761.00
Ambulance	10,450.00					10,450.00
Social Services:						
Domestic Abuse					13,116.00	13,116.00
Mental Health Services:						
Mentally Ill	60,321.13					60,321.13
Drug Abuse	10,000.00					10,000.00
Mental Health Centers	24,097.00					24,097.00
Mental Illness Board	7,266.49					7,266.49
Culture and Recreation:						
Culture:						
Public Library	492,282.00					492,282.00
Recreation:						
County Fair	10,000.00					10,000.00
Senior Center	12,500.00					12,500.00
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	39,795.00					39,795.00
Soil Conservation Districts	20,000.00					20,000.00
Weed and Pest Control	522,625.43					522,625.43

Urban and Economic Development:						
Urban Development:						
Planning and Zoning	178,765.62					178,765.62
Economic Development:						
Tourism, Industrial or Recreational Development			40,000.00			40,000.00
Total Expenditures	<u>8,813,683.67</u>	<u>4,142,718.96</u>	<u>40,000.00</u>	<u>0.00</u>	<u>578,772.66</u>	<u>13,575,175.29</u>
Excess of Revenues Over (Under) Expenditures	<u>4,035,545.68</u>	<u>(1,013,338.93)</u>	<u>(32,259.03)</u>	<u>4,897.45</u>	<u>333.04</u>	<u>2,995,178.21</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In		1,095,000.00			139,893.00	1,234,893.00
Transfers Out	(1,234,893.00)					(1,234,893.00)
Insurance Proceeds	110,319.17					110,319.17
Sale of County Property	6,465.34					6,465.34
Total Other Financing Sources (Uses)	<u>(1,118,108.49)</u>	<u>1,095,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>139,893.00</u>	<u>116,784.51</u>
Net Change in Fund Balance	2,917,437.19	81,661.07	(32,259.03)	4,897.45	140,226.04	3,111,962.72
Fund Balance - Beginning	<u>3,315,521.46</u>	<u>4,818,401.77</u>	<u>1,552,196.18</u>	<u>2,319,708.77</u>	<u>887,248.09</u>	<u>12,893,076.27</u>
FUND BALANCE - ENDING	<u>\$ 6,232,958.65</u>	<u>\$ 4,900,062.84</u>	<u>\$ 1,519,937.15</u>	<u>\$ 2,324,606.22</u>	<u>\$ 1,027,474.13</u>	<u>\$ 16,005,038.99</u>

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

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

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 807,418.92
<b>TOTAL ASSETS</b>	<u>\$ 807,418.92</u>
<b>NET POSITION:</b>	
Net Position Held in Agency Capacity	\$ 807,418.92
<b>TOTAL NET POSITION</b>	<u>\$ 807,418.92</u>

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

LAWRENCE 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 Lawrence 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the County (primary government). The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

The Housing and Redevelopment Commission of Lawrence County, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the County Commission's Chairperson with the approval of the Board of County Commissioners for five year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Sharon Scudder, Contracting Officer, 1220 Cedar Street #113, Sturgis, SD 57785. The financial activity of the Lawrence County Housing and Redevelopment Commission, a component unit of Lawrence County, has not been included in the financial statements presented in this report.

The County participates in a cooperative unit, the Western Juvenile Service Center Compact, and the Butte/Lawrence County Fair. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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

#### *Fund Financial Statements:*

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

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

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

#### **Governmental Funds:**

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

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

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

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.

Mineral Severance Tax Fund – to account for funds deposited with the county pursuant to SDCL 10-39-54 to be used for economic development or for roads and schools (SDCL 10-39-54.3). This is a major fund.

The remaining special revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, Law Library, 24/7 Sobriety, Modernization and Preservation Relief and Title III. These funds are reported on the fund financial statements as “Other Governmental Funds.”

### **Fiduciary Funds:**

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

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

#### c. Measurement Focus and Basis of Accounting:

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

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

#### *Measurement Focus:*

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

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

#### *Basis of Accounting:*

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to

maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

- a. 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.
- b. Recording long-term notes receivable arising from cash transactions.

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

f. 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.

g. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

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

h. 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.

i. Fund Balance Classification Policies and Procedures:

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

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

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

The Government *does* have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Road and Bridge Fund	General Property Taxes, Federal Shared Revenues, State Grants, and Motor Vehicle Licenses
Mineral Severance Tax Fund	Interest Earnings
Courthouse Building Fund	General Property Taxes and Interest Earnings

A schedule of fund balances for the Other Governmental Funds is provided as follows:

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

	<u>Other Governmental Funds</u>
<b>Fund Balances:</b>	
Restricted For:	
County Fair Purposes	\$ 333,086.37
911 Service Purposes	441,328.48
Title III Purposes	34,606.61
24/7 Sobriety Purposes	62,756.02
Modernization and Preservation Relief Purposes	19,015.28
Assigned To:	
County Fire Purposes	3,158.27
Emergency Management Purposes	261,670.19
24/7 Program Purposes	208.71
 Total Other Governmental Funds - Fund Balances	 <u>\$ 1,155,829.93</u>

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

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

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their

other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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

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

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

### 3. RESTRICTED CASH AND INVESTMENTS

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 1,283,275.19	Mineral Severance Tax SDCL 10-39-54.3 (3) Base Funds

### 4. PROPERTY TAXES

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

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

5. RESTRICTED NET POSITION

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

**Major Purposes:**

Road and Bridge Purposes	\$ 2,436,410.86
Mineral Severance Tax Purposes	1,526,894.42
Courthouse Building Purposes	<u>1,651,153.10</u>

Total Major Purposes	<u>5,614,458.38</u>
----------------------	---------------------

**Other Purposes:**

Fire Protection Purposes	333,086.37
911 Service Purposes	441,328.48
Title III Purposes	34,606.61
24/7 Sobriety Program Purposes	62,756.02
Modernization and Preservation Relief Purposes	<u>19,015.28</u>

Total Other Purposes	<u>890,792.76</u>
----------------------	-------------------

<b>Total Restricted Net Position</b>	<b><u>\$ 6,505,251.14</u></b>
--------------------------------------	-------------------------------

6. INTERFUND TRANSFERS

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

<b>Transfers From:</b>	<b>Transfers To:</b>			<b>Total</b>
	Road and Bridge Fund	Courthouse Building Fund	Other Governmental Funds	
Major Funds:				
General Fund	\$ 1,615,000.00	\$ 600,000.00	\$ 125,075.00	\$ 2,340,075.00

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

<b>Transfers From:</b>	<b>Transfers To:</b>		<b>Total</b>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 1,095,000.00	\$ 139,893.00	\$ 1,234,893.00

The County typically budget transfers to the Road and Bridge Fund, Courthouse Building Fund (CY 2014), and the Emergency Management Fund (Other Governmental Fund) to conduct the indispensable functions of the County.

7. NOTES RECEIVABLE

At December 31, 2014, \$243,619.23 of outstanding loans existed in the Mineral Severance Tax Fund (Economic Diversification). The notes receivable results from a revolving economic development loan fund created by SDCL 10-39. The notes receivable are reported as a component of Restricted Net Position in the Statement of Net Position. The noncurrent portion of the long-term notes receivable are reported as a component of restricted fund balance in the Governmental Fund's Balance Sheet.

8. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$347,435.91, \$330,595.00, and \$334,894.40, respectively, equal to the required contributions each year.

9. JOINT VENTURES

Western South Dakota Juvenile Service Center Compact

The County participates in a joint venture, known as the Western South Dakota Juvenile Services Center Joint Powers Agreement, formed for the purpose of providing juvenile detention services.

The members of the joint venture and their relative percentage of participation are as follows:

Pennington County	66%
Lawrence County	16%
Butte County	7%
Fall River County	5%
Custer County	5%
Harding County	1%

The joint venture's governing board is composed of one county commissioner from each county. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The County retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Pennington County Auditor's Office.

At December 31, 2014 this joint venture had no assets, as the joint venture operates on a breakeven basis, and no long-term liabilities, as all debt was paid off in May of 2013.

#### Butte-Lawrence County Fair

The County participates in a joint venture, known as the Butte-Lawrence County Fair, formed for the purpose of providing a county fair.

The members of the joint venture and their relative percentage of participation are as follows:

County of Butte	50%
County of Lawrence	50%

The joint venture's governing board is composed of ten representatives. Two members are appointed by each of the participating counties board of commissioners. Additional members are appointed by the fair board as needed. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Butte-Lawrence County Fair.

At December 31, 2014, this joint venture had total net position of \$40,209.06, and no long-term debt.

#### 10. SIGNIFICANT CONTINGENCIES – LITIGATION

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

#### 11. RISK MANAGEMENT

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

##### Employee Health Insurance:

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

##### Liability Insurance:

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

policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

General Liability,  
Automobile Liability,  
Law Enforcement Liability,  
Officials' Liability,  
Property Damage,  
Employee Dishonesty, and  
Earthquake and Flood

The agreement with the SDPAA provides that the above coverages will be provided to a \$5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2014, the County has vested balance in the cumulative reserve fund of \$202,861.28.

The County carries a \$3,000 deductible for the Law Enforcement Liability coverage and \$2,500 deductible for the Auto Collision coverage, and \$1,000 deductible for Comprehensive coverage, Property Damage coverage, Earthquake coverage, and Flood coverage.

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2013	Expenditures 2014
US Department of Agriculture: Schools and Roads Cluster: Indirect Federal Funding: SD State Auditor, Schools and Roads - Grants to States (Note 2) (Note 3) (Note 4)	10.665		\$ 447,711.84	\$ 454,829.76
US Department of Interior: Direct Federal Funding: Bureau of Land Management, Payments in Lieu of Taxes (Note 2)	15.226		424,795.00	495,387.00
National Fire Plan-Wildland Urban Interface Community Fire Assistance	15.228		23,707.50	14,576.35
<b>Total US Department of Interior</b>			<u>448,502.50</u>	<u>509,963.35</u>
US Department of Transportation: Highway Safety Cluster: Indirect Federal Funding: SD Department of Public Safety, State and Community Highway Safety Alcohol Impaired Driving Countermeasures Incentive Grants	20.600		18,835.02	
	20.601		17,500.00	6,790.40
<b>Total Highway Safety Cluster</b>			36,335.02	6,790.40
Other Programs: Indirect Federal Funding: SD Department of Transportation, Airport Improvement Project (Note 3)	20.106		1,238,899.88	464,210.82
<b>Total US Department of Transportation</b>			<u>1,275,234.90</u>	<u>471,001.22</u>
US General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003		228.42	148.65
US Department of Health and Human Services: Indirect Federal Funding: SD Secretary of State, Voting Access for Individuals with Disabilities - Grants to States	93.617		10,501.51	6,977.65
US Department of Homeland Security: Indirect Federal Funding: SD Department of Public Safety, Office of Emergency Management, Disaster Grants-Public Assistance Hazard Mitigation Grant Emergency Management Performance Grants Homeland Security Grant Program	97.036		50,728.98	94,033.82
	97.039		18,750.00	
	97.042		70,333.62	55,087.76
	97.067		70,236.00	885.00
<b>Total US Department of Homeland Security</b>			<u>210,048.60</u>	<u>150,006.58</u>
<b>GRAND TOTAL</b>			<u>\$ 2,392,227.77</u>	<u>\$ 1,592,927.21</u>

LAWRENCE COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Two Years Ended December 31, 2014  
 (Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2013	Expenditures 2014
--	------------------------	--	----------------------	----------------------

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

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

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

**Note 4:** Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads-Grants to States	10.665	\$ 433,967.50

**Note 5:** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.