

County Revenues, Expenditures and Fund Balances History

Prepared by Legislative Audit for the
County Government Interim Committee
August 19, 2015

Presentation Overview

- What we will cover today
 - Legislative Audit's role and responsibilities to counties
 - Overview of county funds
 - History of county revenues, expenditures and fund balances and related Legislative Audit observations
 - Concerns from the counties
- Handouts
 - We will use these slides supplemented by exhibits and appendices in the separate handout
 - These slides contain references to the related exhibits and appendices when applicable

Historical State Map

- 1892 map of South Dakota (first page of the Exhibits handout)
 - 33 west river counties vs. the 22 we have today
 - east river counties were the same as they are today

Legislative Audit's role and responsibilities to counties

- Statutory responsibilities
 - Audits of all counties at least once every two years SDCL 4-11-4
 - Financial statements
 - Compliance with laws and regulations
 - Counties functions involve numerous and complex statutory requirements
 - Pass-through money
 - 60% of money handled by counties is distributed to other governments
 - Prepare and update accounting manual for counties SDCL 4-11-6
 - Helps ensure consistency in accounting and reporting
 - Valuable when turnover of county financial officials occurs
 - Assistance to counties in implementing audit recommendations and standardizing records and procedures SDCL 4-2-7
 - Services provided
 - Telephone and onsite assistance
 - Workshops and training seminars for county officials
 - Benefits
 - Helps prevent problems from occurring
 - Valuable when turnover of county financial officials occurs

Legislative Audit's role and responsibilities to counties

- Annual financial reports
 - Counties are required to submit annual financial reports to Legislative Audit
 - Annual reports are available on Legislative Audit website
 - Annual report data is available in a searchable database on Legislative Audit website
- Semi-annual fund balance reports - SDCL 7-21-18.1
 - General Fund unassigned fund balance as of March 31st and September 30th is reported to Legislative Audit and published in county minutes
 - Committee could consider whether this requirement is still of value

Counties are not all the same

- Minnehaha and Pennington counties
 - receive $\approx 26\%$ of county property taxes which is more than 38 smaller counties combined
 - have $\approx 46\%$ of county net law enforcement expenditures which is more than 55 smaller counties combined
- Sully County with 954 combined miles of roads and bridges has only 1.5 residents per mile of roads and bridges to be maintained whereas Minnehaha with 547 combined miles of roads and bridges has 334 residents per mile of roads and bridges
- Sully County has $\approx \$541,000$ of property valuation per capita whereas Shannon County has $\approx \$2,400$ of property valuation per capita

Counties are not all the same

- While county unrestricted General Fund balances are \approx \$88 million (\$40.9 million inflation adjusted) greater in 2014 than in 1995 prior to the tax limitation, 31 of 64 counties in our population have a lower General Fund balance (as a percentage of expenditures) over the last four years than they did in 1995-1996 (pre-limitation).

What funds does a county have?

- Description of county funds can be found in Appendix A
- Governmental Funds
 - General Fund – everything that isn't required to be in another fund
 - Special Revenue Funds – restricted revenues (Road Fund, 911 Fund, etc.)
 - Capital Projects (e.g. major building projects)
 - Debt Service (bond redemption)
- Proprietary Funds
 - Enterprise funds – e.g. landfill
 - Internal service funds – e.g. health self-insurance program
- Fiduciary Funds
 - Trust and Agency Funds
 - 60% of money handled by counties belongs to someone else

County Funds – Governmental

- Governmental Fund – General Fund
 - As we have stated, the General Fund contains everything that isn't required to be in another fund. The General Fund is usually considered to be the main operating fund of the county.
 - Every county has a General Fund.
 - The majority of property taxes are accounted for in the General Fund.
 - The major function of county government (other those accounted for in Special Revenue Funds) are reported in the General Fund, such as:
 - General Government – Legislative, Elections, Judicial System, Financial Administration, Legal Services and Others
 - Public Safety – Law Enforcement, Protective and Emergency Services and Other
 - Public Works – Sanitation, Transportation, Water System and Other
 - Health and Welfare – Economic Assistance, Health Assistance, Social Services and Mental Health Services
 - Culture and Recreation – Culture (public library, historical sites) and Recreation (parks, exhibition building, fair)
 - Conservation of Natural Resources – Soil Conservation and Water Conservation
 - Urban and Economic Development – Planning and Zoning and Tourism, Industrial and Recreational Development
 - Intergovernmental Expenditures

County Funds – Governmental

- Governmental Fund – Special Revenue Funds
 - Special Revenue Funds are used to account for revenues that are restricted in use by the State constitution, State Statutes or by an outside 3rd party (federal grant, state grant, trust agreement, etc.)
 - Every county has a County Road and Bridge Special Revenue Fund
 - Most every county has a 911 Service Fund
 - Some of the other more common Special Revenue Funds are:
 - Emergency Management Fund
 - Domestic Abuse Program Fund
 - Courthouse Building Fund
 - 24/7 Sobriety Fund
 - Modernization and Preservation Relief Fund
 - Primary purpose for the Special Revenue Funds is to be able to properly account for the expenditures of restricted revenues received.

County Funds – Governmental

- **Governmental Fund – Capital Projects Fund**
 - Capital Projects Funds are used to account for major capital construction projects. They are project oriented rather than year oriented. The capital project fund is set up at the start of the project and is closed out once the project is completed.
- **Governmental Fund – Debt Service Fund**
 - Debt Service Funds are used to account for the proceeds of a tax levy received to retire the principal and interest on long-term debt issues. Normally a separate fund is established for each bond issue. The debt service fund is maintained for the life of the long-term debt issue.
- **Governmental Fund – Permanent Funds**
 - Permanent Funds are used to account for endowments or special gifts or donation, for which the proceeds are to expended for a “governmental” purpose.

County Funds – Proprietary

- Proprietary Funds
 - There two types of proprietary funds – Enterprise Funds and Internal Service Funds
- Proprietary Fund – Enterprise Funds
 - Enterprise Funds are not used or required for most counties.
 - The most common Enterprise Fund is the Solid Waste Fund which is used to account for the solid waste operations of the county as provided by SDCL 34A-6.
- Proprietary Fund – Internal Service Funds
 - Internal Service Funds are used to account for services provided by the county to it's own operations.
 - The most common Internal Service Fund is the Medical Self-Insurance Fund to account for group health insurance for the county officers and employees and their immediate families under a plan of self-insurance in whole or in part .
 - Two or more counties may participate in such a self-insurance plan if the plan will cover a minimum of one hundred eligible officers and employees. (SDCL 7-8-26.2)

County Funds – Fiduciary

- Fiduciary Funds – Trust Funds
 - Private Purpose Trust Funds are used by the counties to account for endowments or donations for which the proceeds are to be used to benefit someone other than the county operations themselves.
 - The use of this type of fiduciary fund is not very common in counties.
- Fiduciary Funds – Agency Funds
 - Agency Funds are those funds for which the county is acting as a fiscal agent for other governments or entities.
 - Some of the most common Agency Funds are School Districts, Townships and Cities agency funds, which are used to track the collections of property taxes and other shared revenues and forwarded to the entities on a monthly basis.
 - Approximately 60% of the receipts that flow through the counties are accounted for in Agency Funds.

County revenues compared with Municipalities and Townships

- Counties are the most property tax dependent of these three government types (see Exhibit A):
 - Property taxes as a percentage of total governmental funds revenues are:
 - Counties – 57.53%
 - Municipalities – 23.06%
 - Townships – 49.49%

County Revenues

- Exhibit B contains a historical summary of county revenues for 1995-2014 (revenue account descriptions are in Appendix B)
 - Property Taxes revenues are 4.88% larger percentage of total revenues in 2011-2014 compared with 1995-1996
 - Motor Vehicle Licenses revenues are 4.39% larger percentage of total revenues in 2011-2014 compared with 1995-1996
 - Due to the zero interest rate policy investment earnings are 3.75% lesser percentage of total revenues in 2011-2014 compared with 1995-1996
 - We estimate the counties would have an additional \$12 million per year of revenue if rates were at pre-recession levels
 - Inflation adjusted total revenues are up \approx 45% when comparing 2011-2014 with 1995-1996

County Revenues

- Exhibit C provides additional details regarding property taxes for the year 2014
 - The exhibit provides comparisons of:
 - Property taxes as a % of total revenue
 - Per capita property valuation
 - Property taxes per \$1,000 of valuation
 - Property tax opt outs in effect for pay 2014
- Exhibit D compares revenues for selected counties for 2014
 - Five counties are presented for comparative purposes
 - Presents each revenue source as a per cent of total revenues

County Expenditures

- Exhibit E contains a summary of expenditures from 1995-2014
 - Presents functional expenditures and the percentage that each function represents of total expenditures for various time periods
- Exhibit F contains a summary of road and law enforcement functional expenditures
 - Shows the percentage of total expenditures that each of these functions represents for various time periods
 - Capital outlay functional expenditures are included in the Other Expenditures line thus Road and Law Enforcement expenditure lines contain only non-capital expenditures
 - Primarily affects Minnehaha, Pennington, Brown, Brookings and Harding counties because they report on a GAAP basis
- Exhibit G contains road expenditure data by county
 - Shows rankings of various demographic and financial data related to the County Road Fund for the period 2004-2014

County Law Enforcement

- Providing public safety has become a major use of the resources of the County General Fund.
- One of the primary sources of fund the public safety expenditures is property taxes; however, it is not the only funding source.
- From analyzing the county revenue source data, we have determined the following related revenue sources related to providing public safety function.
- Exhibit I contains law enforcement revenue and expenditure information.
 - Drop in prisoner care revenue in 2014.
- Exhibit J contains law enforcement revenue accounts.

County Law Enforcement Revenues

- Court Appointed Attorney/Public Defender – Funds from the state court appointed attorney and public defender payment fund annually distributed by the state treasurer to the county general fund. The distribution shall be based on a percentage ratio between moneys collected and total expenditures incurred by all counties for the past fiscal year and be applied to each county based on gross expenditures for court appointed attorneys and public defender offices in relation to all counties in the state. (SDCL 23A-40-20)
- Abused and Neglected Child Defense – Funds in the abused and neglected child defense fund annually distributed by the state treasurer of the county general fund. The distribution shall be based on a percentage ratio between moneys collected by the state and total expenditures incurred by all counties for abused and neglected children and be applied to each county based on each county's share of abused an neglected children expenditures in relation to all counties in the state. (SDCL 23-3-53 and 26-8A-19)
- Legal Services – Includes - State's Attorney Fees, Public Defender and/or Court Appointed Attorney Lien Recoveries, Divorce Fees and Other Fees.
 - State's Attorney Fees - The state's attorney shall pay over to the county treasurer all money he may receive as such state's attorney within ten days after he receives it and shall file with the county auditor a complete list of the amount so paid showing all fees and costs received in civil actions in which the county is the successful party, as well as all fines, recognizances, forfeitures, penalties, or costs received by him. (SDCL 7-16-21)
 - Public Defender and/or Court Appointed Attorney Lien Recoveries - immediately upon payment by the chargeable county, or upon the setting of the public defender's lien by a circuit court judge or magistrate judge, a statement of claim showing the name and residence of the recipient shall be filed by the county auditor in the office of the register of deeds in the county where the recipient resides. A certified copy of the lien may be filed in any other county in which the recipient may have or may acquire an interest in real or personal property. The lien is enforceable, until satisfied or compromised. (SDCL 23A-40-13)
 - Divorce Fees - the clerk of courts shall charge and collect a fee of fifty dollars for filing a divorce action. The fee shall be deposited in the county general fund as provided in § 16-2-30. The county treasurer shall deposit half of the fee into the county domestic abuse program fund and half of the fee in the county general fund. (SDCL 16-2-45)

County Law Enforcement Revenues

- Clerk of Courts Fees – Clerk of Courts Fees
- Law Enforcement – Law Enforcement includes:
 - Sheriff Fees (Service of Process) - the sheriff shall charge and remit the several fees to the county as itemized in SDCL 7-12-18;
 - Law Enforcement Contracts with Federal Agencies;
 - Law Enforcement Contracts with Local Governments; and
 - Other Fees.
- Prisoner Care – Prisoner Care (County Jails) includes:
 - Prisoner Care Contracts with Federal Agencies - All sheriffs or officers having charge of any jail to whom any person shall be sent or committed by virtue of legal process issued by or under the authority of the United States, shall receive such person into custody and safely keep him until he is discharged by due course of the laws of the United States. The United States shall be liable to pay for the support and keeping of such prisoners at such rates as may be negotiated between the United States and the local jail authority. (SDCL 24-11-6);
 - Prisoner Care Contracts with Local Governments - Any organized township, municipality or county of the state is hereby authorized, upon passage of an affirmative resolution by each of the governing bodies of two or more such subdivisions of the state to enter into a mutually acceptable contract, or to amend or terminate such contract by which a jail may be used, owned, constructed, maintained, or operated, or any of the foregoing relationships may be established, by such two or more subdivisions. (SDCL 24-11-4);
 - Work Release - the board of county commissioners may require by resolution that a sum not to exceed the average daily prisoner cost may be charged to work release inmates of the county jails as restitution to be applied toward prisoner maintenance cost, including but not limited to, room and board. In instances of undue hardship, the commissioners may reduce or waive the charges. (SDCL 24-11-32.1);
 - Convict Conveyance Reimbursements - the county shall pay all necessary expenses, including travel, incurred in the transportation of adult and juvenile prisoners to state correctional institutions. The county may be reimbursed by the state from funds appropriated for such purpose. (SDCL 7-12-22);
 - Commissary Sales; and
 - Other Fees.

County Law Enforcement Revenues

- Social Services – Child Support Enforcement - a board of county commissioners may not give or pay any fees or costs to a state's attorney as part of a salary or in addition to a salary. However, each board shall participate in the costs of the prosecution and enforcement by the state's attorney of support obligations against any responsible parent whether of a civil or criminal nature on a fee for service bases with the Department of Social Services. The fee is paid to the state's attorney in addition to any other compensation of the states attorney for the performance of other public duties. (SDCL 7-16-23)
- Mental Health Services Lien Recoveries – payment by the county of residences pursuant to § 27A-13-10 is collectible by a civil suit brought in the name of the individual county and any judgment obtained is a lien upon the real property of the patient or responsible person and may be collected as other liens. (SDCL 27-A13-31)
- Fines – For Counties this is primarily fines for violations of County Ordinances.
- Costs – The clerk of courts shall forward all fees and costs on a monthly basis to the county treasurer for deposit in the county general fund. (SDCL 16-2-30)
- Forfeits – After the forfeiture of recognizance, bond or undertaking of bail, including an appearance bond, the prosecuting attorney shall proceed, with all due diligence, by action against the bail upon the instrument so forfeited. If money deposited instead of bail, including an appearance bond, is forfeited, the clerk of the court or other officer with whom it is deposited, shall monthly pay the money deposited to the county treasurer who shall deposit it in the county treasury. (SDCL 23A-43-25)

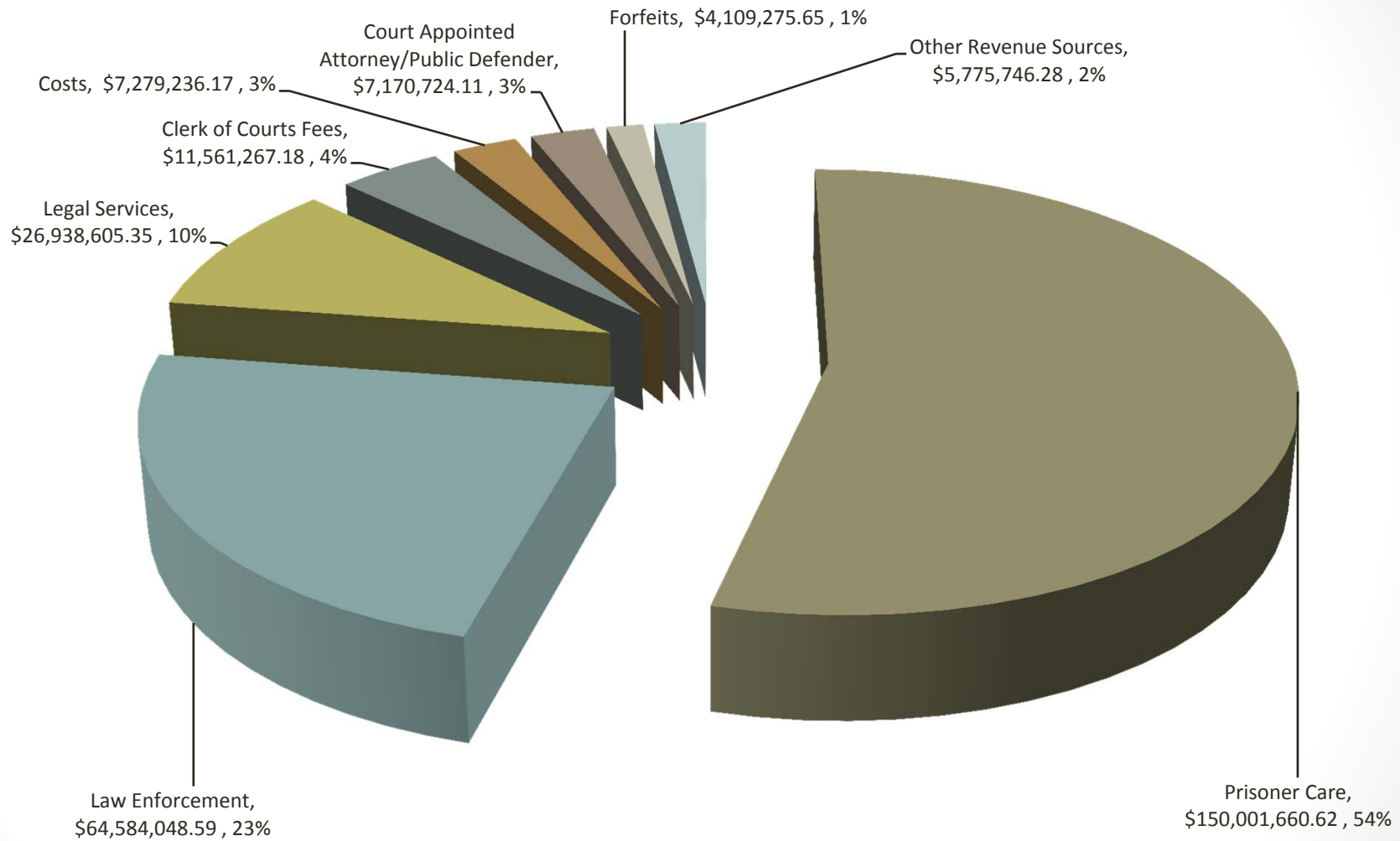
County Law Enforcement Revenues

- The Law Enforcement Related Revenue for the last 11 years:

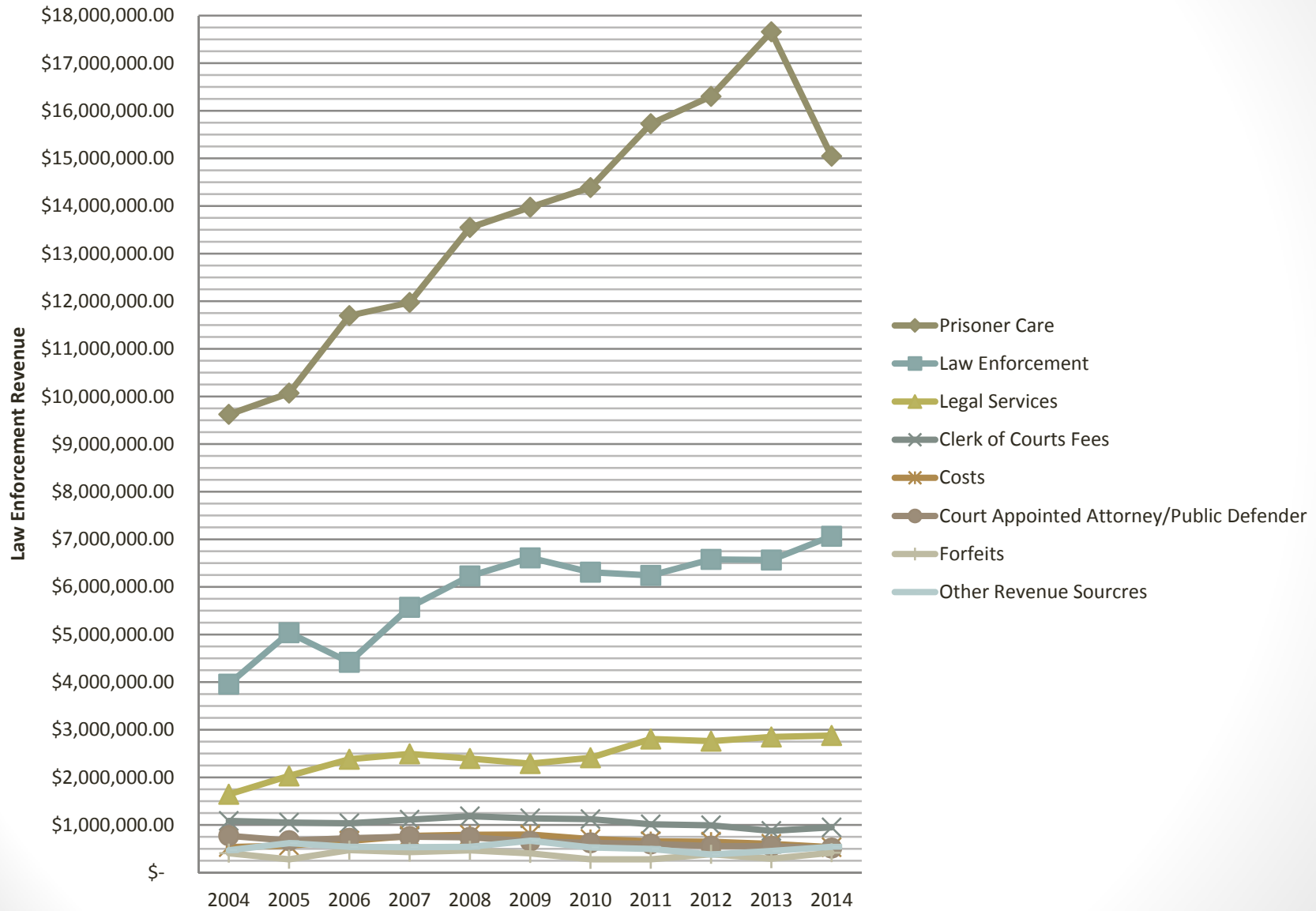
General Fund Law Enforcement Related Revenues 2004-2014				
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Account Description	2004 - 2014		2004 - 2014 Average	
	Total Revenue	% of Total	11 Year Average Revenue	% of Total
Prisoner Care	\$ 150,001,660.62	54.08%	\$ 13,636,514.60	54.08%
Law Enforcement	\$ 64,584,048.59	23.28%	\$ 5,871,277.14	23.28%
Legal Services	\$ 26,938,605.35	9.71%	\$ 2,448,964.12	9.71%
Clerk of Courts Fees	\$ 11,561,267.18	4.17%	\$ 1,051,024.29	4.17%
Costs	\$ 7,279,236.17	2.62%	\$ 661,748.74	2.62%
Court Appointed Attorney/Public Defender	\$ 7,170,724.11	2.58%	\$ 651,884.01	2.58%
Forfeits	\$ 4,109,275.65	1.48%	\$ 373,570.51	1.48%
Other Revenue Sources	\$ 5,775,746.28	2.08%	\$ 525,067.84	2.08%
Totals	\$ 277,420,563.95	100.00%	\$ 25,220,051.26	100.00%
Total Law Enforcement Related Expenditures	\$ 1,273,160,000.03	100.00%	\$ 115,741,818.18	100.00%
Law Enforcement Expenditures less Revenue	\$ 995,739,436.08		\$ 90,521,766.92	
% of Law Enforcement expenditures covered by law enforcement related revenues	21.79%		21.79%	
General Fund Property Tax Revenue	\$ 2,241,357,080.83		\$ 203,759,734.62	
% of General Fund Property Taxes needed to fund remaining law enforcement expenditures	44.43%		44.43%	

General Fund Law Enforcement Related Revenues Summary - 2004-2014

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General Fund Law Enforcement Related Revenues Summary - 2004- 2014 64 of 66 Counties Reporting



County Road & Bridge Fund

- Every county has a County Road and Bridge Fund.
- The County Road and Bridge Fund definition is - to account for funds credited to the county road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, 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 planners may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2)
- Exhibit G contains comparisons of road fund data.
- The County Road and Bridge Fund has various revenue sources to fund the expenditures for road and bridge purposes. (Details contained in Exhibit H) The significant revenue sources for the County Road and Bridge Fund are as follows:

County Road & Bridge Fund Revenue Sources

COUNTY ROAD AND BRIDGE SIGNIFICANT REVENUES CHART OF ACCOUNTS

<u>Account Numbers</u>	<u>Description</u>
310	<u>TAXES</u>
311.0	Current Property Taxes - proceeds from current year tax levies against real property including real estate mobile homes.
316.0	Wheel Tax - any county may, by ordinance, impose a wheel tax on all motor vehicles, as administered and collected by the county. The total vehicle tax may not exceed sixteen dollars per vehicle. (SDCL 32-5A-1)
330	<u>INTERGOVERNMENTAL REVENUE</u> - this group of accounts includes revenue received from other governments in the form of grants, shared revenue, or payments in lieu of taxes. Grants, sometimes referred to as grants-in-aid, are contributions made by one governmental level or unit to another unit and are not related to specific revenue sources of the granting unit. Shared revenues are those which are levied by one governmental unit but shared, usually in proportion to the amounts collected, with another unit of government or class of governments. Payments in lieu of taxes are payments made out of general revenues by one governmental jurisdiction to another in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the receiving government on the same basis as other privately owned property or other tax base. Not included in this major source category are payments on contracts which the county may enter into with another governmental unit to provide goods and/or services, which are recorded as Charges for Goods or Services.
331.0	Federal Grants
331.02	FEMA Grant - Public Assistance, Federal Share Only (CFDA 97.036) disasters
331.03	CDBG Grants (CFDA 14.228)
331.20	Emergency Relief, DOT (CFDA 20.205)
332.0	Federal Shared Revenue
332.30	Forest Apportionment
332.40	Schools and Roads - Grants to Counties (Bankhead Jones) (CFDA 10.666)
333.0	Federal Payments in Lieu of Taxes
333.10	Bureau of Land Management P.I.L.T. (CFDA 15.226, PL 97-258, 31USC 6901-6907)
334.0	State Grants (Including State Share of FEMA Grants)

County Road & Bridge Fund Revenue Sources

COUNTY ROAD AND BRIDGE SIGNIFICANT REVENUES CHART OF ACCOUNTS

<i>Account Numbers</i>	<i>Description</i>
335.0	State Shared Revenue
335.02	Motor Vehicle Licenses - funds collected for motor vehicle licenses in each county shall be distributed to the county in the following manner: Twenty-two and one-half percent shall be credited to the county road and bridge fund of the county in which they were collected. (SDCL 32-11-4.1) In addition by the fifteenth day of January, May, July and October, the secretary of revenue shall apportion moneys in the local government highway and bridge fund as provided to the county. (SDCL 32-11-35)
335.06	State Highway Fund Revenue (formally 10% Game) (31-2-14.3)
335.08	Energy Minerals Severance Tax - one half of all taxes, interest and penalties imposed and collected by the secretary of revenue as energy mineral severance tax shall be returned to the county in which the energy minerals or mineral products were severed. (SDCL 10-39A-8) The county auditor shall at the direction of the board of county commissioners, allocate the funds to be distributed by the county treasurer for school and road purposes to off set social, economic or physical impacts, either direct or indirect, resulting from energy development or production in the county. (SDCL 10-39A-10)
335.09	Prorate License Fees - each county shall distribute fifty-four percent of its portion of the county road and bridge fund, thirty-four percent of its portion of the special highway fund as provided by subdivision 32-11-4.1 (2) and twelve percent of its portion of the municipalities of the county pursuant to subdivision 32-11-4.1 (3). (SDCL 32-10-35)
335.13	Secondary Road Remittances (Unorganized Townships Only) 14% MV, share of prorate, Local Government Highway and Bridge Fund Quarterly Reversions, Wheel Tax, if any, and other remittances applicable to unorganized townships. (SDCL 32-11-4.1)
335.17	Motor Fuel Tax – a distribution each July from the State Motor Fuel Tax Fund to counties and townships. SDCL 10-47B-149/149.1
<u>340</u>	<u>CHARGES FOR GOODS AND SERVICES</u> - enter amounts received from services performed in connection with specific county activities under the appropriate function of government.
341.0	General Government
343.0	Public Works
343.1	Road Maintenance Contract Charges
343.11	Road Maintenance Contracts with Federal Agencies
343.12	Road Maintenance Contracts with State
343.13	Road Maintenance Contracts with Subdivisions
343.19	Other

County Road & Bridge Fund Revenue Sources

COUNTY ROAD AND BRIDGE SIGNIFICANT REVENUES CHART OF ACCOUNTS

<i>Account Numbers</i>	<i>Description</i>
<i>360</i>	<i>MISCELLANEOUS REVENUE</i> - incidental revenue earned by the county from other than current operations.
361.0	Earnings on Deposits and Investments - this includes interest earned on deposits and investment, the gain/loss realized from the sale of securities, and the net increase/decrease in fair value of investments. Patronage dividends received from cooperatives should not be posted to investment earnings but should instead be posted as a reduction to the respective expenditure/expense account.
<i>370</i>	<i>OTHER FINANCING SOURCES</i>
371.0	Transfers In - represents interfund transfer of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided.

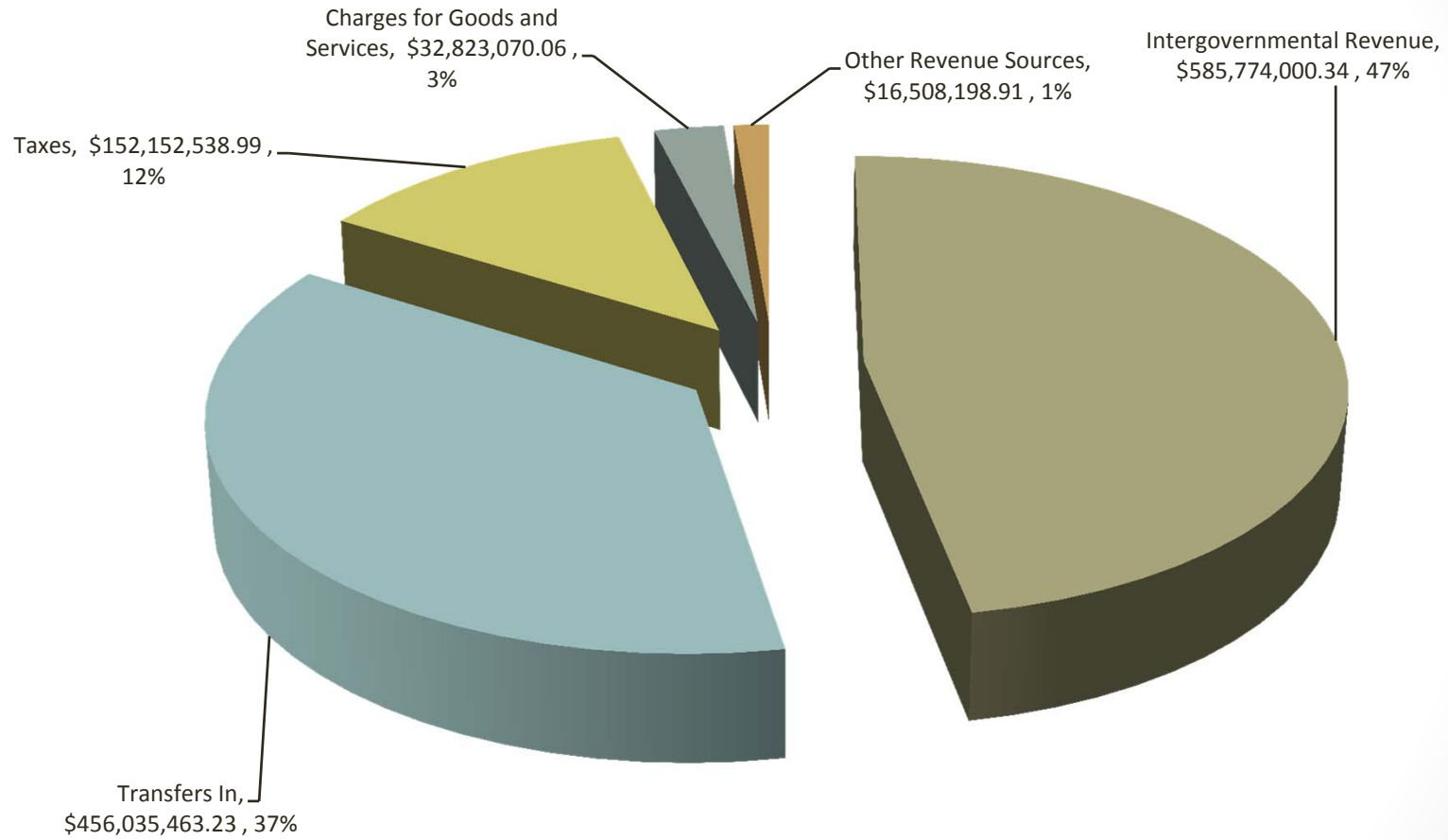
County Road & Bridge Fund Revenue Sources

- The top 10 revenue sources of the County Road and Bridge Fund for 2004 through 2014 are as follows:

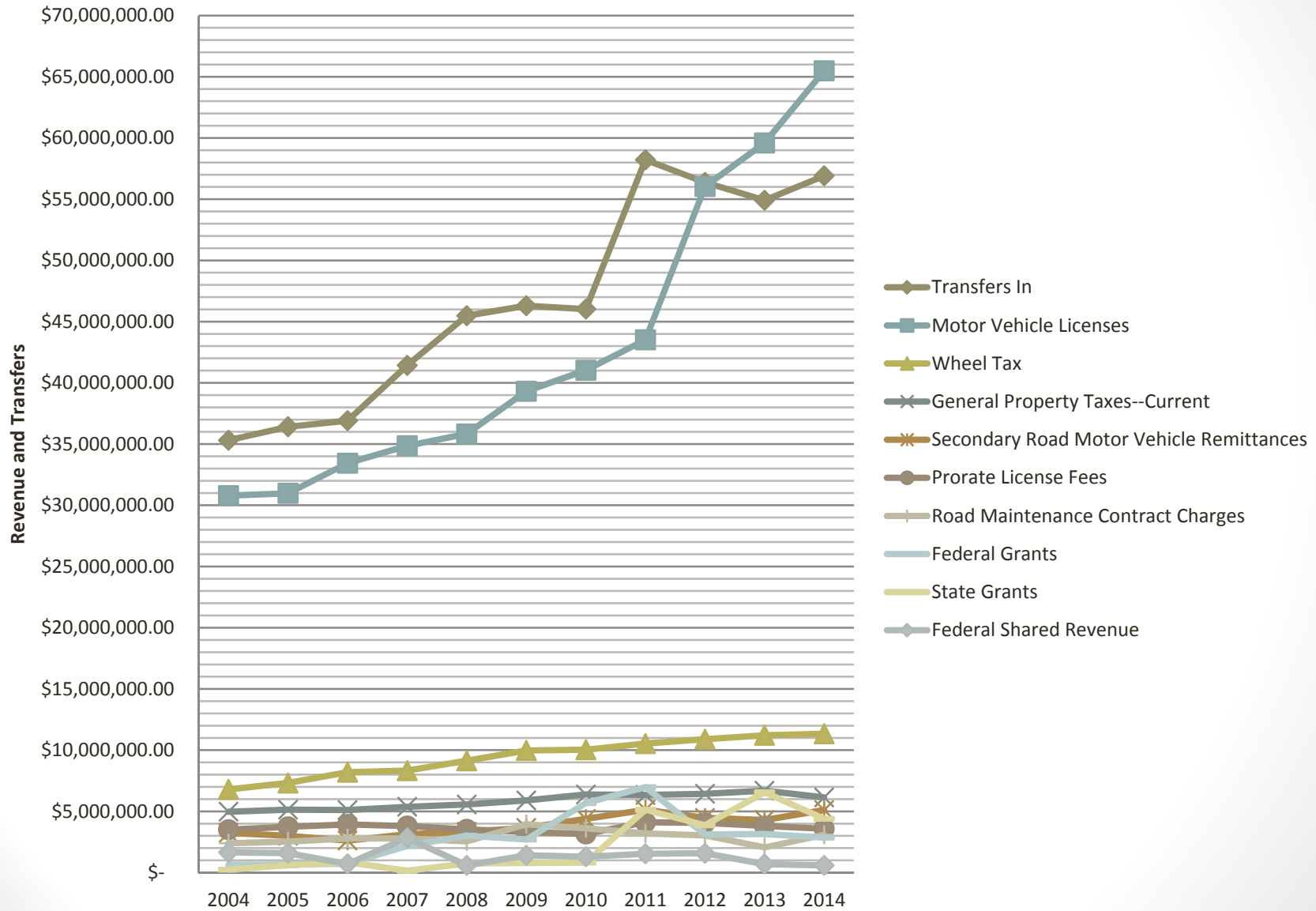
South Dakota Counties - Road and Bridge Fund Revenue and Transfers In Summary - 2004 thru 2014			
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Account	Account	2004 - 2014	
Number	Description	Total Revenue	% of Total
371.00	Transfers In	\$ 456,035,463.23	36.68%
335.02	Motor Vehicle Licenses	\$ 427,355,653.60	34.37%
316.00	Wheel Tax	\$ 93,240,277.20	7.50%
311.00	General Property Taxes--Current	\$ 57,672,256.68	4.64%
335.13	Secondary Road Motor Vehicle Remittances	\$ 37,211,549.32	2.99%
335.09	Prorate License Fees	\$ 36,453,684.61	2.93%
343.10	Road Maintenance Contract Charges	\$ 28,794,324.67	2.32%
331.00	Federal Grants	\$ 24,716,100.75	1.99%
334.00	State Grants	\$ 19,011,730.51	1.53%
332.00	Federal Shared Revenue	\$ 12,921,352.76	1.04%
	All other Revenues	\$ 49,880,878.20	4.01%
Total Revenue		\$ 1,243,293,271.53	100.00%

South Dakota Counties - Road and Bridge Fund Revenue and Transfers In Summary - 2004 thru 2014

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South Dakota Counties - Road and Bridge Fund Top 10 Sources of Revenue - 2004 thru 2014 64 of 66 Counties Reporting



County fund balance classifications

- Nonspendable
 - items not in spendable form or legally/contractually required to be kept intact
- Restricted
 - resources required to be used for a specific purpose – **externally imposed** (e.g. state law, third party)
- Committed
 - resources required to be used for a specific purpose **internally imposed** by highest authority (i.e. county ordinance)
- Assigned
 - amounts restrained by government's **intent** - generally set by governing board or management (e.g. board resolution or motion)
- Unassigned
 - residual for the General Fund and deficit balance in other governmental fund types

County Fund Balances

- Exhibit K contains General Fund balance history
 - 27 counties with lower fund balance percentage when comparing last four years with average of the last 20
- Exhibit L contains Road Fund balance history
 - 29 counties with lower fund balance percentage when comparing 2014 with average of 2004-2014

County Budget Issues

- Most counties have budget issues; however, each county's budget issues are unique and influenced by many factors.
- The counties themselves may provide specific budgetary issues and concerns. The following are some budgetary issues and concerns that have been expressed to us or that we have noted during the performance of our audits of counties:

County Budget Issues – General Fund

- The General Fund is called upon to fund, primarily through property taxes, many functions of the county government functions that do not sustain themselves. This is primarily done through the transfers from the General Fund to other county funds.
- Four funds which the counties transfer the most funds to are:
 - County Road and Bridge Fund – by far the largest recipient fund of transfers.
 - Courthouse Building Fund
 - Emergency Management Fund
 - 911 Service Fund
- The increase in the requests for county resources has exceeded the increase in the property tax growth. In some instances the counties have had to opt out of the property tax limitation to obtain a necessary increase in property tax dollars to meet their commitments.
- Many counties have informed us that they have put off needed courthouse maintenance issues due to lack of necessary funding.

County Budget Issues – General Fund – Public Safety

- Public Safety appropriations are increasing at a faster rate than the increase in property tax growth (CPI and Growth).
- Three of the counties with larger county jail facilities saw a significant decline in the Prisoner Care revenue from 2013 to 2014, primarily in the contract with federal agencies.
 - Minnehaha County declined \$942,999.42
 - Hughes County declined \$776,288.05
 - Pennington County declined \$477,041.17
- Due to the filled status of some of the larger county jail facilities, some counties are now having to house their prisoners at another county jail facility resulting in increased costs of transportation and personnel to take them there and back for court.
- County jail revenues are not keeping pace with the increases in county jail expenditure requirements.

County Budget Issues – General Fund – Public Safety

- Public Safety appropriations are not easily controlled or budgeted , such as, Judicial System, Court Appointed Attorney, County Jail, Juvenile Detention, Mentally Ill, Drug Abuse.
- The Judicial System has been growing and has requested additional space at many courthouses. In some instances (Brookings County for instance) the Judicial System has completely taken over the Courthouse. As the Judicial System is requiring more space it is forcing the counties to consider how they can plan and budget for additional buildings.
- Counties have expressed that the public safety operations are requiring or requesting more and more equipment (computer in vehicles, cell phones, cameras, bullet proof vest, etc.).

County Budget Issues – Road and Bridge Fund

- Restricted and dedicated funding for County Road and Bridge Fund operations are not enough to keep up with the needed construction, repair and maintenance of the highways and roads under the counties' jurisdiction.
- With a few exceptions, most all County Road and Bridge Fund operations are subsidized by transfer from the General Fund (property taxes).
- The cost of replacing, repairing and maintaining roads is increasing faster than the increase allowed for property taxes (CPI and Growth).
- Many counties find it necessary to finance major equipment purchases as they do not have the available funding to purchase them outright.

County Budget Issues – Road and Bridge Fund

- Large projects, such as a bridge replacement, are having to be put off as the county does not have the available resources to complete at this time. By waiting, the estimated cost of repairing the bridge is increasing dramatically.
- Counties are responsible for funding the maintenance and repair of secondary roads in unorganized townships. The restricted funds raised by the Secondary Road Property Tax Levy is not sufficient to pay for the needed maintenance and repairs. In one county, they have usually spent all of the anticipated secondary road property tax revenues by July or August and have to subsidize the remainder with transfers from the General Fund.