

**MARSHALL COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2013**

MARSHALL COUNTY  
COUNTY OFFICIALS  
December 31, 2013

Board of Commissioners:

Doug Medhaug  
Ralph Skare  
Myles DeVine  
Paul Symens  
Leron Knebel, Sr.

Auditor:  
Megan Biel

Treasurer:  
Ruby Hagen

State's Attorney:  
Chad Locken

Register of Deeds:  
Marlene Sime

Sheriff:  
Dale Elsen



MARSHALL COUNTY  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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

County Commission  
Marshall County  
Britton, 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 Marshall County, South Dakota (County), as of December 31, 2013, 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 May 1, 2015.

***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item No. 2013-001 to be a material weakness.

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.

We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item No. 2013-002 to be a significant deficiency.

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

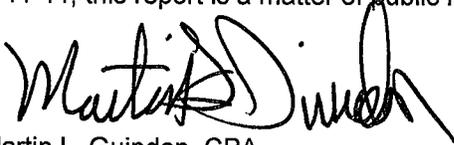
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item No. 2013-003.

### ***County's Response to Findings***

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

### ***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

May 1, 2015

MARSHALL COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

Finding No. 2011-01:

The County's internal controls over cash assets were inadequate resulting in diminished assurance that the County's financial transactions were properly recorded and its assets were adequately safeguarded. This finding has not been fully corrected and is restated as current audit finding No. 2013-001.

Finding No. 2011-02:

The County did not comply with the requirements of state law and federal regulations for the distribution of money received for Refuge Revenue Sharing and Prorate/Port of Entry Fees. This finding has been resolved.

Finding No. 2011-03:

The County incurred expenditures which exceeded the budgeted appropriations contrary to South Dakota Codified Law (SDCL) 7-21-25. This finding has not been corrected and is restated as part of current audit finding No. 2013-003.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

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

Cash Internal Control Deficiencies

Finding No. 2013-001:

The County's internal controls over monitoring cash assets were inadequate resulting in diminished assurance that the County's financial transactions were properly recorded and its assets were adequately safeguarded. This is the second consecutive audit in which a similar finding was noted.

Analysis:

United States General Accounting Office, Government Auditing Standards, 2011 revisions, state:

Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse.

We noted the following internal control deficiency over monitoring cash:

- a. The 911 Service Fund and the Emergency Management Fund had negative cash balances as of December 31, 2013 in the amounts of \$10,751.25 and \$11,548.77, respectively. Statutory authority does not authorize borrowing by the 911 Service Fund or the Emergency Management Fund from the General Fund. South Dakota Codified Law (SDCL) 7-21-34 allows borrowing from county funds against anticipated tax collections; however, the 911 Service Fund and the Emergency Management Fund are not funds for which a tax levy is collected.

- b. In the process of upgrading the County's accounting software in 2013, the old Civil Townships, Special Highway, Cities and Towns, and 5% Cities agency funds should have been closed and an agency fund for each of the various taxing entities should have been used to account for the collection and remittance to the taxing entities. As of December 31, 2013 the individual taxing entities' agency funds reflected negative cash balances due to not properly closing out the cash balances of the old Civil Townships, Special Highway, Cities and Towns, and 5% Cities agency funds to the individual taxing entity agency funds.

**RECOMMENDATIONS:**

1. We recommend that proper internal accounting controls be implemented to prevent negative cash balances occurring and that spending in the 911 Service Fund and the Emergency Management Fund be limited to funds available or that funds be provided from additional sources.
2. We recommend the County close out the old agency funds no longer in use and implement month-end procedures insuring the remaining agency fund cash balances properly reflect the amounts to be disbursed to the various taxing entities in the subsequent month.

**Management's Response:**

Marshall County will take into consideration the findings in the audit and endeavor to correct all errors in the future.

***Internal Control-Related Findings - Significant Deficiency:***

Financial Reporting Errors

**Finding No. 2013-002:**

Internal accounting controls over financial reporting were inadequate resulting in inaccurate and incomplete information being presented to users of the annual financial report.

**Analysis:**

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

- a. Statement of Net Position – Governmental Activities – Net Position contained reporting errors totaling \$524,847.83.
- b. Statement of Activities – Governmental Activities – Interest on Long-Term Debt was overstated by \$154,109.09 as principal payment should be reported as Governmental Activities Expense.
- c. General Fund – Fund Balance contained reporting errors totaling \$800,609.83.
- d. Road and Bridge Fund – Fund Balance contained reporting errors totaling \$250,267.64.
- e. Other Governmental Funds – Fund Balance contained reporting errors totaling \$48,706.34.

Other less significant errors were also noted in the County's annual financial report for the year ended December 31, 2012.

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

**RECOMMENDATION:**

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

**Management's Response:**

Marshall County will take into consideration the findings in the audit and endeavor to correct all errors in the future.

**Compliance and Other Matters:**

Noncompliance with South Dakota Codified Laws

**Finding No. 2013-003:**

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

**Analysis:**

- a. SDCL 7-21-20 and 7-21-25 prohibit a county from incurring expenditures in excess of the amount specified in the appropriations ordinance. This is the second consecutive audit report in which this finding has appeared.

We noted the following expenditures in excess of the amount specified in the appropriations ordinance in 2013 and 2012.

	<b><u>Expenditure in Excess of Appropriations</u></b>	
	<b><u>Calendar Year</u></b>	<b><u>Calendar Year</u></b>
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>General Fund:</u></b>		
Legislative – Judicial System	\$ 560.11	
Legal Services – Court Appointed Attorney	\$ 3,889.50	
Law Enforcement – Sheriff	\$ 7,227.60	
Law Enforcement – County Jail	\$ 14,888.86	
Urban Development – Urban and Rural Development	\$ 69.91	\$ 48.66
<b><u>Emergency Management Fund:</u></b>		
Protective and Emergency Services – Emergency and Disaster Services	\$ 3,809.68	
<b><u>Ambulance Fund:</u></b>		
Health Assistance - Ambulance		\$ 21,880.25

- b. SDCL 7-10-4 states:

“The county auditor shall prepare by the first day in March of each year a report of the revenues and expenditures of the previous year and the assets, liabilities, and equity of the county as of December thirty-first of the previous year. The report shall be made in the form prescribed by the auditor-general and shall be published within thirty days in the official newspapers of the county. A copy of the publication shall be filed with the auditor-general.”

The annual financial reports for the County for the years ended December 31, 2012 and December 31, 2013 were not filed with the Department of Legislative Audit until February 4, 2015 and were not published in the official newspapers until March 25, 2015 and April 1, 2015. In addition to being in violation of SDCL 7-10-4, the County's failure to prepare and publish the annual financial reports on a timely basis resulted in withholding financial information from the taxpayers of the County.

- c. SDCL 7-21-18.1 requires that the total unreserved, undesignated fund balance of the general fund of the county as of March thirty-first and September thirtieth shall be published in the minutes of the proceedings of the board of county commissioners and reported to the Department of Legislative Audit on forms prescribed by the Department of Legislative Audit.

The County Auditor did not publish the 2013 and 2012 March 31<sup>st</sup> and September 30<sup>th</sup> total unreserved, undesignated fund balances of the General Fund and also has not reported the balances to the Department of Legislative Audit.

- d. SDCL 10-23-2 requires that the county treasurer shall give notice of the sale of real property for taxes or assessments by publication in the official newspapers of the county. The county auditor is to reconcile the published list of unpaid taxes to the unpaid taxes in the tax list.

We found no documentation that the County Auditor reconciled the December 2013 published list of unpaid taxes to the unpaid taxes in the tax list as required by SDCL 10-23-2.

- e. SDCL 10-1-17 provides that it shall be the duty of the secretary of revenue and he shall have power to require municipality, county, and other public officers to report information as to the assessment of property, collection of taxes, receipts from licenses and other sources, and such other information as may be needful in the work of the secretary, in such form and upon such blanks as the secretary may prescribe.

We determined the County Auditor did not prepare and submit to the Department of Revenue the 2012 and 2013 Form PT92.

- f. SDCL 7-18-3 requires that the board shall publish a full and complete report of all its official proceedings at all regular and special meetings and shall publish proceedings as soon after any meeting as practicable.

We noted several instances where expenditures, approved of by the County Commissioners, were not published in the County's designated newspaper(s) as required by SDCL 7-18-3. Instances noted where expenditures were not published included, but were not limited to, Voucher Number 88,749 paid to the State of South Dakota Department of Transportation for \$134,752.99, Voucher Number 90,889 paid to Bowes Construction for \$110,009.17, and Voucher Number 91,007 paid to Highway Improvement Inc. for \$172,471.50.

- g. South Dakota Department of Public Safety Administrative Rule 50:02:04:07 states: "Any governing body receiving 911 emergency surcharge funds must deposit all received funds, including all interest earned on fund investment, in the 911 Fund."

The County incorrectly receipted the 911 Remittances from the State of South Dakota totaling \$8,351.86 in 2012 and \$4,092.66 in 2013 into the General Fund of the County. In addition, no interest earnings were credited to the 911 Service Fund.

- h. SDCL 10-25-39 requires that the proceeds of the sale, after deducting the expenses incurred by the county in the proceedings to take tax deed and in the sale proceedings, shall be placed to the credit pro rata of the various funds and taxing districts that are the beneficiaries of the tax for the year for which the property was sold at tax sale. However, the county treasurer may distribute the proceeds received from the sale of any real property under the provisions of this section by

prorating the proceeds on the basis of the levy for any one year for which the taxes are included in the proceeds of the sale, taking the year that represents the more equitable basis for the distribution.

The County received \$10,000 in 2013 from the sale of property taken by tax deed. Instead of being apportioned like taxes, the money was receipted into the County's General Fund in violation of SDCL 10-25-39.

- i. SDCL 7-10-3 requires that the county auditor shall also at the close of each calendar month list all cash and cash items in the hands of the county treasurer and at the same time verify the balances in the several bank depositories. He shall make a report of the same to the board of county commissioners at each regular meeting, showing bank balances, the total amount of actual cash, the total amount of checks and drafts which have been in the treasurer's possession not exceeding three days, and he shall make in detail an itemized report of all cash items, checks, and drafts which have been in the treasurer's possession over three days, which report shall be made a part of the county commissioners' proceedings.

The County Auditor was not making a report to the County Commissioners which showed bank balances, the total amount of actual cash, the total amount of checks and drafts which have been in the treasurer's possession not exceeding three days, and make in detail an itemized report of all cash items, checks, and drafts which have been in the treasurer's possession over three days. In addition, the County Auditor did not fully comply with SDCL 7-10-3 due to the fact one certificate of deposit was understated in the County Treasurer's daily balance by \$3,593.03 on December 31, 2013. Had the County Auditor verified the certificate of deposit this discrepancy would have been found.

#### RECOMMENDATIONS:

4. We recommend that the County not incur any expenditure in excess of the amount appropriated in compliance with SDCL 7-21-25.
5. We recommend the County Auditor prepare and publish the annual report within the timeframe established by SDCL 7-10-4.
6. We recommend the County Auditor publish and report the March 31st and September 30th total unreserved, undesignated fund balances of the General Fund as required by 7-21-18.1.
7. We recommend the County Auditor reconcile the published list of unpaid taxes to the unpaid taxes in the County Treasurer's tax list as required by SDCL 10-23-2.
8. We recommend the County Auditor prepare and submit the Form PT92 to the Secretary of Department of Revenue as required by SDCL 10-1-17.
9. We recommend all claim vouchers presented to the County Commissioners for approval be included as part of the official proceedings and published as required by SDCL 7-18-3.
10. We recommend 911 remittances from the State of South Dakota be accounted for in the 911 Service Fund in accordance with South Dakota Department of Public Safety Administrative Rule 50:02:04:07.
11. We recommend the County apportion the proceeds of property sold through the tax deed process to the affected taxing entities as required by SDCL 10-25-39.
12. We recommend at month end the County Auditor make a presentation to the County Commissioners a list of all cash and cash items in the hands of the County Treasurer in accordance with SDCL 7-10-3. We also recommend the County Auditor count all cash items in the hands of the Treasurer and verify all bank account balances in accordance with SDCL 7-10-3.

#### Management's Response:

Marshall County will take into consideration the findings in the audit and endeavor to correct all errors in the future.



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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Marshall County  
Britton, 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 Marshall County, South Dakota (County), as of December 31, 2013, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County as of December 31, 2013, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### **Basis of Accounting**

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

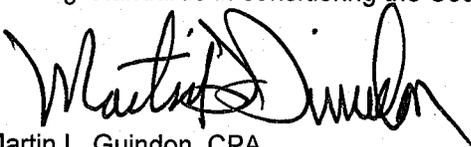
### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 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, 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

May 1, 2015

**MARSHALL COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2013**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,331,796.94
Investments	1,053,744.04
<b>TOTAL ASSETS</b>	<b>\$ 2,385,540.98</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 6)	
Road and Bridge Purposes	\$ 15,883.69
Ambulance Purposes	50,469.69
Other Purposes	18,236.65
Unrestricted	2,300,950.95
<b>TOTAL NET POSITION</b>	<b>\$ 2,385,540.98</b>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 957,047.44	\$ 121,759.45	\$ 3,683.36	\$ (831,604.63)
Public Safety	871,547.50	221,570.21	4,092.66	(645,884.63)
Public Works	2,289,252.76	5,307.52	1,003,977.28	(1,279,967.96)
Health and Welfare	212,204.71	120,235.88	23,320.00	(68,648.83)
Culture and Recreation	5,500.00			(5,500.00)
Conservation of Natural Resources	131,289.52	11,231.83		(120,057.69)
Urban and Economic Development	42,566.53			(42,566.53)
*Interest on Long-Term Debt	35,301.34			(35,301.34)
<b>Total Primary Government</b>	<b>\$ 4,544,709.80</b>	<b>\$ 480,104.89</b>	<b>\$ 1,035,073.30</b>	<b>(3,029,531.61)</b>
<b>General Revenues:</b>				
Taxes:				
				3,070,604.35
				127,003.57
				111,192.60
				7,886.03
				14,924.44
				<u>3,331,610.99</u>
				302,079.38
				<u>2,083,461.60</u>
				<u>\$ 2,385,540.98</u>

\* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MARSHALL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,006,839.20	\$ 94,668.43	\$ 88,079.67	\$ (824,091.10)
Public Safety	945,928.71	211,370.21	12,496.95	(722,061.55)
Public Works	2,416,747.85	30,981.15	758,879.91	(1,626,886.79)
Health and Welfare	235,902.78	75,834.92		(160,067.86)
Culture and Recreation	5,500.00			(5,500.00)
Conservation of Natural Resources	131,267.88	13,366.80		(117,901.08)
Urban and Economic Development	42,815.13			(42,815.13)
*Interest on Long-Term Debt	41,961.49			(41,961.49)
<b>Total Primary Government</b>	<b>\$ 4,826,963.04</b>	<b>\$ 426,221.51</b>	<b>\$ 859,456.53</b>	<b>(3,541,285.00)</b>
<b>General Revenues:</b>				
Taxes:				
	Property Taxes			2,952,348.07
	Wheel Tax			122,079.37
	911 Telephone Surcharge			33,796.33
	State Shared Revenues			51,320.43
	Unrestricted Investment Earnings			9,538.78
	Miscellaneous Revenue			87,508.82
	<b>Total General Revenues</b>			<b>3,256,591.80</b>
	Change in Net Position			(284,693.20)
	Net Position - Beginning			2,368,154.80
	<b>NET POSITION - ENDING</b>			<b>\$ 2,083,461.60</b>

\* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MARSHALL COUNTY  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 1,019,239.29	\$ 266,151.33	\$ 46,406.32	\$ 1,331,796.94
Investments	1,053,744.04			1,053,744.04
<b>TOTAL ASSETS</b>	<b><u>\$ 2,072,983.33</u></b>	<b><u>\$ 266,151.33</u></b>	<b><u>\$ 46,406.32</u></b>	<b><u>\$ 2,385,540.98</u></b>
<b>FUND BALANCES: (See Note 1.j.)</b>				
Restricted	\$	\$ 15,883.69	\$ 68,706.34	\$ 84,590.03
Assigned	800,609.83	250,267.64		1,050,877.47
Unassigned	1,272,373.50		(22,300.02)	1,250,073.48
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 2,072,983.33</u></b>	<b><u>\$ 266,151.33</u></b>	<b><u>\$ 46,406.32</u></b>	<b><u>\$ 2,385,540.98</u></b>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 3,051,175.47	\$	\$	\$ 3,051,175.47
General Property Taxes--Delinquent	8,749.79			8,749.79
Penalties and Interest	10,679.09			10,679.09
Wheel Tax		127,003.57		127,003.57
Licenses and Permits	13,105.28	400.00	690.00	14,195.28
Intergovernmental Revenue:				
Federal Grants	11,805.51	187,643.62	20,888.70	220,337.83
State Shared Revenue:				
Bank Franchise	37,097.29			37,097.29
Motor Vehicle Licenses		737,627.93		737,627.93
Court Appointed Attorney/Public Defender	1,957.32			1,957.32
Prorate/Port of Entry Fees		38,999.54		38,999.54
63 3/4% Mobile Home		2,448.52		2,448.52
Telecommunications Gross Receipts Tax	29,103.51			29,103.51
Motor Vehicle 1/4%	1,726.04			1,726.04
Motor Fuel Tax		4,563.46		4,563.46
911 Remittances			49,084.46	49,084.46
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	7,147.78			7,147.78
Register of Deeds' Fees	65,700.00		8,964.42	74,664.42
Legal Services	10,164.74		200.00	10,364.74
Clerk of Courts Fees	4,646.40			4,646.40
Other Fees	5,238.97			5,238.97
Public Safety:				
Law Enforcement	193,626.38			193,626.38

Prisoner Care	6,255.00			6,255.00
Sobriety Testing			4,114.00	4,114.00
Other	775.00		14,942.79	15,717.79
Public Works:				
Road Maintenance Contract Charges		5,307.52		5,307.52
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	8,233.03			8,233.03
Health Assistance:				
Ambulance	110,095.95			110,095.95
Women Infants and Children	1,906.90			1,906.90
Conservation of Natural Resources	11,231.83			11,231.83
Fines and Forfeits:				
Costs	1,857.04			1,857.04
Miscellaneous Revenue:				
Investment Earnings	7,886.03			7,886.03
Rent	5,501.86			5,501.86
Contributions and Donations	10,000.00	2,300.00	11,020.00	23,320.00
Refund of Prior Year's Expenditures	4,715.22			4,715.22
Other	4,258.28	3,546.76		7,805.04
Total Revenues	<u>3,624,639.71</u>	<u>1,109,840.92</u>	<u>109,904.37</u>	<u>4,844,385.00</u>

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners

84,703.80

84,703.80

Elections

2,541.88

2,541.88

Judicial System

13,886.11

13,886.11

## Financial Administration:

Auditor

136,589.31

136,589.31

Treasurer

121,820.06

121,820.06

## Legal Services:

State's Attorney

84,518.73

84,518.73

Court Appointed Attorney

40,694.50

40,694.50

## Other Administration:

General Government Building

162,389.92

162,389.92

Director of Equalization

153,846.91

153,846.91

Register of Deeds

84,560.84

5,112.09

89,672.93

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Veterans Service Officer	14,949.10			14,949.10
Predatory Animal	4,909.34			4,909.34
Public Safety:				
Law Enforcement:				
Sheriff	539,113.60			539,113.60
County Jail	159,646.86		772.00	160,418.86
Coroner	2,147.66			2,147.66
Protective and Emergency Services:				
Emergency and Disaster Services			32,518.68	32,518.68
Communication Center			114,537.89	114,537.89
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		2,204,583.37		2,204,583.37
Health and Welfare:				
Economic Assistance:				
Support of Poor	42,735.58			42,735.58
Health Assistance:				
County Nurse	25,507.03			25,507.03
Health Services	6,480.00			6,480.00
Ambulance	120,778.34		596.88	121,375.22
Women Infants and Children	285.30			285.30
Social Services:				
Domestic Abuse			1,000.00	1,000.00
Other	1,000.00			1,000.00
Mental Health Services:				
Mentally Ill	2,639.40			2,639.40
Mental Health Centers	10,800.00			10,800.00
Mental Illness Board	382.18			382.18

Culture and Recreation:				
Culture:				
Historical Museum	1,000.00			1,000.00
Recreation:				
Senior Center	4,500.00			4,500.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	56,176.22			56,176.22
Soil Conservation Districts	5,500.00			5,500.00
Weed and Pest Control	69,613.30			69,613.30
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	13,339.62			13,339.62
Urban and Rural Development	7,469.91			7,469.91
Economic Development:				
Tourism, Industrial or Recreational Development	457.00			457.00
Other	21,300.00			21,300.00
Debt Service	95,512.23	93,898.20		189,410.43
Total Expenditures	<u>2,091,794.73</u>	<u>2,298,481.57</u>	<u>154,537.54</u>	<u>4,544,813.84</u>
Excess of Revenues Over (Under) Expenditures	<u>1,532,844.98</u>	<u>(1,188,640.65)</u>	<u>(44,633.17)</u>	<u>299,571.16</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		1,320,923.00	30,491.00	1,351,414.00
Transfers Out	(1,351,414.00)			(1,351,414.00)
Insurance Proceeds	104.04			104.04
Sale of County Property	125.00	2,279.18		2,404.18
Total Other Financing Sources (Uses)	<u>(1,351,184.96)</u>	<u>1,323,202.18</u>	<u>30,491.00</u>	<u>2,508.22</u>
Net Change in Fund Balance	181,660.02	134,561.53	(14,142.17)	302,079.38
Fund Balance - Beginning	<u>1,891,323.31</u>	<u>131,589.80</u>	<u>60,548.49</u>	<u>2,083,461.60</u>
FUND BALANCE - ENDING	<u>\$ 2,072,983.33</u>	<u>\$ 266,151.33</u>	<u>\$ 46,406.32</u>	<u>\$ 2,385,540.98</u>

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

**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 2,940,125.21	\$	\$	\$ 2,940,125.21
General Property Taxes--Delinquent	1,193.25			1,193.25
Penalties and Interest	11,029.61			11,029.61
Wheel Tax		122,079.37		122,079.37
911 Telephone Surcharge			33,796.33	33,796.33
Licenses and Permits	8,187.00	175.00	780.00	9,142.00
Intergovernmental Revenue:				
Federal Grants	22,319.32	7,539.80	32,008.63	61,867.75
Federal Shared Revenue	7,152.01			7,152.01
State Grants	2,099.15			2,099.15
State Shared Revenue:				
Bank Franchise	7,090.49			7,090.49
Motor Vehicle Licenses		709,971.37		709,971.37
Court Appointed Attorney/Public Defender	1,143.62			1,143.62
Prorate/Port of Entry Fees		32,280.88		32,280.88
63 3/4% Mobile Home		16,627.66		16,627.66
Telecommunications Gross Receipts Tax	29,878.24			29,878.24
Motor Vehicle 1/4%	1,541.63			1,541.63
911 Remittances			16,665.47	16,665.47
Other Payments in Lieu of Taxes	14,351.70			14,351.70
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	7,621.24			7,621.24
Register of Deeds' Fees	43,131.70		1,383.00	44,514.70
Legal Services	8,394.88		350.00	8,744.88
Clerk of Courts Fees	5,725.24			5,725.24
Other Fees	6,638.36			6,638.36

Public Safety:				
Law Enforcement	187,123.73			187,123.73
Prisoner Care	4,825.00			4,825.00
Sobriety Testing			2,962.00	2,962.00
Other	575.00		13,491.68	14,066.68
Public Works:				
Road Maintenance Contract Charges		30,981.15		30,981.15
Health and Welfare:				
Health Assistance:				
Ambulance	67,273.22			67,273.22
Hospital	2,422.32			2,422.32
Other	6,139.38			6,139.38
Conservation of Natural Resources	13,366.80			13,366.80
Fines and Forfeits:				
Costs	1,742.80			1,742.80
Forfeits	400.00			400.00
Other	250.00			250.00
Miscellaneous Revenue:				
Investment Earnings	9,538.78			9,538.78
Rent	5,130.00			5,130.00
Contributions and Donations	5,000.00		12,259.00	17,259.00
Refund of Prior Year's Expenditures	13,839.52			13,839.52
Other	9,257.46	401.88		9,659.34
Total Revenues	<u>3,444,506.66</u>	<u>920,057.11</u>	<u>113,696.11</u>	<u>4,478,259.88</u>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	102,024.25			102,024.25
Elections	23,143.27			23,143.27
Judicial System	16,628.88			16,628.88
Financial Administration:				
Auditor	132,998.52			132,998.52
Treasurer	114,290.67			114,290.67
Legal Services:				
State's Attorney	87,982.58			87,982.58
Court Appointed Attorney	34,987.89			34,987.89
Other Administration:				
General Government Building	221,347.01			221,347.01
Director of Equalization	132,882.04			132,882.04

**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**  
**(Continued)**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Register of Deeds	77,904.44			77,904.44
Veterans Service Officer	13,206.34			13,206.34
Predatory Animal	4,909.33			4,909.33
Public Safety:				
Law Enforcement:				
Sheriff	548,732.78			548,732.78
County Jail	163,294.84		459.00	163,753.84
Coroner	848.84			848.84
Protective and Emergency Services:				
Emergency and Disaster Services			44,460.09	44,460.09
Communication Center			85,218.20	85,218.20
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		2,416,747.85		2,416,747.85
Health and Welfare:				
Economic Assistance:				
Support of Poor	31,525.44			31,525.44
Health Assistance:				
County Nurse	26,180.06			26,180.06
Health Services	6,480.00			6,480.00
Ambulance	129,384.18		24,880.25	154,264.43
Social Services:				
Domestic Abuse			955.00	955.00
Other	1,000.00			1,000.00
Mental Health Services:				
Mentally Ill	4,451.61			4,451.61
Mental Health Centers	10,800.00			10,800.00
Mental Illness Board	246.24			246.24

Culture and Recreation:				
Culture:				
Historical Museum	1,000.00			1,000.00
Recreation:				
Senior Center	4,500.00			4,500.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	55,245.45			55,245.45
Soil Conservation Districts	5,500.00			5,500.00
Weed and Pest Control	70,522.43			70,522.43
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	13,709.47			13,709.47
Urban and Rural Development	7,348.66			7,348.66
Economic Development:				
Tourism, Industrial or Recreational Development	457.00			457.00
Other	21,300.00			21,300.00
Debt Service	95,512.23	93,898.20		189,410.43
Total Expenditures	<u>2,160,344.45</u>	<u>2,510,646.05</u>	<u>155,972.54</u>	<u>4,826,963.04</u>
Excess of Revenues Over (Under) Expenditures	<u>1,284,162.21</u>	<u>(1,590,588.94)</u>	<u>(42,276.43)</u>	<u>(348,703.16)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		1,650,000.00	40,291.00	1,690,291.00
Transfers Out	(1,690,291.00)			(1,690,291.00)
Insurance Proceeds	4,831.58	29,299.00		34,130.58
Sale of County Property	10,127.03	19,752.35		29,879.38
Total Other Financing Sources (Uses)	<u>(1,675,332.39)</u>	<u>1,699,051.35</u>	<u>40,291.00</u>	<u>64,009.96</u>
Net Change in Fund Balance	(391,170.18)	108,462.41	(1,985.43)	(284,693.20)
Fund Balance - Beginning	<u>2,282,493.49</u>	<u>23,127.39</u>	<u>62,533.92</u>	<u>2,368,154.80</u>
FUND BALANCE - ENDING	<u>\$ 1,891,323.31</u>	<u>\$ 131,589.80</u>	<u>\$ 60,548.49</u>	<u>\$ 2,083,461.60</u>

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

**MARSHALL COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2013**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 177,432.08
<b>TOTAL ASSETS</b>	<u>\$ 177,432.08</u>
<b>NET POSITION:</b>	
Net Position Held in Agency Capacity	\$ 177,432.08
<b>TOTAL NET POSITION</b>	<u>\$ 177,432.08</u>

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

MARSHALL 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 Marshall 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.

The County has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law (SDCL) 11-7-7 solely for abdicating its authority over the non-city housing projects within the County to the Aberdeen Housing Commission organized by the City of Aberdeen. Therefore, this component unit's financial activity was not included on the County's annual report. The financial activity of this component unit is to be included as a component unit on the City of Aberdeen's annual report.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

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

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

**Governmental Funds:**

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

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

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

The remaining special revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Ambulance, 24/7 Sobriety, and Modernization and Preservation Relief. 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:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases, and Compensated Absences.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the County. The County does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Equity Classifications:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

i. Application of Net Position:

It is the County’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

**Major Special Revenue Fund**  
Road and Bridge Fund

**Revenue Source**  
Taxes, State and Federal Grants, and  
Motor Vehicle Licenses

A schedule of fund balances is provided as follows:

**MARSHALL COUNTY  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>				
Restricted For:				
Snow Removal Purposes	\$	\$ 15,883.69	\$	\$ 15,883.69
Ambulance Purposes			50,469.69	50,469.69
Domestic Abuse Purposes			555.00	555.00
24/7 Sobriety Purposes			12,446.32	12,446.32
Modernization and Preservation Relief Purposes			5,235.33	5,235.33
Assigned To:				
Applied to Next Year's Budget	605,275.00			605,275.00
Capital Outlay Accumulations		120,000.00		120,000.00
Road and Bridge Purposes		130,267.64		130,267.64
Hospital Purposes	195,334.83			195,334.83
Unassigned	1,272,373.50		(22,300.02)	1,250,073.48
<b>Total Fund Balances</b>	<u><u>\$ 2,072,983.33</u></u>	<u><u>\$ 266,151.33</u></u>	<u><u>\$ 46,406.32</u></u>	<u><u>\$ 2,385,540.98</u></u>

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The County is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2012</u>	<u>Year Ended</u> <u>12/31/2013</u>
General Fund:		
<u>Activity</u>		
Judicial		\$ 560.11
Court Appointed Attorney		\$ 3,889.50
Sheriff		\$ 7,227.60
County Jail		\$ 14,888.86
Urban and Rural Development	\$ 48.66	\$ 69.91

Emergency Management Fund:

<u>Activity</u>		
Emergency and Disaster Services		\$ 3,809.68

Ambulance Fund:

<u>Activity</u>		
Ambulance	\$ 21,880.25	

The Board of County Commissioners plans to take the following actions to address these violations: The Board will watch for overdrafts and follow applicable SDCL's addressing the use of contingency and supplementing the budget.

3. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2013, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

911 Service Fund	\$ 10,751.25
Emergency Management Fund	\$ 11,548.77

The Board of County Commissioners plans to take the following actions to address the deficit fund balance/deficit net position:

The Board will watch for deficits in net position and follow applicable SDCL's addressing the transfer of money from fund to fund.

4. 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.

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 deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. However, the 2012 and 2013 financial statements do not reflect the transfers of investment income to the General Fund, as all investment income was reported directly in the General Fund.

## 5. 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.

6. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2013 was as follows:

**Major Purposes:**

Road and Bridge Purposes	\$ 15,883.69
Ambulance Purposes	<u>50,469.69</u>

**Other Purposes:**

Domestic Abuse Purposes	555.00
24/7 Sobriety Purposes	12,446.32
Modernization and Preservation Relief Purposes	<u>5,235.33</u>

Total Other Purposes	<u>18,236.65</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 84,590.03</u></b>
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These balances are restricted due to federal grant and statutory requirements.

7. INTERFUND TRANSFERS

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

<b>Transfers From:</b>	<u>Transfers To:</u>		<u>Total</u>
	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:			
General Fund	\$ 1,320,923.00	\$ 30,491.00	\$ 1,351,414.00

Interfund transfers for the year ended December 31, 2012 were as follows:

<b>Transfers From:</b>	<u>Transfers To:</u>		<u>Total</u>
	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:			
General Fund	\$ 1,650,000.00	\$ 40,291.00	\$ 1,690,291.00

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County.

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, 2013, 2012, and 2011 were \$71,940.81, \$68,797.56, and 62,250.40, respectively, equal to the required contributions each year.

#### 9. SIGNIFICANT CONTINGENCIES – LITIGATION

At present, the County is involved in several poor relief claims. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County participates in the SDACC Catastrophic Health Care Fund. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

#### 10. LEASE OF HOSPITAL

On March 25, 2003, the Board of County Commissioners renewed their lease of the hospital to the Marshall County Memorial Hospital, a nonprofit corporation. The lease term is for 25 years, terminating on the last day of March 2028. The Marshall County Healthcare Center board contracts for management services at the presentation Health System. However, since the buildings of the Marshall County Hospital and Clinic are on lease, the County retains title to them.

#### 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, 2013, 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:

- a. general liability,
- b. automobile liability,
- c. officials' liability,
- d. law enforcement liability,
- e. automobile physical damage, and
- f. property and building coverage

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 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, 2013, the County has vested balance in the cumulative reserve fund of \$62,976.86.

The County carries various deductibles for the above coverages.

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

#### Worker's Compensation:

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

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

Unemployment Benefits:

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

During the two years ended December 31, 2013, one claim was filed for unemployment benefits. This claim resulted in the payment of no benefits. At December 31, 2013, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

12. INTEREST IN SOUTH DAKOTA COMMUNITY FOUNDATION

The estate of Marles G. Lea established an endowment fund with the South Dakota Community Foundation on January 26, 2011. The "Marles G. Lea Marshall County Ambulance Support Fund" (Fund) was established for the benefit of the County ambulance operation. Principal contributions to the Fund as of December 31, 2013 totaled \$610,000.00. The expectation is the earnings from the Fund will be distributed to the County. As of December 31, 2013 no distributions have been made from the Fund to the County. However, \$54,050.73 is available for distribution. The December 31, 2013 fair market value of the Fund was \$779,326.16.

13. SUBSEQUENT EVENT

Marshall County Ambulance Facility

Individuals and businesses donated money to Glacial Lakes Area Development (GLAD) for the construction of a new ambulance facility and training center. A board was set up that made all of the decisions regarding the construction of the building. GLAD handled all of the income and purchases for the building. On June 24, 2014, GLAD turned over to the County \$78,579.24 in donations that were remaining from the construction of the Marshall County Ambulance Facility. They also turned over the newly constructed facility. The County took over ownership and all aspects of care and maintenance for the facility on that day. The facility is valued at \$460,000. The County now has sole interest in the building.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 3,066,415.00	\$ 3,066,415.00	\$ 3,051,175.47	\$ (15,239.53)
General Property Taxes--Delinquent	2,000.00	2,000.00	8,749.79	6,749.79
Penalties and Interest	3,000.00	3,000.00	10,679.09	7,679.09
Licenses and Permits	7,900.00	7,900.00	13,105.28	5,205.28
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	11,805.51	11,805.51
Federal Shared Revenue	12,000.00	12,000.00	0.00	(12,000.00)
State Grants	1,000.00	1,000.00	0.00	(1,000.00)
State Shared Revenue:				
Bank Franchise	7,000.00	7,000.00	37,097.29	30,097.29
Court Appointed Attorney/Public Defender	0.00	0.00	1,957.32	1,957.32
Telecommunications Gross Receipts Tax	28,000.00	28,000.00	29,103.51	1,103.51
Motor Vehicle 1/4%	1,500.00	1,500.00	1,726.04	226.04
Other Payments in Lieu of Taxes	7,000.00	7,000.00	0.00	(7,000.00)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	6,410.00	6,410.00	7,147.78	737.78
Register of Deeds' Fees	39,000.00	39,000.00	65,700.00	26,700.00
Legal Services	6,250.00	6,250.00	10,164.74	3,914.74
Clerk of Courts Fees	6,000.00	6,000.00	4,646.40	(1,353.60)
Other Fees	5,000.00	5,000.00	5,238.97	238.97
Public Safety:				
Law Enforcement	201,238.00	201,238.00	193,626.38	(7,611.62)
Prisoner Care	5,000.00	5,000.00	6,255.00	1,255.00
Other	500.00	500.00	775.00	275.00
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	8,300.00	8,300.00	8,233.03	(66.97)
Health Assistance:				
Ambulance	109,600.00	109,600.00	110,095.95	495.95
Women Infants and Children	2,000.00	2,000.00	1,906.90	(93.10)
Conservation of Natural Resources	4,000.00	4,000.00	11,231.83	7,231.83
Fines and Forfeits:				
Costs	1,000.00	1,000.00	1,857.04	857.04
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	7,886.03	(2,113.97)
Rent	5,000.00	5,000.00	5,501.86	501.86
Contributions and Donations	0.00	0.00	10,000.00	10,000.00
Refund of Prior Year's Expenditures	3,000.00	3,000.00	4,715.22	1,715.22
Other	2,100.00	2,100.00	4,258.28	2,158.28
<b>Total Revenues</b>	<b>3,550,213.00</b>	<b>3,550,213.00</b>	<b>3,624,639.71</b>	<b>74,426.71</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	94,399.00	94,399.00	84,703.80	9,695.20
Contingency	50,000.00	50,000.00		
Amount Transferred		(50,000.00)		0.00
Elections	3,350.00	3,350.00	2,541.88	808.12
Judicial System	12,000.00	13,326.00	13,886.11	(560.11)
Financial Administration:				
Auditor	143,405.00	143,405.00	136,589.31	6,815.69
Treasurer	122,063.00	122,063.00	121,820.06	242.94
Legal Services:				
State's Attorney	85,242.00	85,242.00	84,518.73	723.27
Court Appointed Attorney	25,000.00	36,805.00	40,694.50	(3,889.50)
Other Administration:				
General Government Building	159,568.00	165,705.00	162,389.92	3,315.08
Director of Equalization	162,986.00	162,986.00	153,846.91	9,139.09
Register of Deeds	86,962.00	86,962.00	84,560.84	2,401.16
Veterans Service Officer	16,312.00	16,312.00	14,949.10	1,362.90
Predatory Animal	4,910.00	4,910.00	4,909.34	0.66

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Law Enforcement:				
Sheriff	513,352.00	531,886.00	539,113.60	(7,227.60)
County Jail	139,974.00	144,758.00	159,646.86	(14,888.86)
Coroner	3,727.00	3,766.00	2,147.66	1,618.34
Health and Welfare:				
Economic Assistance:				
Support of Poor	56,290.00	56,290.00	42,735.58	13,554.42
Health Assistance:				
County Nurse	28,383.00	28,383.00	25,507.03	2,875.97
Health Services	6,480.00	6,480.00	6,480.00	0.00
Ambulance	144,647.00	144,647.00	120,778.34	23,868.66
Women Infants and Children	2,436.00	2,436.00	285.30	2,150.70
Social Services:				
Other	1,000.00	1,000.00	1,000.00	0.00
Mental Health Services:				
Mentally Ill	5,000.00	5,000.00	2,639.40	2,360.60
Mental Health Centers	10,800.00	10,800.00	10,800.00	0.00
Mental Illness Board	1,500.00	1,500.00	382.18	1,117.82
Culture and Recreation:				
Culture:				
Historical Museum	1,000.00	1,000.00	1,000.00	0.00
Recreation:				
Senior Center	4,500.00	4,500.00	4,500.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	60,050.00	60,050.00	56,176.22	3,873.78
Soil Conservation Districts	5,500.00	5,500.00	5,500.00	0.00
Weed and Pest Control	74,291.00	74,291.00	69,613.30	4,677.70
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	15,537.00	15,537.00	13,339.62	2,197.38
Urban and Rural Development	7,400.00	7,400.00	7,469.91	(69.91)
Economic Development:				
Tourism, Industrial or Recreational Development	457.00	457.00	457.00	0.00
Other	21,300.00	21,300.00	21,300.00	0.00
Debt Service	95,513.00	95,513.00	95,512.23	0.77
Total Expenditures	<u>2,165,334.00</u>	<u>2,157,959.00</u>	<u>2,091,794.73</u>	<u>66,164.27</u>
Excess of Revenues Over (Under) Expenditures	<u>1,384,879.00</u>	<u>1,392,254.00</u>	<u>1,532,844.98</u>	<u>140,590.98</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,838,370.00)	(1,838,370.00)	(1,351,414.00)	486,956.00
Insurance Proceeds	0.00	0.00	104.04	104.04
Sale of County Property	3,000.00	3,000.00	125.00	(2,875.00)
Total Other Financing Sources (Uses)	<u>(1,835,370.00)</u>	<u>(1,835,370.00)</u>	<u>(1,351,184.96)</u>	<u>484,185.04</u>
Net Change in Fund Balance	(450,491.00)	(443,116.00)	181,660.02	624,776.02
Fund Balance - Beginning	<u>1,891,323.31</u>	<u>1,891,323.31</u>	<u>1,891,323.31</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,440,832.31</u>	<u>\$ 1,448,207.31</u>	<u>\$ 2,072,983.33</u>	<u>\$ 624,776.02</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 140,000.00	\$ 140,000.00	\$ 127,003.57	\$ (12,996.43)
Licenses and Permits	200.00	200.00	400.00	200.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	187,643.62	187,643.62
State Shared Revenue:				
Motor Vehicle Licenses	720,000.00	720,000.00	737,627.93	17,627.93
Prorate/Port of Entry Fees	38,000.00	38,000.00	38,999.54	999.54
63 3/4% Mobile Home	3,000.00	3,000.00	2,448.52	(551.48)
Motor Fuel Tax	0.00	0.00	4,563.46	4,563.46
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	50,000.00	50,000.00	5,307.52	(44,692.48)
Miscellaneous Revenue:				
Contributions and Donations	0.00	0.00	2,300.00	2,300.00
Other	2,500.00	2,500.00	3,546.76	1,046.76
<b>Total Revenues</b>	<u>953,700.00</u>	<u>953,700.00</u>	<u>1,109,840.92</u>	<u>156,140.92</u>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	2,607,441.00	2,607,441.00	2,204,583.37	402,857.63
Debt Service	93,900.00	93,900.00	93,898.20	1.80
<b>Total Expenditures</b>	<u>2,701,341.00</u>	<u>2,701,341.00</u>	<u>2,298,481.57</u>	<u>402,859.43</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,747,641.00)</u>	<u>(1,747,641.00)</u>	<u>(1,188,640.65)</u>	<u>559,000.35</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,807,641.00	1,807,641.00	1,320,923.00	(486,718.00)
Sale of County Property	5,000.00	5,000.00	2,279.18	(2,720.82)
<b>Total Other Financing Sources (Uses)</b>	<u>1,812,641.00</u>	<u>1,812,641.00</u>	<u>1,323,202.18</u>	<u>(489,438.82)</u>
Net Change in Fund Balance	65,000.00	65,000.00	134,561.53	69,561.53
Fund Balance - Beginning	<u>131,589.80</u>	<u>131,589.80</u>	<u>131,589.80</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 196,589.80</u>	<u>\$ 196,589.80</u>	<u>\$ 266,151.33</u>	<u>\$ 69,561.53</u>

**SUPPLEMENTARY INFORMATION  
MARSHALL COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 2,949,461.00	\$ 2,949,461.00	\$ 2,940,125.21	\$ (9,335.79)
General Property Taxes--Delinquent	3,000.00	3,000.00	1,193.25	(1,806.75)
Penalties and Interest	5,000.00	5,000.00	11,029.61	6,029.61
Licenses and Permits	7,900.00	7,900.00	8,187.00	287.00
Intergovernmental Revenue:				
Federal Grants	10,000.00	10,000.00	22,319.32	12,319.32
Federal Shared Revenue	7,000.00	7,000.00	7,152.01	152.01
State Grants	2,500.00	2,500.00	2,099.15	(400.85)
State Shared Revenue:				
Bank Franchise	8,000.00	8,000.00	7,090.49	(909.51)
Court Appointed Attorney/Public Defender	1,500.00	1,500.00	1,143.62	(356.38)
Telecommunications Gross Receipts Tax	25,000.00	25,000.00	29,878.24	4,878.24
Motor Vehicle 1/4%	1,500.00	1,500.00	1,541.63	41.63
Other Payments in Lieu of Taxes	0.00	0.00	14,351.70	14,351.70
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	6,000.00	6,000.00	7,621.24	1,621.24
Register of Deeds' Fees	33,550.00	33,550.00	43,131.70	9,581.70
Legal Services	10,250.00	10,250.00	8,394.88	(1,855.12)
Clerk of Courts Fees	6,000.00	6,000.00	5,725.24	(274.76)
Other Fees	5,000.00	5,000.00	6,638.36	1,638.36
Public Safety:				
Law Enforcement	204,081.00	204,081.00	187,123.73	(16,957.27)
Prisoner Care	10,000.00	10,000.00	4,825.00	(5,175.00)
Other	200.00	200.00	575.00	375.00
Health and Welfare:				
Health Assistance:				
Ambulance	100,000.00	100,000.00	67,273.22	(32,726.78)
Women Infants and Children	2,000.00	2,000.00	2,422.32	422.32
Other	8,500.00	8,500.00	6,139.38	(2,360.62)
Conservation of Natural Resources	12,000.00	12,000.00	13,366.80	1,366.80
Fines and Forfeits:				
Costs	2,000.00	2,000.00	1,742.80	(257.20)
Forfeits	500.00	500.00	400.00	(100.00)
Other	0.00	0.00	250.00	250.00
Miscellaneous Revenue:				
Investment Earnings	21,000.00	21,000.00	9,538.78	(11,461.22)
Rent	6,250.00	6,250.00	5,130.00	(1,120.00)
Contributions and Donations	0.00	0.00	5,000.00	5,000.00
Refund of Prior Year's Expenditures	3,000.00	3,000.00	13,839.52	10,839.52
Other	2,100.00	2,100.00	9,257.46	7,157.46
<b>Total Revenues</b>	<b>3,453,292.00</b>	<b>3,453,292.00</b>	<b>3,444,506.66</b>	<b>(8,785.34)</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	111,890.00	111,890.00	102,024.25	9,865.75
Contingency	50,000.00	50,000.00		
Amount Transferred		(50,000.00)		0.00
Elections	33,600.00	33,600.00	23,143.27	10,456.73
Judicial System	11,920.00	16,920.00	16,628.88	291.12
Financial Administration:				
Auditor	137,234.00	137,234.00	132,998.52	4,235.48
Treasurer	126,426.00	126,426.00	114,290.67	12,135.33
Legal Services:				
State's Attorney	83,492.00	88,492.00	87,982.58	509.42
Court Appointed Attorney	25,000.00	35,000.00	34,987.89	12.11
Other Administration:				
General Government Building	143,668.00	221,348.00	221,347.01	0.99
Director of Equalization	137,712.00	137,712.00	132,882.04	4,829.96
Register of Deeds	80,367.00	80,367.00	77,904.44	2,462.56
Veterans Service Officer	16,145.00	16,145.00	13,206.34	2,938.66
Predatory Animal	4,910.00	4,910.00	4,909.33	0.67

**SUPPLEMENTARY INFORMATION  
MARSHALL COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2012  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Public Safety:				
Law Enforcement:				
Sheriff	505,694.00	548,792.00	548,732.78	59.22
County Jail	134,203.00	163,303.00	163,294.84	8.16
Coroner	3,750.00	3,750.00	848.84	2,901.16
Health and Welfare:				
Economic Assistance:				
Support of Poor	60,838.00	60,838.00	31,525.44	29,312.56
Health Assistance:				
County Nurse	27,860.00	27,860.00	26,180.06	1,679.94
Health Services	6,480.00	6,480.00	6,480.00	0.00
Ambulance	119,522.00	129,522.00	129,384.18	137.82
Women Infants and Children	2,538.00	2,538.00	0.00	2,538.00
Social Services:				
Other	1,000.00	1,000.00	1,000.00	0.00
Mental Health Services:				
Mentally Ill	5,000.00	5,000.00	4,451.61	548.39
Mental Health Centers	10,800.00	10,800.00	10,800.00	0.00
Mental Illness Board	2,000.00	2,000.00	246.24	1,753.76
Culture and Recreation:				
Culture:				
Historical Museum	1,000.00	1,000.00	1,000.00	0.00
Recreation:				
Senior Center	4,500.00	4,500.00	4,500.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	57,349.00	57,349.00	55,245.45	2,103.55
Soil Conservation Districts	5,500.00	5,500.00	5,500.00	0.00
Weed and Pest Control	79,106.00	79,106.00	70,522.43	8,583.57
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	14,225.00	14,225.00	13,709.47	515.53
Urban and Rural Development	7,300.00	7,300.00	7,348.66	(48.66)
Economic Development:				
Tourism, Industrial or Recreational Development	457.00	457.00	457.00	0.00
Other	21,300.00	21,300.00	21,300.00	0.00
Debt Service	95,513.00	95,513.00	95,512.23	0.77
Total Expenditures	<u>2,128,299.00</u>	<u>2,258,177.00</u>	<u>2,160,344.45</u>	<u>97,832.55</u>
Excess of Revenues Over (Under) Expenditures	<u>1,324,993.00</u>	<u>1,195,115.00</u>	<u>1,284,162.21</u>	<u>89,047.21</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,932,912.00)	(1,932,912.00)	(1,690,291.00)	242,621.00
Insurance Proceeds	2,000.00	2,000.00	4,831.58	2,831.58
Sale of County Property	1,000.00	1,000.00	10,127.03	9,127.03
Total Other Financing Sources (Uses)	<u>(1,929,912.00)</u>	<u>(1,929,912.00)</u>	<u>(1,675,332.39)</u>	<u>254,579.61</u>
Net Change in Fund Balance	(604,919.00)	(734,797.00)	(391,170.18)	343,626.82
Fund Balance - Beginning	<u>2,282,493.49</u>	<u>2,282,493.49</u>	<u>2,282,493.49</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,677,574.49</u>	<u>\$ 1,547,696.49</u>	<u>\$ 1,891,323.31</u>	<u>\$ 343,626.82</u>

**SUPPLEMENTARY INFORMATION  
MARSHALL COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
ROAD AND BRIDGE FUND  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 125,000.00	\$ 125,000.00	\$ 122,079.37	\$ (2,920.63)
Licenses and Permits	200.00	200.00	175.00	(25.00)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	7,539.80	7,539.80
State Shared Revenue:				
Motor Vehicle Licenses	720,583.00	720,583.00	709,971.37	(10,611.63)
Prorate/Port of Entry Fees	38,000.00	38,000.00	32,280.88	(5,719.12)
63 3/4% Mobile Home	500.00	500.00	16,627.66	16,127.66
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	40,000.00	40,000.00	30,981.15	(9,018.85)
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	0.00	(5,000.00)
Other	100.00	100.00	401.88	301.88
<b>Total Revenues</b>	<b>929,383.00</b>	<b>929,383.00</b>	<b>920,057.11</b>	<b>(9,325.89)</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	2,669,447.00	2,669,447.00	2,416,747.85	252,699.15
Debt Service	93,899.00	93,899.00	93,898.20	0.80
<b>Total Expenditures</b>	<b>2,763,346.00</b>	<b>2,763,346.00</b>	<b>2,510,646.05</b>	<b>252,699.95</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,833,963.00)</b>	<b>(1,833,963.00)</b>	<b>(1,590,588.94)</b>	<b>243,374.06</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,898,963.00	1,898,963.00	1,650,000.00	(248,963.00)
Insurance Proceeds	0.00	0.00	29,299.00	29,299.00
Sale of County Property	0.00	0.00	19,752.35	19,752.35
<b>Total Other Financing Sources (Uses)</b>	<b>1,898,963.00</b>	<b>1,898,963.00</b>	<b>1,699,051.35</b>	<b>(199,911.65)</b>
<b>Net Change in Fund Balance</b>	<b>65,000.00</b>	<b>65,000.00</b>	<b>108,462.41</b>	<b>43,462.41</b>
<b>Fund Balance - Beginning</b>	<b>23,127.39</b>	<b>23,127.39</b>	<b>23,127.39</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 88,127.39</b>	<b>\$ 88,127.39</b>	<b>\$ 131,589.80</b>	<b>\$ 43,462.41</b>

MARSHALL COUNTY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County Commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.
4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.
5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

**MARSHALL COUNTY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Two Years Ended December 31, 2013**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2012</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2013</u>
<b>Governmental Long-Term Debt:</b>				
Financing (Capital Acquisition) Leases:				
Sheriff Vehicles	\$ 44,330.49	\$	\$ 44,330.49	\$ 0.00
Courthouse Energy Savings Upgrade Project	587,292.41		91,162.87	496,129.54
Highway Department Trucks	353,557.02		166,064.67	187,492.35
<b>Total</b>	<b>\$ 985,179.92</b>	<b>\$ 0.00</b>	<b>\$ 301,558.03</b>	<b>\$ 683,621.89</b>

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Note 1 - Long-Term Debt:

Debt payable at December 31, 2013 is comprised of the following:

Financing (Capital Acquisition) Leases:

Courthouse Energy Savings Upgrade Project, Maturity Date - June 15, 2022, Interest Rate - 4.56%,  
Paid for from the General Fund \$ 496,129.54

Three (3) International Trucks, Maturity Date - January 15, 2016, Interest Rate - 3.95%,  
Paid for from the Road and Bridge Fund \$ 187,492.35