

BROOKINGS COUNTY

REGIONAL RAILROAD AUTHORITY

January 1, 2011 Through December 31, 2014



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AUDITOR GENERAL

REPORT ON THE LIMITED REVIEW OF PROCEDURES AND CONTROLS IN EFFECT FOR BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY

Pursuant to a motion approved by the South Dakota State Railroad Board on January 15, 2014, the South Dakota State Railroad Board authorized the Department of Transportation to request the Department of Legislative Audit to conduct reviews of regional railroad authorities that currently have a loan or lease with the Department of Transportation.

We have performed the procedures enumerated below, which were agreed to by the management of the Department of Transportation. The sufficiency of these procedures is solely the responsibility of the management of the Department of Transportation. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

These procedures did not constitute an audit conducted in accordance with generally accepted government auditing standards and do not extend to, and we do not express an opinion on, any financial statements or reports of the regional railroad authorities. In addition, these procedures were not conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants.

1. We reviewed the Brookings County Regional Railroad Authority's (Brookings County Authority) procedures for appointing board members.

South Dakota Codified Law (SDCL) 49-17A-6 states:

The representatives of the subdivisions which are members of a regional railroad authority shall elect commissioners of the regional railroad authority. The number to be elected and their representation shall be provided for in the agreement. All commissioners of a regional railroad authority shall be elected for a term of three years. Vacancies shall be filled for the unexpired term in the same manner as the original elections. Each commissioner shall hold office until his or her successor has been elected and qualified.

We noted through communication with the Brookings County Auditor and the Volga Finance Officer that the Brookings County Authority board members were appointed yearly, which would meet the requirements of SDCL 49-17A-6.

2. We reviewed the Brookings County Authority's procedures for holding meetings, including the preparation and posting of meeting agendas; the taking of meeting

minutes; the retention procedures of the meeting minutes; and, the filing of required documentation with the Secretary of State's office.

We determined that when meetings of the Board are held, notice of the meeting is to be posted in the Brookings County courthouse and on its website. Meetings are held on an as needed basis and the meeting location is usually the Brookings City & County Government Center. However, when we inquired of the Municipality of Volga about the notices they did not recall receiving or posting such notices at the Volga Finance Office. Minutes of the Brookings County Authority board meetings are retained and are available from the Brookings County Deputy States Attorney and are posted on the Brookings County website. We also determined that all necessary documentation had been filed with the Secretary of State's office.

We recommend that the Brookings County Authority provide a meeting notice and a copy of the proposed agenda to the Municipality of Volga to ensure compliance with SDCL 1-25-1.1.

3. We reviewed the Brookings County Authority's procedures related to the monitoring of cash assets.

The Brookings County Authority has one bank account (checking account) at a financial institution. The bank statements are delivered to the Brookings County Deputy States Attorney, the Brookings County Authority's registered agent. The checking account is only used to flow Department of Transportation loan proceeds through to the industry. Due to the limited financial activity, Brookings County Authority does not believe it is necessary to maintain formal accounting records as they believe that monitoring the bank statements is adequate.

We recommend that the Brookings County Authority consider establishing some basic accounting records such as a General Ledger, Cash Receipts Journal and Cash Disbursements Journal to enhance monitoring of cash assets when financial activity warrants it.

4. We reviewed the Brookings County Authority's procedures related to the receipting and depositing of revenues received.

The Brookings County Authority is not exercising its power to levy and generate property tax revenues.

During the period reviewed, the Brookings County Authority did not collect any revenue from any leases or subleases. The only receipts, other than a minor interest deposit, were for loan proceeds from the Department of Transportation which were then passed on to the industry. The Brookings County Authority has an agreement with the industries that the payments for loan repayment be made on their behalf directly to the Department of Transportation. The Department of Transportation then sends a payment confirmation to the Brookings County Authority.

No receipts were issued when funds come in to the Brookings County Authority's registered agent.

We recommend that the Brookings County Authority consider establishing some basic accounting records and record any revenues in the accounting records by issuing receipts for cash and recording appropriate accounting entries for non-cash transactions.

5. We reviewed the Brookings County Authority's procedures related to the expenditure process.

The only expenses for the Brookings County Authority are for debt service payments made on their behalf directly by the industries to the Department of Transportation. It was noted that non-cash transactions are not recorded in any accounting system by the Brookings County Authority.

We recommend that the Brookings County Authority consider establishing some basic accounting records and record any expenditures in the accounting records and record appropriate accounting entries for non-cash transactions.

6. We reviewed Brookings County Authority's bank statements and financial related activity from the Department of Transportation and prepared the attached Combined Report of Revenues, Expenditures and Changes in Fund Cash Balance from January 1, 2011 through December 31, 2014 and yearly Report of Revenues, Expenditures and Changes in Fund Cash Balance for calendar years 2011, 2012, 2013 and 2014. We have also included a Schedule of Changes in Long-Term Debt from January 1, 2011 through December 31, 2014.

This report is intended solely for the information and use of the State Railroad Board and management of the Department of Transportation and is not intended to be and should not be used by anyone other than those parties. However, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

June 9, 2015

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Combined Report of Revenues, Expenditures and Changes in Fund Cash Balance
January 1, 2011 through December 31, 2014

Fund Cash Balance, January 1, 2011	\$	0.00
Revenues:		
Payment from Industry (Paid Directly to State)		1,355,898.35
Promissory Note Proceeds		964,070.00
Other Revenues		13.21
		13.21
Total Revenue		2,319,981.56
Expenditures:		
Debt Service Payments to State - Principal		1,208,889.82
Debt Service Payments to State - Interest		147,008.53
Payment to Industry		964,070.00
Other Expenditures		13.21
		13.21
Total Expenditures		2,319,981.56
Excess Revenues Over (Under) Expenditures		0.00
Fund Cash Balance, December 31, 2014	\$	0.00

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Report of Revenues, Expenditures and Changes in Fund Cash Balance
January 1, 2014 through December 31, 2014

Fund Cash Balance, January 1, 2014	\$	0.00
Revenues:		
Payment from Industry (Paid Directly to State)		564,648.33
Promissory Note Proceeds		0.00
Other Revenues		0.00
		0.00
Total Revenue		564,648.33
Expenditures:		
Debt Service Payments to State - Principal		536,537.06
Debt Service Payments to State - Interest		28,111.27
Payment to Industry		0.00
Other Expenditures		0.00
		0.00
Total Expenditures		564,648.33
Excess Revenues Over (Under) Expenditures		(0.00)
Fund Cash Balance, December 31, 2014	\$	(0.00)

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Report of Revenues, Expenditures and Changes in Fund Cash Balance
January 1, 2013 through December 31, 2013

Fund Cash Balance, January 1, 2013	\$	0.00
Revenues:		
Payment from Industry (Paid Directly to State)		263,750.00
Promissory Note Proceeds		964,070.00
Other Revenues		13.21
		<hr/>
Total Revenue		1,227,833.21
Expenditures:		
Debt Service Payments to State - Principal		234,454.33
Debt Service Payments to State - Interest		29,295.67
Payment to Industry		964,070.00
Other Expenditures		13.21
		<hr/>
Total Expenditures		1,227,833.21
Excess Revenues Over (Under) Expenditures		<hr/> 0.00
Fund Cash Balance, December 31, 2013	<hr/> \$	<hr/> 0.00

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Report of Revenues, Expenditures and Changes in Fund Cash Balance
January 1, 2012 through December 31, 2012

Fund Cash Balance, January 1, 2012	\$	0.00
Revenues:		
Payment from Industry (Paid Directly to State)		263,750.00
Promissory Note Proceeds		0.00
Other Revenues		0.00
		0.00
Total Revenue		263,750.00
Expenditures:		
Debt Service Payments to State - Principal		220,865.39
Debt Service Payments to State - Interest		42,884.61
Payment to Industry		0.00
Other Expenditures		0.00
		0.00
Total Expenditures		263,750.00
Excess Revenues Over (Under) Expenditures		0.00
Fund Cash Balance, December 31, 2012	\$	0.00

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Report of Revenues, Expenditures and Changes in Fund Cash Balance
January 1, 2011 through December 31, 2011

Fund Cash Balance, January 1, 2011	\$	0.00
Revenues:		
Payment from Industry (Paid Directly to State)		263,750.02
Promissory Note Proceeds		0.00
Other Revenues		0.00
		0.00
Total Revenue		263,750.02
Expenditures:		
Debt Service Payments to State - Principal		217,033.04
Debt Service Payments to State - Interest		46,716.98
Payment to Industry		0.00
Other Expenditures		0.00
		0.00
Total Expenditures		263,750.02
Excess Revenues Over (Under) Expenditures		0.00
Fund Cash Balance, December 31, 2011	\$	0.00

BROOKINGS COUNTY REGIONAL RAILROAD AUTHORITY
Schedule of Changes in Long-Term Debt
December 31, 2014

	Beginning Balance January 1, 2011	Debt Issued	Debt Payments				Ending Balance December 31, 2014
			2011	2012	2013	2014	
Promissory Note Payable #910606 (See Note 1)	\$ 1,146,332.13	\$ 0.00	\$ 217,033.04	\$ 220,865.39	\$ 234,454.33	\$ 473,979.37	\$ 0.00
Promissory Note Payable #714762 (See Note 2)		964,070.00				62,557.69	901,512.31
Total Long-Term Debt	\$ 1,146,332.13	\$ 964,070.00	\$ 217,033.04	\$ 220,865.39	\$ 234,454.33	\$ 536,537.06	\$ 901,512.31

Note 1:

This promissory note was entered into on August 12, 2005 between the State of South Dakota through the State Railroad Board, the Brookings County Regional Railroad Authority (Loanee) and the Dakota, Minnesota and Eastern Railroad Corporation (Loan Guarantor). The total amount loaned was \$2,100,000 at an interest rate of 4.375% paid back over a 10 year period. The purpose of the loan was for the construction of a switchyard near Aurora, South Dakota.

Note 2:

This promissory note was entered into on March 1, 2013 between the State of South Dakota through the State Railroad Board, the Brookings County Regional Railroad Authority (Loanee) and the South Dakota Soybean Processors, LLC (Industry). The total amount loaned was \$964,070 at an interest rate of 2% paid back over a 7 year period. The purpose of the loan was for the construction of an industrial siding at the Industry's facility located near Volga, South Dakota.