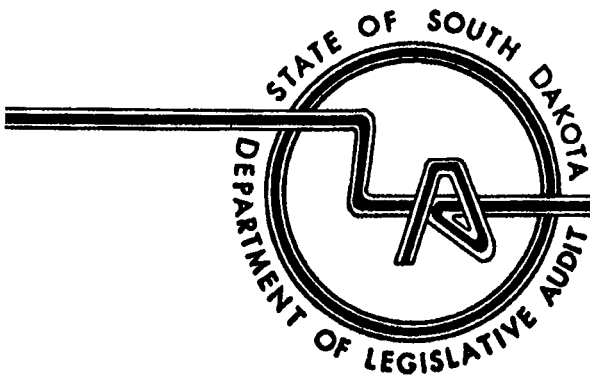


GRANT COUNTY

REGIONAL RAILROAD AUTHORITY

January 1, 2011 Through December 31, 2014



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON THE LIMITED REVIEW OF PROCEDURES AND CONTROLS IN EFFECT FOR GRANT 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 Grant County Regional Railroad Authority's (Grant 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 Grant County Auditor and Municipality of Milbank Administrator that the Grant County Authority commissioners are appointed on a yearly basis.

2. We reviewed the Grant 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 Grant County Authority are held, notices of the meetings are posted at the Grant County courthouse; however, we were informed that the meeting notices were not posted at the Municipality of Milbank office. Meetings are held on an as needed basis, held at the Grant County courthouse. Minutes of the Grant County Authority board meetings are retained and are available from Karen Layher, Grant County Authority Secretary. We also determined that all necessary documentation had been filed with the Secretary of State's office.

We recommend that the Grant County Authority comply with open meetings laws, by posting a meeting notice and copy of the proposed agenda of board meetings at all member governments to ensure compliance with SDCL 1-25-1.1.

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

The Grant County Authority uses the Grant County accounting system to track the cash assets, revenues and expenditures of the Grant County Authority. All revenues are deposited in the Grant County checking account. Checks are sent through the County's voucher process and approved by the County Commissioners.

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

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

During the period reviewed, the Grant County Authority collected the annual loan payment from Western Consolidated Cooperative. This payment is deposited into the Grant County Authority fund and then a check is issued to the Department of Transportation for the annual loan amount received from Western Consolidated Cooperative.

The Grant County Authority does not collect interest earnings on any bank accounts.

Receipts are issued when funds come in for the Grant County Authority and revenues are deposited to the Grant County Authority's fund.

The Grant County Authority uses the Grant County accounting system to monitor the revenues of the Grant County Authority.

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

The Grant County voucher process is followed to issue payments to the Department of Transportation for the annual loan payment. The vouchers are approved by the County Commission. Checks are signed by an authorized employee of the County Treasurer's Office and an authorized employee of the County Auditor's Office.

The Grant County Authority uses the Grant County accounting system to monitor the expenditures of the Grant County Authority.

6. We reviewed Grant County Authority's accounting records 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.
7. The Grant County Authority was dissolved on November 13, 2014. We reviewed the Articles of Dissolution and the Resolution filed with the Secretary of State's office to dissolve the Grant County Authority.

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

GRANT 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		618,348.55
Other Revenues		129.16
		618,477.71
Total Revenue		618,477.71
Expenditures:		
Debt Service Payment to State - Principal		554,562.87
Debt Service Payment to State - Interest		63,785.68
Other Expenditures		129.16
		618,477.71
Total Expenditures		618,477.71
Excess Revenues Over (Under) Expenditures		0.00
Fund Cash Balance, December 31, 2014	\$	0.00

GRANT 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		153,880.00
Other Revenues		0.00
		<hr/>
Total Revenue		153,880.00
Expenditures:		
Debt Service Payment to State - Principal		140,980.34
Debt Service Payment to State - Interest		12,899.66
Other Expenditures		0.00
		<hr/>
Total Expenditures		153,880.00
Excess Revenues Over (Under) Expenditures		<hr/> 0.00
Fund Cash Balance, December 31, 2013	<hr/> \$	<hr/> 0.00

GRANT 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	153,880.00
Other Revenues	0.00
	<hr/>
Total Revenue	153,880.00
Expenditures:	
Debt Service Payment to State - Principal	134,587.47
Debt Service Payment to State - Interest	19,292.53
Other Expenditures	0.00
	<hr/>
Total Expenditures	153,880.00
Excess Revenues Over (Under) Expenditures	<hr/> 0.00
Fund Cash Balance, December 31, 2012	<hr/> <u>\$ 0.00</u>

GRANT 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		153,880.00
Other Revenues		0.00
		<hr/>
Total Revenue		153,880.00
Expenditures:		
Debt Service Payment to State - Principal		129,334.90
Debt Service Payment to State - Interest		24,545.10
Other Expenditures		0.00
		<hr/>
Total Expenditures		153,880.00
Excess Revenues Over (Under) Expenditures		<hr/> 0.00
Fund Cash Balance, December 31, 2011	\$	<hr/> <hr/> 0.00

GRANT 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)	\$ 554,562.87	\$ 0.00	\$ 129,334.90	\$ 134,587.47	\$ 140,980.34	\$ 149,660.16	\$ 0.00

Note 1:

This promissory note was entered into on October 1, 2004 between the State of South Dakota through the State Railroad Board, the Grant County Regional Railroad Authority (Loanee). The original amount of the loan was \$1,219,280 however, there was an amendment on November 4, 2004 to change the loan amount to \$1,152,720.41 at an interest rate of 4.5% paid back over a 10 year period. The purpose of the loan was for the construction of industrial tracks near Milbank, SD. The new facility is owned by Western Consolidated Cooperative, who will make the annual payment to the Grant County Regional Railroad Authority. The Grant County Regional Railroad Authority then makes payments to the State of South Dakota.