

SULLY 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 SULLY 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 Sully County Regional Railroad Authority's (Sully 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 Sully County Auditor and the Municipality of Onida Finance Officer that Sully County and the Municipality of Onida appointed the board members annually in accordance with SDCL 49-17A-6.

2. We reviewed the Sully 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 Sully County courthouse and the Municipality of Onida office. Meetings are held on an as needed basis and the meeting location is usually the Oahe Grain Corporation office in Onida. When we inquired of the Sully County Registered Agent about the notices she stated such required notices were posted. Minutes of the Sully County Authority board meetings are retained and are available from the Registered Agent Emily Sovell. We also determined that all necessary documentation had been filed with the Secretary of State's office.

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

The Sully County Authority has two bank accounts at the Sunrise Bank in Onida. One account is a checking account and the other is a certificate of deposit account. The bank statements are delivered to the Sully County Authority Treasurer Kirk Yackley (Treasurer). All revenues are sent to the Treasurer who makes the deposit. The Treasurer uses QuickBooks to track the cash assets, revenues and expenditures of the Sully County Authority.

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

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

During the period reviewed, the Sully County Authority collected revenues from primarily car usage assessments and interest earnings. The car usage assessments were in effect until 2013 when the 2007 promissory note was retired.

The Sully County Authority also collects interest earnings on the various bank accounts held.

Receipts were not usually issued when funds came in to the Sully County Authority's Treasurer; however, a monthly check register was maintained which disclosed all deposits and checks recorded and financial statements were prepared for each meeting to summarize deposits and disbursements. The Sully County Authority's Treasurer is responsible for depositing revenues.

The Sully County Authority's Treasurer uses QuickBooks to monitor the revenues of the Authority.

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

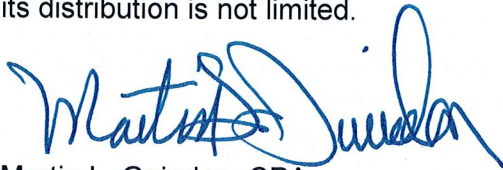
Expenditures are paid on an as needed basis. The Treasurer presents the bills at the meetings and they are then approved by the Sully County Authority's board and listed in the minutes of the board. The Sully County Authority checks are only required to be signed by the Treasurer. If a bill needs to be paid before a meeting can be held, the Treasurer will pay the bill and approval will be granted at the next possible meeting. It

was noted that promissory note payments, legal services and supplies were purchased between the November, 2011 meeting and the January, 2015 meeting before being reviewed. It was also noted that payments made by the Oahe Grain Corporation on behalf of the Sully County Authority were properly recorded in the Sully County Authority's accounting system as both revenue and expenditures.

The Sully County Authority's Treasurer uses QuickBooks to monitor the expenditures of the Authority.

6. We reviewed Sully County Authority's accounting records, 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

SULLY 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	\$ 428,651.38
Revenues:	
Surcharge Revenue	880,044.06
Payment from Industry (Paid Directly to State)	680,000.00
Interest Income	7,493.48
Promissory Note Proceeds	1,548,268.38
Other Revenues	<u>4,703.38</u>
Total Revenue	3,120,509.30
Expenditures:	
Debt Service Payment to State - Principal	1,769,520.86
Debt Service Payment to State - Interest	229,641.90
Legal Services	1,725.28
Payment to Industry	1,548,268.38
Other Expenditures	<u>4.26</u>
Total Expenditures	3,549,160.68
Excess Revenues Over (Under) Expenditures	<u>(428,651.38)</u>
Fund Cash Balance, December 31, 2014	<u><u>\$ 0.00</u></u>

SULLY 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:		
Surcharge Revenue		0.00
Payment from Industry (Paid Directly to State)		170,000.00
Interest Income		0.00
Promissory Note Proceeds		0.00
Other Revenues		0.00
		0.00
Total Revenue		170,000.00
Expenditures:		
Debt Service Payment to State - Principal		148,264.33
Debt Service Payment to State - Interest		21,735.67
Legal Services		0.00
Payment to Industry		0.00
Other Expenditures		0.00
		0.00
Total Expenditures		170,000.00
Excess Revenues Over (Under) Expenditures		0.00
Fund Cash Balance, December 31, 2014	\$	0.00

SULLY 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	\$ 143,242.09
Revenues:	
Surcharge Revenue	152,174.06
Payment from Industry (Paid Directly to State)	170,000.00
Interest Income	541.54
Promissory Note Proceeds	0.00
Other Revenues	0.00
	0.00
Total Revenue	322,715.60
Expenditures:	
Debt Service Payment to State - Principal	434,349.04
Debt Service Payment to State - Interest	31,213.72
Legal Services	390.67
Payment to Industry	0.00
Other Expenditures	4.26
	4.26
Total Expenditures	465,957.69
Excess Revenues Over (Under) Expenditures	(143,242.09)
Fund Cash Balance, December 31, 2013	\$ 0.00

SULLY 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	\$ 596,583.63
Revenues:	
Surcharge Revenue	304,590.00
Payment from Industry (Paid Directly to State)	170,000.00
Interest Income	2,073.11
Promissory Note Proceeds	0.00
Other Revenues	0.00
	<hr/>
Total Revenue	476,663.11
Expenditures:	
Debt Service Payment to State - Principal	828,407.61
Debt Service Payment to State - Interest	101,392.39
Legal Services	204.65
Payment to Industry	0.00
Other Expenditures	0.00
	<hr/>
Total Expenditures	930,004.65
Excess Revenues Over (Under) Expenditures	<hr/> (453,341.54)
Fund Cash Balance, December 31, 2012	<hr/> <u>\$ 143,242.09</u>

SULLY 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	\$ 428,651.38
Revenues:	
Surcharge Revenue	423,280.00
Payment from Industry (Paid Directly to State)	170,000.00
Interest Income	4,878.83
Promissory Note Proceeds	1,548,268.38
Other Revenues	<u>4,703.38</u>
Total Revenue	2,151,130.59
Expenditures:	
Debt Service Payment to State - Principal	358,499.88
Debt Service Payment to State - Interest	75,300.12
Legal Services	1,129.96
Payment to Industry	1,548,268.38
Other Expenditures	<u>0.00</u>
Total Expenditures	1,983,198.34
Excess Revenues Over (Under) Expenditures	<u>167,932.25</u>
Fund Cash Balance, December 31, 2011	<u><u>\$ 596,583.63</u></u>

SULLY 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 #713503 (See Note 1)	\$ 1,171,813.79	\$ 0.00	\$ 195,837.50	\$ 686,347.50	\$ 289,628.79		\$ 0.00
Promissory Note Payable #714152 (See Note 2)		1,548,268.38	162,662.38	142,060.11	144,720.25	148,264.33	950,561.31
Total Long-Term Debt	\$ 1,171,813.79	\$ 1,548,268.38	\$ 358,499.88	\$ 828,407.61	\$ 434,349.04	\$ 148,264.33	\$ 950,561.31

Note 1:

This promissory note was entered into on June 4, 2007 between the State of South Dakota through the State Railroad Board (STATE), the Sully County Regional Railroad Authority (AUTHORITY) - Loanee and the CHS, Inc. d/b/a Midwest Cooperatives and Oahe Grain (DEVELOPMENT) - Guarantor. The total amount loaned was \$1,728,803.44 at an interest rate of 5.38% paid back over a 10 year period. The purpose of the loan was for the construction of industrial siding at their facility in Onida, South Dakota to handle the loading of unit train at both facilities.

Note 2:

This promissory note was entered into on September 8, 2010 between the State of South Dakota through the State Railroad Board (STATE), the Sully County Regional Railroad Authority (AUTHORITY) - Loanee and the Oahe Grain Corporation (INDUSTRY) - Guarantor. The loan proceeds were received on various dates in 2011. The total amount loaned was \$1,548,268.38 at an interest rate of 2% paid back over a 10 year period. The purpose of the loan was for the construction of an expansion of INDUSTRY'S existing siding at the INDUSTRY'S facility in the City of Onida, South Dakota.