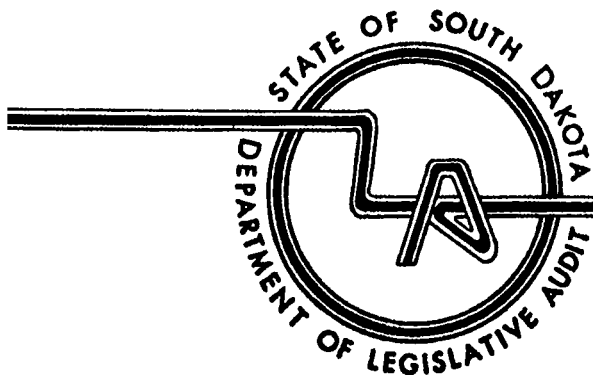


**DAY COUNTY**

**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 DAY 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 Day County Regional Railroad Authority's (Day 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 determined through communication with Danny Smeins, Day County Authority's Registered Agent, that the members of the Day County Authority had not appointed new board members in accordance with SDCL 49-17A-6.

**We recommend that the Day County Authority communicate with all member governments about the election/appointment of board members to ensure compliance with SDCL 49-17A-6.**

2. We reviewed the Day 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 Day County Authority's Board are held, notice of the meeting should be posted in the member county courthouse and the municipal offices. Meetings are held on an as needed basis and the meeting location is usually the Day County commission chambers within the Day County courthouse. However, when we inquired of the Registered Agent of the Day County Authority about the notices, he stated that it was highly unlikely that there were any postings of such notices. Minutes of the Day County Authority board meetings are retained and are available from Danny Smeins, Day County Authority's Registered Agent. We also determined that all necessary documentation had been filed with the Secretary of State's office.

**We recommend that the Day 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 Day County Authority's procedures related to the monitoring of cash assets.

The Day County Authority had only one bank account at one financial institution which was in existence for only two months. This account was a checking account that was opened to accomplish depositing the loan proceeds from the Department of Transportation and then disburse these loan proceeds to the Industry. Once these two transactions had cleared this bank account, this bank account was closed. The only revenues/expenses related to the Day County Authority are the debt service payments being made by the Industry on behalf of the Day County Authority directly to the Department of Transportation. The Department of Transportation is accounting for this activity. The Department of Transportation sends this accounting to both Day County as a member of the Day County Authority and to the Industry. The Day County Auditor maintains this information in a Day County Authority file within her office. The Day County Authority does not maintain any basic accounting records.

**We recommend that the Day 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 Day County Authority's procedures related to the receipting and depositing of revenues received.

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

The only revenues during the period of our review for the Day County Authority was the loan proceeds and debt service payments made by the Industry on behalf of the Day County Authority. The loan proceeds were deposited in the checking account of the Day County Authority and subsequently disbursed to the Industry with a check. The debt service payments do not run through the Day County Authority but rather are being sent directly to the Department of Transportation by the Industry.

The Day County Authority only had a checking account for two months in 2011 to handle the disbursement of the loan proceeds passed through it from the Department of Transportation to the Industry; there were no interest earnings on the bank account for the period under review.

The accounting of the loan payments made on behalf of the Day County Authority are accounted for by the Department of Transportation with this activity being sent to both the Industry and the Day County Authority, receipts for this activity are not issued by Day County. The Day County Auditor's office maintains a file related to the Day County Authority which includes the loan payment invoices and receipt of loan payments from the Department of Transportation. The Day County Authority does not maintain any basic accounting records.

**We recommend that the Day 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.**

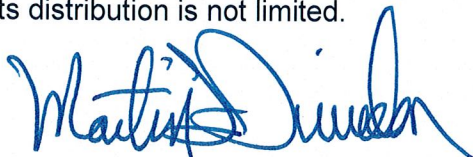
5. We reviewed the Day County Authority's procedures related to the expenditure process.

The only expenditures during the period of our review related to the Day County Authority were the disbursement of the loan proceeds to the Industry and debt service payments made by the Industry on behalf of the Day County Authority. The check written by the Day County Authority to the Industry for the loan proceeds did require dual signatures by two board members of the Day County Authority. The debt service payments do not run through the Day County Authority but rather are being sent directly to the Department of Transportation by the Industry. The Day County Authority does not maintain any basic accounting records.

**We recommend that the Day 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 the Day 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

**DAY 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)	507,000.00
Promissory Note Proceeds	<u>1,500,000.00</u>
Total Revenue	2,007,000.00
Expenditures:	
Debt Service Payment to State - Principal	421,250.04
Debt Service Payment to State - Interest	85,749.96
Payment to Industry	<u>1,500,000.00</u>
Total Expenditures	2,007,000.00
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2014	<u><u>\$ 0.00</u></u>

**DAY 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)	169,000.00
Promissory Note Proceeds	<u>0.00</u>
Total Revenue	169,000.00
Expenditures:	
Debt Service Payment to State - Principal	145,191.82
Debt Service Payment to State - Interest	23,808.18
Payment to Industry	<u>0.00</u>
Total Expenditures	169,000.00
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2014	<u><u>\$ 0.00</u></u>

**DAY 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)	169,000.00
Promissory Note Proceeds	<u>0.00</u>
Total Revenue	169,000.00
Expenditures:	
Debt Service Payment to State - Principal	141,907.54
Debt Service Payment to State - Interest	27,092.46
Payment to Industry	<u>0.00</u>
Total Expenditures	169,000.00
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2013	<u><u>\$ 0.00</u></u>

**DAY 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)	169,000.00
Promissory Note Proceeds	<u>0.00</u>
Total Revenue	169,000.00
Expenditures:	
Debt Service Payment to State - Principal	134,150.68
Debt Service Payment to State - Interest	34,849.32
Payment to Industry	<u>0.00</u>
Total Expenditures	169,000.00
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2012	<u><u>\$ 0.00</u></u>



**DAY 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)	0.00
Promissory Note Proceeds	<u>1,500,000.00</u>
Total Revenue	1,500,000.00
Expenditures:	
Debt Service Payment to State - Principal	0.00
Debt Service Payment to State - Interest	0.00
Payment to Industry	<u>1,500,000.00</u>
Total Expenditures	1,500,000.00
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2011	<u><u>\$ 0.00</u></u>

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

	<b>Beginning Balance January 1, 2011</b>	<b>Debt Issued</b>	<b>Debt Payments</b>				<b>Ending Balance December 31, 2014</b>
			<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	
Promissory Note Payable #714244 (See Note 1)	\$ 0.00	\$ 1,500,000.00	\$ 0.00	\$ 134,150.68	\$ 141,907.54	\$ 145,191.82	\$ 1,078,749.96

**Note 1:**

This promissory note was authorized on July 1, 2010 between the State of South Dakota through the State Railroad Board, the Day County Regional Railroad Authority (Loanee) and the South Dakota Wheat Growers Association (Industry). The total amount loaned was \$1,500,000 at an interest rate of 2.0% paid back over a 10 year period. The purpose of the loan was to construct a ten thousand, three hundred sixty-five foot (10,365') expansion of Industry's existing siding at Industry's facility located near the City of Andover, South Dakota.