

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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***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***

**To the Board of Trustees
Stanley County Law Enforcement
Fort Pierre, 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 and each major fund of Stanley County Law Enforcement (a component unit of Stanley County), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stanley County Law Enforcement's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Organization'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 Organization'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.

CFO of LLC

Chamberlain, South Dakota
January 8, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stanley County Law Enforcement
Fort Pierre, South Dakota

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities and each major fund of Stanley County Law Enforcement, South Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Organization'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 also responsible for the design, implementation, and maintenance of internal control 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 from 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 Organization'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 Organization'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 and each major fund of Stanley County Law Enforcement as of December 31, 2019 and 2018, and the respective changes in financial position and thereof for the year 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 1c. 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 opinions are not modified with respect to this matter.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Organization's financial statements. The budgetary comparison schedule, which is the responsibility of management, listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the 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 January 8, 2021 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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 Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "CIO of LLC". The signature is written in a cursive, somewhat stylized font.

Chamberlain, South Dakota
January 8, 2021

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	PRIMARY GOVERNMENT	
	<i>Governmental Activities</i>	
	<i>2019</i>	<i>2018</i>
ASSETS		
Cash and cash equivalents	\$ 150,447	\$ 150,244
Restricted Cash	23,071	21,214
<i>Total Assets</i>	\$ 173,518	\$ 171,458
 NET POSITION		
Restricted for 24/7 program	\$ 23,071	\$ 23,227
Unrestricted	150,447	148,231
<i>Total Net Position</i>	\$ 173,518	\$ 171,458

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Governmental Activities</i>
<i>Primary Government:</i>					
<i>Governmental Activities:</i>					
Public Safety	\$ 604,593	\$ 603,882	\$ 2,508	\$ --	\$ 1,797
Total Governmental Activities	\$ 604,593	\$ 603,882	\$ 2,508	\$ --	\$ 1,797

<i>General Revenues:</i>	
Unrestricted investment earnings	208
Miscellaneous revenue	55
Total General Revenues	263
Change in Net Position	2,060
Net position-Beginning of Year	171,458
Net Position-Ending of Year	\$ 173,518

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR DECEMBER 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<i>Net (Expense) Revenue and Changes in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government Governmental Activities</i>
<i>Primary Government:</i>					
<i>Governmental Activities:</i>					
Public Safety	\$ 578,411	\$ 587,965	\$ --	\$ --	\$ 9,554
<i>Total Governmental Activities</i>	<u>\$ 578,411</u>	<u>\$ 587,965</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,554</u>

<i>General Revenues:</i>	
Unrestricted investment earnings	208
Miscellaneous revenue	55
<i>Total General Revenues</i>	<u>263</u>
<i>Change in Net Position</i>	<u>9,817</u>
<i>Net position-Beginning of Year</i>	<u>161,641</u>
<i>Net Position-Ending of Year</i>	<u>\$ 171,458</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019 AND 2018**

	<i>General Fund</i>	
	<i>2019</i>	<i>2018</i>
ASSETS		
Cash and cash equivalents	\$ 150,447	\$ 150,244
Restricted Cash	23,071	21,214
<i>Total Assets</i>	\$ 173,518	\$ 171,458
 FUND BALANCES		
Restricted for 24/7 program	\$ 23,071	\$ 23,227
Assigned for capital outlay	45,755	33,728
Unassigned	104,692	114,503
<i>Total Net Position</i>	\$ 173,518	\$ 171,458

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Charges for goods and service	\$ 603,882	\$ 585,268
Miscellaneous	263	168
Governmental	<u>2,508</u>	<u>2,792</u>
<i>Total Operating Revenues</i>	<u>606,653</u>	<u>588,228</u>
OPERATING EXPENSES		
Salaries and wages	346,750	340,457
Benefits	105,985	101,980
Dispatch	37,083	–
Machinery and equipment	40,827	64,633
Fuel	16,158	15,245
Supplies	17,274	9,556
Utilities	11,926	13,243
Dues	5,091	4,111
Repairs and maintenance	6,124	7,268
Professional fees	8,115	11,924
Charge for goods and services	3,935	3,562
Insurance	3,753	3,757
Travel and conferences	779	1,732
Shipping and postage	301	428
Training	300	335
Publishing	<u>191</u>	<u>180</u>
<i>Total Operating Expenses</i>	<u>604,593</u>	<u>578,411</u>
 CHANGE IN FUND BALANCE	 2,060	 9,817
 FUND BALANCE, Beginning of Year	 <u>171,458</u>	 <u>161,641</u>
FUND BALANCE, End of Year	<u>\$ 173,518</u>	<u>\$ 171,458</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

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 the Stanley County Law Enforcement (a component unit of Stanley 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Stanley County is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Organization (primary government). The Organization may also be financially accountable for another organization if that organization is fiscally dependent on the Organization.

The Stanley County Law Enforcement is a component unit of Stanley County. The five members of its board consist of two Stanley County Commissioners, the Stanley County Sheriff and two City of Fort Pierre Commissioners. Since the County has the majority on the board it is deemed to control it, thus it's considered a component unit of Stanley County.

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. The statements have only governmental type activities. 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 Organization'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.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

b. ***Basis of Presentation: (continued)***

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. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Organization.

The fund of the Organization’s financial reporting entity is described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Organization. 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.

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 Organization’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:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

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.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

c. **Measurement Focus and Basis of Accounting:** *(continued)*

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.

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 Organization 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 of 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.

e. **Capital Assets:**

Government-wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

e. **Capital Assets:** *(continued)*

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash.

f. **Program Revenues:**

Program revenues derive directly from the program itself or from parties other than the Organization'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.

g. **Equity Classifications:**

Government-wide 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 "Restricted", "Assigned" and "Unassigned" components.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

h. **Application of Net Position:**

It is the Organization’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 position are available.

i. **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 Organization 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 of 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 governing body or Finance Officer.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

The Organization uses restricted 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 Organization would first use assigned and then unassigned amounts of unrestricted fund balance when expenditures are made.

The Organization does not have a formal minimum fund balance policy.

j. **Emerging Accounting Standards:**

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Organization has not yet determined the specific impact of this statement on the financial statements. The standard’s original effective date was for fiscal years beginning after December 15, 2019 but had a postponement of 18 months. The standard’s new effective date is now for fiscal years beginning after June 15, 2022, making the standard effective for the Organization’s year ending December 31, 2023. Early implementation is allowed.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The Organization 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 Organization’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, 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 Organization 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 Organization, as discussed above. The Organization has no investment policy that would further limit its investment choices.

Custodial Credit Risk – The risk that, in the event of a depository failure, the Organization’s deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk.

Concentration of Credit Risk – The Organization places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Organization 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.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018**

3. RISK MANAGEMENT:

The Organization 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, 2019 and 2018, the Organization managed its risks as follows:

Employee Health Insurance:

The Organization purchases health insurance for its employees from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality 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 Municipality’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 Municipality. The Municipality pays a Members’ Annual Operating Contribution, 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 Municipality pays an annual premium to the pool to provide coverage for automobiles and buildings, general and population liability, and law enforcement.

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool’s total contributions, along with the member’s total contributions, current losses, unpaid losses, and loss expenses, the member’s loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Organization is considered a deposit for financial reporting purposes.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

3. RISK MANAGEMENT: (continued)

As of December 31, 2019, the Organization's balance available to be refunded per the SDPAA was \$3,634, which was an increase (decrease) of \$4 from the previous year.

The Organization carries a \$250-\$1,000 deductible for the property coverage, depending on the type of property.

The Organization 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.

Workers' Compensation:

The Organization joined the South Dakota Municipal League Workers' 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 Workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Organization'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 Workers' compensation claims. The Organization pays an annual premium, to provide Workers' 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 \$250,000 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 \$1,750,000 per incident.

The Organization 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.

Unemployment Benefits:

The Organization provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018**

4. 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplemental 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 Organization's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017 were \$26,133, \$24,635, and \$27,026, respectively, equal to the required contributions each year.

5. SUBSEQUENT EVENTS:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Organization. The Organization is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

SUPPLEMENTAL INFORMATION

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<i>Beginning Budgetary Fund Balance</i>	\$ 171,458	\$ 171,458	\$ 171,458	\$ --
<i>Resources (Inflows):</i>				
Intergovernmental				
Licenses & Permits	700	700	920	220
Federal Grants	2,239	2,239	1,588	(651)
Stanley County cost share	247,464	247,464	247,464	--
City of Fort Pierre cost share	341,736	341,736	341,736	--
Charges for Goods and Services:				
Public Safety	10,800	10,800	14,682	3,882
Miscellaneous Revenue:				
Interest earned	500	500	208	(292)
Other	1,000	1,000	55	(945)
<i>Total Revenue</i>	<u>604,439</u>	<u>604,439</u>	<u>606,653</u>	<u>2,214</u>
<i>Amounts Available for Appropriation</i>	<u>604,439</u>	<u>604,439</u>	<u>606,653</u>	<u>2,214</u>
<i>Expenditures:</i>				
Public Safety:				
Police	617,439	617,439	604,593	12,846
<i>Total Expenditures</i>	<u>617,439</u>	<u>617,439</u>	<u>604,593</u>	<u>12,846</u>
<i>Net Change in Fund Balance</i>	(13,000)	(13,000)	2,060	15,060
<i>Ending Budgetary Fund Balance</i>	<u>\$ 158,458</u>	<u>\$ 158,458</u>	<u>\$ 173,518</u>	<u>\$ 15,060</u>

See accompanying Note to Budgetary Comparison Schedules.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF
F STANLEY COUNTY)
BUDGETARY COMPARISON SCHEDULES – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<i>Beginning Budgetary Fund Balance</i>	\$ 161,641	\$ 161,641	\$ 161,641	\$ --
<i>Resources (Inflows):</i>				
Intergovernmental				
Licenses & Permits	700	700	1,689	989
Federal Grants	1,753	1,753	1,103	(650)
Stanley County cost share	235,209	235,209	239,813	4,604
City of Fort Pierre cost share	324,812	324,812	331,171	6,359
Charges for Goods and Services:				
Public Safety	11,300	11,300	14,284	2,984
Miscellaneous Revenue:				
Interest earned	--	--	158	158
Other	1,000	1,000	10	(990)
<i>Total Revenue</i>	<u>574,774</u>	<u>574,774</u>	<u>588,228</u>	<u>13,454</u>
<i>Amounts Available for Appropriation</i>	<u>574,774</u>	<u>574,774</u>	<u>588,228</u>	<u>13,454</u>
<i>Expenditures:</i>				
Public Safety:				
Police	574,774	574,774	578,411	(3,637)
<i>Total Expenditures</i>	<u>574,774</u>	<u>574,774</u>	<u>578,411</u>	<u>(3,637)</u>
<i>Net Change in Fund Balance</i>	--	--	9,817	9,817
<i>Ending Budgetary Fund Balance</i>	<u>\$ 161,641</u>	<u>\$ 161,641</u>	<u>\$ 171,458</u>	<u>\$ 9,817</u>

See accompanying Note to Budgetary Comparison Schedules.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTE TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1. Budgets and Budgetary Accounting:

The Organization follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Organization presents its budget on the modified cash basis of accounting to coincide with the basis of accounting utilized by the basic financial statements. See Note 1.c. to the basic financial statements for a definition of modified cash basis.