

**Stanley County Law Enforcement
(A Component Unit of Stanley County)**

**Independent Auditor's Report
and Financial Statements**

**For the Years Ended
December 31, 2021 and 2020**

Stanley County Law Enforcement
(A Component Unit of Stanley County)
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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements, and have issued our report thereon dated October 31, 2022.

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.

A handwritten signature in black ink that reads "CIO of LLC". The signature is written in a cursive, slightly slanted style.

Chamberlain, South Dakota
October 31, 2022



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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 December 31, 2021, and 2020, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Stanley County Law Enforcement, South Dakota as of December 31, 2021, and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of The United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1.c. 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 opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Supplementary 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 October 31, 2022 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 solely 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 effectiveness of the Organization's 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 black ink that reads "CIO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Chamberlain, South Dakota
October 31, 2022

Stanley County Law Enforcement
(A Component Unit of Stanley County)
Statement of Net Position – Modified Cash Basis
December 31, 2021 and 2020

	Primary Government	
	Governmental Activities	
	2021	2020
Assets		
Cash and cash equivalents	\$ 100,153	\$ 84,346
Restricted Cash	20,064	19,339
Total Assets	\$ 120,217	\$ 103,685
Net Position		
Restricted	\$ 20,064	\$ 19,399
Unrestricted	100,153	84,286
Total Net Position	\$ 120,217	\$ 103,685

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Public Safety	\$ 679,570	\$ 642,504	\$ 53,585	\$ --	\$ 16,519
Total Governmental Activities	<u>\$ 679,570</u>	<u>\$ 642,504</u>	<u>\$ 53,585</u>	<u>\$ --</u>	<u>\$ 16,519</u>
			General Revenues:		
			Unrestricted investment earnings		13
			Total General Revenues		<u>13</u>
			Change in Net Position		<u>16,532</u>
			Net position-Beginning of Year		<u>103,685</u>
			Net Position-Ending of Year		<u>\$ 120,217</u>

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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government:					
Governmental Activities:					
Public Safety	\$ 685,346	\$ 596,739	\$ 17,282	\$ --	\$ (71,325)
Total Governmental Activities	<u>\$ 685,346</u>	<u>\$ 596,739</u>	<u>\$ 17,282</u>	<u>\$ --</u>	<u>\$ (71,325)</u>
General Revenues:					
					42
					1,450
					<u>1,492</u>
					(69,833)
					<u>173,518</u>
					<u>\$ 103,685</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, 2021 and 2020

	General Fund	
	2021	2020
Assets		
Cash and cash equivalents	\$ 100,153	\$ 84,346
Restricted Cash	20,064	19,339
Total Assets	\$ 120,217	\$ 103,685
Fund Balances		
Restricted	\$ 20,064	\$ 19,339
Assigned for capital outlay	61,880	61,880
Unassigned	38,273	22,466
Total Net Position	\$ 120,217	\$ 103,685

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, 2021 and 2020

	Years Ended	
	December 31,	
	<u>2021</u>	<u>2020</u>
Operating Revenues		
Charges for goods and service	\$ 642,504	\$ 596,549
Governmental	53,585	17,282
Miscellaneous	13	1,682
Total Operating Revenues	<u>696,102</u>	<u>615,513</u>
Operating Expenses		
Salaries and wages	436,929	398,520
Insurance	81,712	66,351
Dispatch	52,295	63,143
Benefits	30,723	27,806
Fuel	18,777	18,888
Professional fees	15,035	14,420
Supplies	14,001	23,552
Utilities	7,589	7,308
Dues	6,915	8,245
Machinery and equipment	5,526	37,277
Repairs and maintenance	5,190	15,804
Charge for goods and services	2,376	2,391
Publishing	1,771	1,641
Travel and conferences	731	--
Total Operating Expenses	<u>679,570</u>	<u>685,346</u>
Change in Fund Balance	16,532	(69,833)
Fund Balance, Beginning of Year	<u>103,685</u>	<u>173,518</u>
Fund Balance, End of Year	<u>\$ 120,217</u>	<u>\$ 103,685</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, 2021 and 2020

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

Stanley County Law Enforcement
(A Component Unit of Stanley County)
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, 2021 and 2020

1. Summary of Significant Accounting Policies: (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, 2021 and 2020

1. Summary of Significant Accounting Policies: (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, 2021 and 2020

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.

Stanley County Law Enforcement
(A Component Unit of Stanley County)

Notes to Basic Financial Statements – Modified Cash Basis

December 31, 2021 and 2020

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.

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, 2021 and 2020, 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

Stanley County Law Enforcement
(A Component Unit of Stanley County)

Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2021 and 2020

3. Risk Management: (Continued)

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 October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC

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.

Stanley County Law Enforcement
(A Component Unit of Stanley County)
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2021 and 2020

3. Risk Management: (Continued)

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.

4. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employee 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Stanley County Law Enforcement
(A Component Unit of Stanley County)

Notes to Basic Financial Statements – Modified Cash Basis

December 31, 2021 and 2020

4. Pension Plan: (Continued)

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Organization's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019 were \$30,724, \$27,806, and \$26,133 respectively, equal to the required contributions each year.

Pension (Asset):

The Organization is a component unit of Stanley County, South Dakota. See Stanley County audit report for information on the consolidated net position

**Stanley County Law Enforcement
(A Component Unit of Stanley County)**

Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2021 and 2020

4. Pension Plan: (Continued)

Actuarial Assumptions:

The total pension (asset) in the June 30, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation ----- 2.25%
- Salary Increases ---- Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service.
- Discount Rate ----- 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
- Future COLAs ----- 2.25%

Mortality rates were based on 97% of the RP-2014 Employee Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentages of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 (see the discussion of the investment plan’s investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Stanley County Law Enforcement
(A Component Unit of Stanley County)
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2021 and 2020

4. Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The Organization is a component unit of Stanley County, South Dakota. See Stanley County audit report for information on the sensitivity to changes in the discount rate.

Pension Plan Fiduciary Net Position:

Detailed Information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 103,685	\$ 103,685	\$ 103,685	\$ --
Resources (Inflows):				
Intergovernmental				
Licenses & Permits	700	700	1,290	590
Federal Grants	51,508	51,508	53,585	2,077
Stanley County cost share	264,351	264,351	264,351	--
City of Fort Pierre cost share	365,057	365,057	365,057	--
Charges for Goods and Services:				
Public Safety	10,800	10,800	11,806	1,006
Miscellaneous Revenue:				
Interest earned	500	500	13	(487)
Other	1,000	1,000	--	(1,000)
Total Revenue	<u>693,916</u>	<u>693,916</u>	<u>696,102</u>	<u>2,186</u>
Amounts Available for Appropriation	<u>693,916</u>	<u>693,916</u>	<u>696,102</u>	<u>2,186</u>
Expenditures:				
Public Safety:				
Police	693,916	693,916	679,570	14,346
Total Expenditures	<u>693,916</u>	<u>693,916</u>	<u>679,570</u>	<u>14,346</u>
Net Change in Fund Balance	--	--	16,532	16,532
Ending Budgetary Fund Balance	<u>\$ 103,685</u>	<u>\$ 103,685</u>	<u>\$ 120,217</u>	<u>\$ 16,532</u>

See accompanying Note to Budgetary Comparison Schedules.

Stanley County Law Enforcement
(A Component Unit of Stanley County)
 Budgetary Comparison Schedules – Modified Cash Basis
 General Fund
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 173,518	\$ 173,518	\$ 173,518	\$ --
Resources (Inflows):				
Intergovernmental				
Licenses & Permits	700	700	1,305	605
Federal Grants	15,170	15,170	17,282	2,112
Stanley County cost share	266,792	266,792	246,666	(20,126)
City of Fort Pierre cost share	368,428	368,428	340,634	(27,794)
Charges for Goods and Services:				
Public Safety	10,800	10,800	8,134	(2,666)
Miscellaneous Revenue:				
Interest earned	500	500	42	(458)
Other	4,863	4,863	1,450	(3,413)
Total Revenue	<u>667,253</u>	<u>667,253</u>	<u>615,513</u>	<u>(51,740)</u>
Amounts Available for Appropriation	<u>667,253</u>	<u>667,253</u>	<u>615,513</u>	<u>(51,740)</u>
Expenditures:				
Public Safety:				
Police	683,377	683,377	685,345	(1,968)
Total Expenditures	<u>683,377</u>	<u>683,377</u>	<u>685,345</u>	<u>(1,968)</u>
Net Change in Fund Balance	(16,124)	(16,124)	(69,833)	(53,709)
Ending Budgetary Fund Balance	<u>\$ 157,394</u>	<u>\$ 157,394</u>	<u>\$ 103,685</u>	<u>\$ (53,709)</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, 2021 and 2020

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.