

HAND COUNTY

AUDIT REPORT

Years Ended December 31, 1988 and 1987



State of South Dakota
Department of Legislative Audit
435 South Chapelle
Pierre, South Dakota 57501-3292

HAND COUNTY
TABLE OF CONTENTS

	<u>Page</u>
Auditor's Report on Internal Accounting and Administrative Controls	1
Auditor's Report on Compliance	3
Auditor's Comments	4
Independent Auditor's Report	8
Financial Statements:	
As of December 31, 1988:	
Balance Sheet	9
Statement of Changes in Fund Cash Balances	10
As of December 31, 1987:	
Statement of Changes in Fund Cash Balances	12
Notes to the Financial Statements	14
Supplementary Data:	
County Officials	18
Schedule of Federal Fund Expenditures	19



Maurice C. Christiansen, CPA
AUDITOR GENERAL

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AUDITOR'S REPORT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

Board of County Commissioners
Hand County, South Dakota

We have examined the general purpose financial statements of Hand County, South Dakota, as of December 31, 1988 and for the two years then ended and have issued our report thereon dated April 7, 1989. As part of our examination, we made a study and evaluation of the internal control systems, including internal administrative controls used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards; the standards for financial and compliance audits contained in the Government Auditing Standards issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs into the following categories:

- a. revenues;
- b. expenditures;
- c. payroll;
- d. external financial reports (including federal financial reports);
- e. political activity;
- f. Davis-Bacon Act;
- g. civil rights;
- h. cash management;
- i. relocation assistance;
- j. matching level of effort; and,
- k. monitoring subrecipients.

The management of Hand County is responsible for establishing and maintaining internal control systems. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Additional objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in federal financial reports.



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AUDITOR'S REPORT ON COMPLIANCE

Board of County Commissioners
Hand County, South Dakota

We have examined the general purpose financial statements of Hand County, South Dakota, as of December 31, 1988 and for the two years then ended and have issued our report thereon dated April 7, 1989. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Government Auditing Standards issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments; and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Hand County is responsible for the county's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from nonmajor federal financial assistance programs to determine the county's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested, Hand County complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the Auditor's Comments.

Our testing was more limited than would be necessary to express an opinion on whether Hand County administered those programs in compliance in all material respects with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Hand County had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

Maurice C. Christiansen

Maurice C. Christiansen, CPA
Auditor General

April 7, 1989

- (f) The distribution of collections for other political subdivisions was not made in all instances by the 20th of the month subsequent to collection as required by SDCL 9-21-30 and 13-11-7.
- (g) The annual financial reports have not been prepared on forms prescribed by the auditor general nor have they been published on a timely basis as required by SDCL 7-10-4.
- (h) The county's fund structure does not comply with the fund structure required by generally accepted accounting principles and also the county has failed to close out several funds which were eliminated by SDCL 10-12-9 on January 1, 1986.

Internal accounting control deficiencies diminish reasonable assurances that transactions are properly executed and recorded and that assets are properly safeguarded.

RECOMMENDATIONS:

1. We recommend the county establish and maintain the accounting records necessary to complete the county's accounting system.
2. We recommend the county auditor verify all of the cash assets of the treasurer at the close of each month as required by SDCL 7-10-3.
3. We recommend leave forms be prepared and filed in employees' permanent files.
4. We recommend the county auditor reconcile the unpaid taxes in the treasurer's tax list to the tax account record on June 30 and December 31 of each year as required by SDCL 10-17-9.
5. We recommend the county auditor reconcile the published list of unpaid taxes to the unpaid taxes in the tax list as required by SDCL 10-23-2.
6. We recommend collections for other political subdivisions be distributed by the 20th of the month subsequent to collection as required by SDCL 9-21-30 and 13-11-7.
7. We recommend annual financial reports be accurately prepared on forms prescribed by the auditor general and published in the time allowed by SDCL 7-10-4.
8. We recommend the county close out the funds which were eliminated by SDCL 10-12-9 and classify funds in a manner consistent with requirements of generally accepted accounting principles.

Personal Property Tax Replacement Distribution

Finding:

Personal property tax replacement monies were not distributed in the manner prescribed by SDCL 10-13A-5 during the period 1984 through 1988 resulting in aggregate over/underpayments to various taxing subdivisions of approximately \$155,000.

The county ... upon receipt of such funds shall apportion and distribute the funds between the taxing subdivisions, including the county, in the same proportion as the average of personal property taxes assessed in each taxing subdivision ... for calendar years 1972, 1973, 1974, 1975 and 1976

The county distributed bank franchise taxes in the same manner as they distributed personal property tax replacement monies. The following recalculation reflects the over/underpayments for the period from 1984 through 1988 resulting from this error:

	Overpaid	Underpaid
	-----	-----
Hand County	\$	\$ 8,456.63
Conservancy Sub-districts	2,725.75	
Townships	2,511.24	
Miller City	23.81	
Ree Heights Town		61.78
St. Lawrence Town	449.61	
Wessington Annex	74.44	
Miller School		3,190.02
Redfield School	930.28	
Tulare School		159.76
Wessington School		1,558.52
Faulkton School	5,830.56	
Polo School	881.02	
	-----	-----
	\$ 13,426.71	\$ 13,426.71
	=====	=====

RECOMMENDATION:

10. We recommend subsequent remittances of bank franchise tax monies to affected subdivisions be adjusted to correct the over and underpayments made from 1984 through 1988.

Closing Conference

The audit was discussed with the commissioners, state's attorney, highway superintendent, auditor, sheriff and register of deeds on April 7, 1989.

HAND COUNTY
BALANCE SHEET
December 31, 1988

Assets:

Current Assets:

Cash in Banks	\$ 625,506.80
Treasurer's Change Fund	500.00
Taxes Receivable, Current	1,360,379.16
Savings Certificates	420,000.00

Total Current Assets	2,406,385.96

Fixed Assets:

Land	14,000.00
Buildings and Structures	4,057,666.00
Furniture and Equipment	388,078.00
Machinery and Automotive Equipment	210,150.00

Total Fixed Assets	4,669,894.00

TOTAL ASSETS	\$7,076,279.96
	=====

Liabilities and Equity:

Current Liabilities:

Trust and Agency Fund Balances	\$ 226,091.30
Unrealized Revenue	1,360,379.16

Equity:

Investment in Fixed Assets	4,669,894.00
General Fund Cash Balance	28,471.63
Special Revenue Funds Cash Balance	451,435.38
Revolving Funds Cash Balance	11,479.93
Enterprise Funds Cash Balance	328,528.56

TOTAL LIABILITIES AND EQUITY	\$7,076,279.96
	=====

The notes to the financial statements are an integral part of this statement.

Low Income Energy Assistance Program	190.59	3,547.37			4,339.11	(601.15)
Law Library	87.87	397.00			93.44	391.43
School Districts	11,683.63	2,057,794.73	478,123.50		2,498,737.21	48,864.65
Civil Townships	64,982.89	151,226.22	41,258.48		187,640.33	69,827.26
Cities and Towns	751.35	200,377.49	36,010.43		233,088.58	4,050.69
Special Highway	2,519.88	60,391.03			58,541.67	4,369.24
School Land Lease	6,052.84	25,326.09			31,378.93	0.00
Deferred Payments	8,268.08	20,751.46		276.74	28,742.80	0.00
Interest Deferred Payments	3,123.18	5,870.38	276.74		9,270.30	0.00
Personal Property Replacement Tax		698,953.00				0.00
Unemployment Insurance	11,315.70					11,315.70
Domestic Abuse Program	1,286.00	510.00				1,796.00
Bid Bond Trust		1,987.59			1,987.59	0.00
Registration Fee 3%	6,817.98	151,197.89		717.32	151,437.49	5,861.06
Municipalities (5%)	612.68	14,330.84			14,360.33	583.19
Birth Fees	64.00	444.00			462.00	46.00
Death Fees	40.00	302.00			310.00	32.00
Title Fees	86.00	969.00			995.00	60.00
Game, Fish and Parks	25,571.00	54,490.00			52,508.00	27,533.00
State Motor Vehicle Collections	7,125.44	121,356.22			121,880.62	6,601.04
Stripper Wells		7,453.44			1,192.55	6,260.89
Water Conservancy:						
Oahe	3,895.48	20,895.03	6,001.16		30,230.91	560.76
Cendak	2,039.31	12,899.93	3,542.26	655.64	17,495.34	330.52
State Fines	2,460.00	30,864.07			31,129.07	2,195.00
Bail Forfeiture	898.00					898.00
In Lieu of Taxes		5,030.80				0.00
Total Trust and Agency	203,554.48	3,748,775.40	565,212.57	707,456.48	3,583,994.67	226,091.30
TOTALS	\$1,400,762.26	\$4,845,544.50	\$806,684.93	\$806,684.93	\$5,200,299.96	\$1,046,006.80

The notes to the financial statements are an integral part of this statement.

Low Income Energy Assistance Program	1,287.28	2,609.75				3,706.44	190.59
Law Library	(40.69)	372.00				243.44	87.87
School Districts	53,349.80	1,931,333.81	441,705.30	522.09		2,414,183.19	11,683.63
Civil Townships	69,843.28	140,272.25	34,943.42	55.55		180,020.51	64,982.89
Cities and Towns	3,548.81	169,583.90	30,644.79			203,026.15	751.35
Special Highway	2,010.10	58,436.56				57,926.78	2,519.88
School Land Lease	2,699.37	34,493.97				31,140.50	6,052.84
Deferred Payments	9,862.93	25,383.87				26,978.72	8,268.08
Interest Deferred Payments	4,038.56	8,671.86				9,587.24	3,123.18
Personal Property Replacement		674,853.00		674,853.00			0.00
Unemployment Insurance	11,311.16	4.54					11,315.70
Domestic Abuse Program	1,236.00	285.00				335.00	1,286.00
Bid Bond Trust	2,790.35					2,790.35	0.00
Registration Fee 3%	9,117.09	119,091.85				121,390.96	6,817.98
Municipalities (5%)	659.00	13,566.13				13,612.45	612.68
Birth Fees	34.00	506.00	4.00	66.00		414.00	64.00
Death Fees	8.00	272.00	66.00	4.00		302.00	40.00
Title Fees	69.00	1,077.00				1,060.00	86.00
Game, Fish and Parks	17,459.00	54,197.00				46,085.00	25,571.00
State Motor Vehicle Collections	7,541.91	116,535.49				116,951.96	7,125.44
Water Conservancy:							
Oahe	932.51	22,630.32		3.98		19,663.37	3,895.48
Cendak	587.20	12,910.30		714.91		10,743.28	2,039.31
State Fines	1,710.00	29,913.88				29,163.88	2,460.00
Bail Forfeiture	500.00	398.00					898.00
Total Trust and Agency Funds	230,013.97	3,498,742.40	507,401.91	678,211.24		3,354,392.56	203,554.48
TOTALS	\$1,794,376.72	\$4,602,302.83	\$829,973.48	\$829,946.93		\$4,995,943.84	\$1,400,762.26

The notes to the financial statements are an integral part of this statement.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

e. Budgets and Budgetary Accounting:

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the first and fifteenth days of July in each year the board of county commissioners prepares and files with the county auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The board of county commissioners holds a meeting for the purpose of considering the provisional budget on the first Tuesday in September in each year. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.
4. On the second Tuesday in September in each year the board of county commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the county auditor.
5. After adoption by the board of county commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Receivables that are measurable but not available have been deferred.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on the first Tuesday in September or ten days thereafter and payable in two installments on or before April 30 and October 31 of the following year.

The county is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation of the property in the county.

The combined tax rates to finance county services including principal and interest on long-term debt for the year ended December 31, 1988 totaled \$10.53 per \$1,000 of taxable valuation.

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following represents the overdrafts of the expenditures compared to appropriations:

	Year Ended 12/31/87	Year Ended 12/31/88
General Fund:		
Veterans' Service Office	\$ 122.76	\$
Predatory Animal	13,868.56	6,933.56
Weed and Pest Control		325.60
Auditor's Office		10.36
Special Revenue Funds:		
Fire Protection		4,463.95
Revenue Sharing		55,546.06

4. DEFICIT FUND CASH BALANCES

As of December 31, 1988 the following funds had deficit fund balances/retained earnings in the amounts shown:

Fire Protection Fund	\$ 5,891.28
Low Income Energy Assistance Program Fund	601.15

HAND COUNTY
 SCHEDULE OF FEDERAL FUND EXPENDITURES
 For the Two Years Ended December 31, 1988

	CFDA Numbers	Amount	
		1987	1988
Direct Federal Funding:			
Department of Treasury, Office of Revenue Sharing	21.300	\$80,997.91	\$155,075.01
Department of the Interior, U.S. Fish and Wildlife Service (Note 1)	15.611	1,717.00	1,685.00
Indirect Federal Funding:			
S.D. Department of Health, Special Supplemental Food Program for Women, Infants and Children	10.557	2,158.65	1,911.81
S.D. Department of Social Services, Food Stamp Administration Low Income Energy Assistance Program	10.551 13.789	3,724.80 3,706.44	3,806.05 4,339.11
S.D. Department of Military and Veterans' Affairs, Emergency Management Assistance	83.503	369.67	
S.D. Department of Energy, Stripper Well		33,126.41	1,192.55

Note 1: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.