

**HAND COUNTY
AUDIT REPORT
For the Two Years Ended December 31, 2000**



**State of South Dakota
Department of Legislative Audit
427 South Chapelle
%500 East Capitol
Pierre, SD 57501-5070**

**HAND COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of County Commissioners
Hand County, South Dakota

Compliance

We have audited the compliance of Hand County, South Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the two years ended December 31, 2000. Hand County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hand County's management. Our responsibility is to express an opinion on Hand County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hand County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hand County's compliance with those requirements.

In our opinion, Hand County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the two years ended December 31, 2000.

Internal Control Over Compliance

The management of Hand County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hand County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.



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AUDITOR GENERAL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of County Commissioners
Hand County, South Dakota

We have audited the financial statements of Hand County, South Dakota, as of December 31, 2000, and for the two years then ended and have issued our report thereon dated June 5, 2001.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hand County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hand County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Hand County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of current audit findings and questioned costs as item 2000-01. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Hand County in a separate communication dated June 5, 2001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-01 to be a material weakness.

SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Other Audit Findings:

Finding Number 1998-01:

The county did not prepare, publish, or file annual financial reports for the years ended December 31, 1997 and December 31, 1998 in accordance with South Dakota Codified Law 7-10-4.

Auditee's Corrective Action Plan:

The county now has prepared, published and filed annual financial reports for 1999 and 2000. However, Exhibits IV and V for these reports were not prepared.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

- a. An opinion qualified for unidentified adjustments was issued on the 1999 financial statements only. The 2000 financial statements were not qualified.
- b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.
- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal award tested as a major program was:
Community Development Block Grant, CFDA #14.228
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Hand County did not qualify as a low-risk entity.

Current Federal Compliance Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Finding Number 2000-01

Financial Reporting Errors

Finding:

Errors were noted on the county's 1999 and 2000 annual financial reports resulting in inaccurate and incomplete information being presented to the users of these reports.



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AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Hand County, South Dakota

We have audited the accompanying general-purpose financial statements of Hand County, South Dakota, as of December 31, 2000, and for the two years then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Hand County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The 1999 operating statements include unidentified adjustments necessary to report fund balances properly. These adjustments are in the amount of \$19,784.44 for the General Fund, \$257,372.69 for the special revenue funds, and \$3,819.72 for the proprietary funds. We did not consider it practical to determine which revenues, expenditures, and expenses were incorrectly reported for 1999 necessitating these unidentified adjustments.

In our opinion, except for the effects of improperly reporting revenues, expenditures, and expenses for 1999 as discussed in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Hand County as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2001 on our consideration of Hand County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of the audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Hand County taken as a whole. The schedules listed in the Table of Contents are presented for purposes of additional analysis including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial

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Liabilities and Equity:									
Current Liabilities:									
Due to Other Governments	\$							\$	\$
Amounts Held for Others								98,339.42	
Deferred Revenue		1,393,244.89	51,199.60					19,466.00	
Total Current Liabilities		<u>1,393,244.89</u>	<u>51,199.60</u>					<u>117,805.42</u>	<u>0.00</u>
Long-Term Liabilities:									
Accrued Leave Payable									48,996.29
Other Long-Term Debt Payable									11,210.79
Total Long-Term Liabilities:		<u>0.00</u>	<u>0.00</u>					<u>0.00</u>	<u>60,207.08</u>
Total Liabilities		<u>1,393,244.89</u>	<u>51,199.60</u>					<u>117,805.42</u>	<u>60,207.08</u>
Fund Equity:									
Investment in General Fixed Assets									2,783,732.79
Retained Earnings:									
Reserved for Unemployment Claims						7,055.20			
Fund Balances:									
Reserved for Inventory									
Reserved for Wetlands Trust									29,540.00
Reserved for Law Library									5,059.76
Reserved for Library									42,469.71
Unreserved Fund Balances:									
Designated for Next Year's									
Appropriations		144,313.35	6,873.70						
Undesignated		1,043,712.84	455,665.20						
Total Fund Equity		<u>1,188,026.19</u>	<u>584,331.42</u>			<u>7,055.20</u>		<u>77,069.47</u>	<u>0.00</u>
TOTAL LIABILITIES & EQUITY	\$	<u>2,581,271.08</u>	<u>\$ 635,531.02</u>			<u>\$ 7,055.20</u>		<u>\$ 194,874.89</u>	<u>\$ 60,207.08</u>

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

Other Financing Sources (Uses):			
Operating Transfers In	140,000.00		314.49
Insurance Proceeds (Catastrophic)		15,016.76	
Operating Transfers Out		(140,314.49)	
Total Other Financing Sources (Uses)	<u>140,000.00</u>	<u>(125,297.73)</u>	<u>314.49</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(352,619.87)	622,228.72	7,609.10
Other Changes in Fund Balance:			
Changes in Reserves:			
Changes in Inventory of Supplies	(137,692.48)		
Fund Balance, January 1, 2000	1,074,643.77	564,675.47	15,808.42
Adjustments:			
1998 Error Correction to General Fund and Trust Fund			
Cash Adjustment to Library Cash Balance		11,200.00	(2,435.21)
Adjusted Fund Balance	<u>1,074,643.77</u>	<u>565,797.47</u>	<u>13,373.21</u>
FUND BALANCE, DECEMBER 31, 2000	<u>\$ 584,331.42</u>	<u>\$ 1,188,026.19</u>	<u>\$ 20,982.31</u>

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

Highways									
Other	6,500.00	6,946.73	446.73	65,000.00	8,623.61	(56,376.39)			
Health and Welfare:									
Economic Assistance:									
Poor Lien Recoveries	4,000.00	5,129.85	1,129.85						
Conservation of Natural Resources	45,000.00	51,072.80	6,072.80						
Fines and Forfeits:									
Costs	800.00	1,783.50	983.50						
Forfeits	500.00	800.00	300.00						
Miscellaneous Revenue:									
Investment Earnings	55,000.00	117,927.20	62,927.20						
Rent	1,600.00	2,319.31	719.31						
Refund of Prior Year's Expenditures	0.00	2,119.00	2,119.00						
Other	10,000.00	16,375.15	6,375.15	200.00	565.00	365.00			
Total Revenue	<u>1,532,389.87</u>	<u>1,649,000.56</u>	<u>116,610.69</u>	<u>495,546.00</u>	<u>569,293.60</u>	<u>73,747.60</u>			

Expenditures:

General Government:									
Legislative:									
Board of County Commissioners	40,220.98	40,524.83	(303.85)						
Contingency	91,935.93								
(Amount Transferred)	(45,901.53)								
Elections	20,625.00	17,838.96	46,034.40						
Judicial System	12,400.00	5,923.62	6,476.38						
Financial Administration:									
Auditor	64,574.15	62,643.83	1,930.32						
Treasurer	60,557.04	60,466.32	90.72						
Copier	7,278.60	7,278.60	0.00						
Legal Services:									
State's Attorney	62,115.00	64,423.55	(2,308.55)						
Court Appointed Attorney	11,640.00	2,202.33	9,437.67						
Abused and Neglected Child Defense	1,746.00	0.00	1,746.00						
Other Administration:									
General Government Building	66,558.20	66,606.26	(48.06)						
Director of Equalization	64,499.00	60,147.37	4,351.63						
Register of Deeds	51,527.00	51,468.38	58.62						
Veterans' Service Officer	8,535.00	8,530.46	4.54						
Public Safety:									
Law Enforcement:									
Sheriff	131,928.50	126,780.73	5,147.77						
County Jail	71,206.98	69,516.85	1,690.13						

Total Expenditures	984,929.99	901,474.11	83,455.88	1,229,838.34	1,061,913.47	167,924.87
Other Financing Sources (Uses):						
Operating Transfers In Insurance Proceeds (Catastrophic)	0.00	15,016.76	15,016.76	0.00	140,000.00	140,000.00
Operating Transfers Out	(493,980.67)	(140,314.49)	353,666.18			
Total Other Financing Sources (Uses)	(493,980.67)	(125,297.73)	368,682.94	0.00	140,000.00	140,000.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	53,479.21	622,228.72	568,749.51	(734,292.34)	(352,619.87)	381,672.47
Other Changes in Fund Balance:						
Changes in Reserve for Inventory of Supplies				0.00	(137,692.48)	(137,692.48)
Fund Balance, January 1, 2000	564,675.47	564,675.47	0.00	1,074,643.77	1,074,643.77	0.00
Adjustments:						
1998 Error Correction to General Fund and Trust Fund Cash	0.00	1,122.00	1,122.00			
Adjusted Fund Balance January 1, 2000	564,675.47	565,797.47	1,122.00		1,074,643.77	
FUND BALANCE, DECEMBER 31, 2000	\$ 618,154.68	\$ 1,188,026.19	\$ 569,871.51	\$ 340,351.43	\$ 584,331.42	\$ 243,979.99

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

**HAND COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
 For the Year Ended December 31, 2000**

	Proprietary Fund Types	Fiduciary Fund Types
	<u>Internal Service</u>	<u>Nonexpendable Trust</u>
Cash Flows from Operating Activities:		
Operating Income	<u>\$</u>	<u>\$ 14,866.02</u>
Net Cash Provided (Used) by Operating Actives		14,866.02
Cash Flows from Investing Activities:		
Correction of Cash Investments		<u>13,656.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year		28,516.02
Cash and Cash Equivalents at Beginning of Year	<u>7,055.20</u>	<u>27,571.14</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,055.20</u></u>	<u><u>\$ 56,087.16</u></u>

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

Other Financing Sources (Uses):			
Operating Transfers In	370,207.01	493,980.67	90.00
Operating Transfers Out	(533,213.14)	(366,533.51)	(3,673.50)
Total Other Financing Sources (Uses)	<u>(163,006.13)</u>	<u>127,447.16</u>	<u>(3,583.50)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(68,281.55)	163,287.91	1,181.46
Other Changes in Fund Balance:			
Changes in Reserves:			
Changes in Inventory of Supplies	(95,276.79)	259,485.00	
1999 Unidentified Adjustment to Correct Fund Balance	(115,061.23)	516,857.69	
Fund Balance, January 1, 1999	748,018.25	394,498.17	14,626.96
Residual Equity Transfers In		182,113.67	
Residual Equity Transfers In (Out)		<u>182,113.67</u>	
FUND BALANCE, DECEMBER 31, 1999	<u>\$ 564,675.47</u>	<u>\$ 1,074,643.77</u>	<u>\$ 15,808.42</u>

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

Highways	206,904.00	27,522.00	(179,382.00)
Other	5,750.00	6,329.46	579.46
Health and Welfare:			
Economic Assistance:			
Poor Lien Recoveries	500.00	4,486.21	3,986.21
Conservation of Natural Resources	40,000.00	46,249.55	6,249.55
Fines and Forfeits:			
Costs	400.00	1,028.00	628.00
Forfeits	400.00	450.00	50.00
Other	0.00	90.00	90.00
Miscellaneous Revenue:			
Investment Earnings	19,000.00	71,053.92	52,053.92
Rent	1,600.00	1,755.76	155.76
Special Assessments	0.00	10,808.97	10,808.97
Refund of Prior Year's Expenditures	0.00	1,017.56	1,017.56
Other	2,500.00	13,684.29	11,184.29
Total Revenue	<u>1,623,929.00</u>	<u>1,802,506.18</u>	<u>178,577.18</u>

10,300.10
(95,737.89)

10,511.10
426,796.11

211.00
522,534.00

Expenditures:			
General Government:			
Legislative:			
Board of County Commissioners		46,115.77	49.23
Contingency	46,165.00		
(Amount Transferred)	103,938.00		
Elections	(15,490.00)		88,448.00
Judicial System	5,000.00	3,219.18	1,780.82
Financial Administration:	19,400.00	11,026.98	8,373.02
Auditor	61,943.21	61,943.21	0.00
Treasurer	60,282.00	59,864.44	417.56
Other	6,790.00	6,595.95	194.05
Legal Services:			
State's Attorney	61,422.21	61,422.21	0.00
Court Appointed Attorney	11,640.00	3,956.73	7,683.27
Abused and Neglected Child Defense	1,746.00	0.00	1,746.00
Other Administration:			
General Government Building	53,637.00	52,540.10	1,096.90
Director of Equalization	59,262.95	59,262.95	0.00
Register of Deeds	54,206.00	52,940.66	1,265.34
Veterans' Service Officer	8,344.00	8,326.25	17.75
Predatory Animal (GFP)	4,272.11	4,272.11	0.00
Public Safety:			

**HAND COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
 For the Year Ended December 31, 1999**

	<u>Proprietary Fund Types Internal Service</u>	<u>Fiduciary Fund Types Nonexpendable Trust</u>
Cash Flows from Operating Activities:		
Operating Income	\$ (51,668.01)	\$ 15,140.00
Net Cash Provided (Used) by Operating Activities	(51,668.01)	15,140.00
Cash Flows from Noncapital Financing Activities:		
Operating Transfers In	39,142.47	
1999 Unidentified Adjustment to Correct Fund Balance	<u>(3,819.72)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(16,345.26)	15,140.00
Cash and Cash Equivalents at Beginning of Year	<u>23,400.46</u>	<u>12,431.14</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,055.20</u></u>	<u><u>\$ 27,571.14</u></u>

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

capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

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.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

The total December 31, 2000 balance of general fixed assets includes approximately ten percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are 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, expendable trust funds and agency 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. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds and nonexpendable trust are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

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

1. Between the fifteenth and thirtieth 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 or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.

The actual bank balances at December 31, 2000 were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 400,000.00
Uninsured, collateral jointly held by state's/ county's agent in the name of the state and the pledging financial institution.	<u>1,525,796.05</u>
TOTAL DEPOSITS	<u>\$ 1,925,796.05</u>

The carrying amount of deposits on the December 31, 2000 balance sheet was \$1,839,506.22.

Investments - In General, SDCL 4-5-6 permits county funds to be invested 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

Investments are stated at fair value.

The entity's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

Any Category 2 or 3 amounts would be contrary to the delivery/custody requirements of SDCL 4-5-9 for individual securities.

The investments at December 31, 2000 were as follows:

<u>Category 1</u>	<u>Fair Value</u>
Stock	\$ 13,650.00

The investment in stock was a gift to the library and is to be held as a non-expendable trust. The income derived from this stock is to be used for the operation of the library with the exact purpose to be determined at the discretion of the library board.

g. Inventory:

Inventory is valued at average cost. Inventory in the special revenue fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

h. 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. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Interest Rate of 6.65% paid by Special Revenue Fund

\$ 11,210.79

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principle	\$ 43,500.00
Interest	<u>4,417.88</u>
TOTAL	<u>\$47,917.88</u>

The annual requirements to amortize all debt outstanding as of December 31, 2000, except for compensated absences but including interest payments of \$768.68, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2000

Year Ending December 31,	Financing (Capital Acquisition) Leases	Total
<u>2001</u>	<u>\$ 11,979.47</u>	<u>\$11,979.47</u>

5. OPERATING LEASES

1999 New Volvo Model L120C Wheel Loader
Interest Rate 6.99%
Commencement Date 09/09/1999
Termination Date 09/09/2004
Amount Financed \$152,667.00
Payments made from the Special Revenue Fund

The following are the minimum payments on existing operating leases:

Year	Special Revenue Fund
2001	\$ 21,142.28
2002	\$ 21,142.28
2003	\$ 21,142.28
2004	\$ 83,966.85

6. 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 supplementary 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 5 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. The county's share of contributions to the SDRS for the fiscal years ended December 31, 2000,

Workmen's Compensation:

The county joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide worker's compensation coverage for its employees. 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 an additional \$1,750,000 per individual per incident.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The county has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The county has reserved equity in the Unemployment Self-Insurance Fund in the amount of \$7,055.20 for the payment of future unemployment benefits.

During the two years ended December 31, 2000 no claims for unemployment benefits were paid. At December 31, 2000 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

HAND COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2000

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	
			1999	2000
US Department of Agriculture: Indirect Federal Funding: SD Cooperative Extension Postage Reimbursement (Note 2)	10.500		\$	\$ 2,009.42
Department of Housing and Urban Development: Indirect Federal Funding SD Governor's Office of Economic Development, Community Development Block Grant (Notes 3 and 4)	14.228		134,966.75	353,387.78
General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003		4,494.53	14,160.39
GRAND TOTAL			\$ 139,461.28	\$ 369,557.59

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Cluster/Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.228	\$ 74,127.00

Note 5: The amount reported represents 23.3% of the original acquisition of the federal surplus property received by the county.