

**HAND COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2002**



**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 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, 2002, and for the two years then ended and have issued our report thereon dated April 4, 2003.

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.

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 and contracts, 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*. We noted certain immaterial instances of noncompliance that we have reported to the management of Hand County in a separate communication dated April 4, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 April 4, 2003.

HAND COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**Prior Other Audit Findings:**

Finding Number 2000-02:

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.

Auditee's Corrective Action Plan:

This finding has been corrected.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**

**Current Other Audit Findings:**

There are no written current other audit findings to report.

**Closing Conference**

The contents of this report were discussed with Board Chairman, Larry Rowen and County Auditor, Sandra Selting on April 4, 2003.

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|                                    |                        |                      |                     |           |  |  |  |                        |                     |
|------------------------------------|------------------------|----------------------|---------------------|-----------|--|--|--|------------------------|---------------------|
| Liabilities and Equity:            |                        |                      |                     |           |  |  |  |                        |                     |
| Current Liabilities:               |                        |                      |                     |           |  |  |  |                        |                     |
| Due to Other Governments           |                        |                      |                     |           |  |  |  | \$                     | \$                  |
| Amounts Held for Others            |                        |                      |                     |           |  |  |  | 82,495.48              |                     |
| Deferred Revenue                   | 1,463,797.13           | 52,032.54            |                     |           |  |  |  | 12,421.02              |                     |
| Total Current Liabilities          | <u>1,463,797.13</u>    | <u>52,032.54</u>     | 0.00                |           |  |  |  | <u>0.00</u>            | <u>0.00</u>         |
| Long-Term Liabilities:             |                        |                      |                     |           |  |  |  |                        | 49,190.43           |
| Accrued Leave Payable              |                        |                      |                     |           |  |  |  |                        |                     |
| Total Liabilities                  | <u>1,463,797.13</u>    | <u>52,032.54</u>     | 0.00                |           |  |  |  | <u>94,916.50</u>       | <u>49,190.43</u>    |
| Fund Equity:                       |                        |                      |                     |           |  |  |  |                        | 2,478,015.12        |
| Investment in General Fixed Assets |                        |                      |                     |           |  |  |  |                        |                     |
| Retained Earnings:                 |                        |                      |                     |           |  |  |  |                        |                     |
| Reserved for Unemployment Claims   |                        |                      |                     | 10,430.73 |  |  |  |                        |                     |
| Fund Balances:                     |                        |                      |                     |           |  |  |  |                        |                     |
| Reserved for Inventory             |                        | 80,235.65            |                     |           |  |  |  |                        |                     |
| Reserved for Capital Outlay        |                        |                      |                     |           |  |  |  |                        |                     |
| Accumulations                      | 32,000.00              | 70,000.00            |                     |           |  |  |  |                        |                     |
| Reserved for Law Library           |                        |                      |                     |           |  |  |  | 5,845.10               |                     |
| Reserved for Wetlands Trust        |                        |                      |                     |           |  |  |  | 31,940.00              |                     |
| Reserved for Library               |                        |                      |                     |           |  |  |  | 23,849.95              |                     |
| Unreserved Fund Balances:          |                        |                      |                     |           |  |  |  |                        |                     |
| Designated for Next Year's         |                        |                      |                     |           |  |  |  |                        |                     |
| Appropriations                     | 471,303.17             | 135,270.13           |                     |           |  |  |  |                        |                     |
| Undesignated                       | 735,440.80             | 593,409.71           |                     |           |  |  |  |                        |                     |
| Total Fund Equity                  | <u>1,238,743.97</u>    | <u>878,915.49</u>    | 10,430.73           |           |  |  |  | <u>61,635.05</u>       | <u>0.00</u>         |
| TOTAL LIABILITIES & FUND EQUITY    | <u>\$ 2,702,541.10</u> | <u>\$ 930,948.03</u> | <u>\$ 10,430.73</u> |           |  |  |  | <u>\$ 156,551.55</u>   | <u>\$ 49,190.43</u> |
|                                    |                        |                      |                     |           |  |  |  | <u>\$ 2,478,015.12</u> |                     |

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

|  |  |                        |                      |                     |
|--|--|------------------------|----------------------|---------------------|
| Debt Service                                 |  | <u>121,354.58</u>      |                      |                     |
| Total Expenditures                           |  | <u>1,068,058.06</u>    | <u>1,297,140.40</u>  | <u>2,465.57</u>     |
|  |  |                        |                      |                     |
| Other Financing Sources (Uses):              |  |                        |                      |                     |
| Operating Transfers In                       |  |                        | 510,000.00           |                     |
| Insurance Proceeds                           |  |                        |                      |                     |
| (Catastrophic)                               |  | 1,782.62               |                      |                     |
| Sale of County Property                      |  | 176.37                 | 110,117.64           |                     |
| Operating Transfers Out                      |  | <u>(520,000.00)</u>    |                      |                     |
| Total Other Financing Sources (Uses)         |  | <u>(518,041.01)</u>    | <u>620,117.64</u>    | <u>0.00</u>         |
|  |  |                        |                      |                     |
| Excess of Revenue and Other Sources Over     |  |                        |                      |                     |
| (Under) Expenditures and Other Uses          |  | 153,401.05             | (92,272.04)          | (1,897.57)          |
|  |  |                        |                      |                     |
| Other Changes in Fund Balance:               |  |                        |                      |                     |
| Changes in Reserve for Inventory of Supplies |  |                        | (56,102.78)          |                     |
|  |  |                        |                      |                     |
| Fund Balance, January 1, 2002                |  | <u>1,085,342.92</u>    | <u>1,027,290.31</u>  | <u>22,405.62</u>    |
| FUND BALANCE, DECEMBER 31, 2002              |  | <u>\$ 1,238,743.97</u> | <u>\$ 878,915.49</u> | <u>\$ 20,508.05</u> |

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

|                                     |                     |                     |                  |                   |
|-------------------------------------|---------------------|---------------------|------------------|-------------------|
| Law Enforcement                     | 2,500.00            | 5,804.62            | 3,304.62         |                   |
| Prisoner Care                       | 5,000.00            | 8,027.76            | 3,027.76         |                   |
| Other                               | 1,000.00            | 134.00              | (866.00)         | 4,216.49          |
| Public Works:                       |                     |                     |                  | 15,000.00         |
| Highways                            |                     |                     |                  | 36,500.00         |
| Other                               | 6,000.00            | 9,448.45            | 3,448.45         | 12,703.59         |
| Health and Welfare:                 |                     |                     |                  | (23,796.41)       |
| Economic Assistance:                |                     |                     |                  |                   |
| Poor Lien Recoveries                | 3,500.00            | 10,672.76           | 7,172.76         |                   |
| Conservation of Natural Resources   | 45,000.00           | 83,959.75           | 38,959.75        |                   |
| Fines and Forfeits:                 |                     |                     |                  |                   |
| Costs                               | 800.00              | 1,544.50            | 744.50           |                   |
| Forfeits                            | 500.00              | 652.98              | 152.98           |                   |
| Miscellaneous Revenue:              |                     |                     |                  |                   |
| Investment Earnings                 | 80,000.00           | 104,856.82          | 24,856.82        |                   |
| Rent                                | 2,000.00            | 2,570.06            | 570.06           |                   |
| Contributions and Donations         | 89.08               | 89.08               | 0.00             |                   |
| Refund of Prior Year's Expenditures | 2,000.00            | 1,725.37            | (274.63)         |                   |
| Other                               | 8,000.00            | 2,300.44            | (5,699.56)       |                   |
| Total Revenue                       | <u>1,642,701.33</u> | <u>1,739,500.12</u> | <u>96,798.79</u> | <u>581,502.36</u> |
|                                     |                     |                     | <u>200.00</u>    | <u>835.00</u>     |
|                                     |                     |                     |                  | <u>3,248.36</u>   |

Expenditures:

|                                    |             |           |           |  |
|------------------------------------|-------------|-----------|-----------|--|
| General Government:                |             |           |           |  |
| Legislative:                       |             |           |           |  |
| Board of County Commissioners      | 42,575.17   | 42,805.47 | (230.30)  |  |
| Contingency                        | 94,600.00   |           |           |  |
| (Amount Transferred)               | (28,525.23) |           |           |  |
| Elections                          | 20,489.36   | 20,825.89 | 66,074.77 |  |
| Judicial System                    | 10,400.00   | 3,155.95  | (336.53)  |  |
| Financial Administration:          |             |           | 7,244.05  |  |
| Auditor                            | 71,292.69   | 69,265.84 | 2,026.85  |  |
| Treasurer                          | 65,044.50   | 64,931.08 | 113.42    |  |
| Data Processing                    | 8,350.00    | 9,091.69  | (741.69)  |  |
| Legal Services:                    |             |           |           |  |
| State's Attorney                   | 65,066.89   | 65,118.64 | (51.75)   |  |
| Court Appointed Attorney           | 10,000.00   | 8,534.20  | 1,465.80  |  |
| Abused and Neglected Child Defense | 1,500.00    | 834.54    | 665.46    |  |
| Other Administration:              |             |           |           |  |
| General Government Building        | 74,992.14   | 71,317.51 | 3,674.63  |  |
| Director of Equalization           | 82,235.31   | 62,975.36 | 19,259.95 |  |



|  |                      |                        |                      |                      |                      |
|--|----------------------|------------------------|----------------------|----------------------|----------------------|
| Conservation of Natural Resources:           |                      |                        |                      |                      |                      |
| Soil Conservation:                           |                      |                        |                      |                      |                      |
| County Extension                             | 39,764.76            | 38,554.06              | 1,210.70             |                      |                      |
| Weed and Pest Control                        | 103,619.93           | 101,931.05             | 1,688.88             |                      |                      |
| Urban and Economic Development:              |                      |                        |                      |                      |                      |
| Urban Development:                           | 2,936.70             | 2,285.40               | 651.30               |                      |                      |
| Planning and Zoning                          | 130,000.00           | 121,354.58             | 8,645.42             |                      |                      |
| Debt Service                                 | 1,215,553.40         | 1,068,058.06           | 147,495.34           | 1,311,449.40         | 1,297,140.40         |
| Total Expenditures                           |                      |                        |                      |                      | <u>14,309.00</u>     |
| Other Financing Sources (Uses):              |                      |                        |                      |                      |                      |
| Operating Transfers In                       |                      |                        | 0.00                 | 0.00                 | 510,000.00           |
| Insurance Proceeds                           |                      | 1,782.62               | 1,782.62             |                      |                      |
| (Catastrophic)                               | 0.00                 | 176.37                 | 176.37               |                      |                      |
| Sale of County Property                      | 0.00                 | (520,000.00)           | 253,095.97           | 0.00                 | 110,117.64           |
| Operating Transfers Out                      | (773,095.97)         | (518,041.01)           | 255,054.96           | 0.00                 | 620,117.64           |
| Total Other Financing Sources (Uses)         |                      |                        |                      |                      | <u>620,117.64</u>    |
| Excess of Revenue and Other Sources Over     |                      |                        |                      |                      |                      |
| (Under) Expenditures and Other Uses          | (345,948.04)         | 153,401.05             | 499,349.09           | (729,947.04)         | 637,675.00           |
| Other Changes in Fund Balance:               |                      |                        |                      |                      |                      |
| Changes in Reserve for Inventory of Supplies |                      |                        | 0.00                 | 0.00                 | (56,102.78)          |
| Fund Balance, January 1, 2002                | 1,085,342.92         | 1,085,342.92           | 0.00                 | 1,027,290.31         | 0.00                 |
| FUND BALANCE,                                |                      |                        |                      |                      |                      |
| DECEMBER 31, 2002                            | <u>\$ 739,394.88</u> | <u>\$ 1,238,743.97</u> | <u>\$ 499,349.09</u> | <u>\$ 297,343.27</u> | <u>\$ 581,572.22</u> |

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, 2002**

|  | Proprietary<br>Fund<br>Types<br>Internal<br>Service | Fiduciary<br>Fund<br>Types<br>Nonexpendable<br>Trust |
|--|---|--|
| Cash Flows from Operating Activities:  |   |  |
| Operating Income   | \$ (6,624.47)                                       | \$   |
| Net Cash Provided (Used) by Operating Activities                               | (6,624.47)  |  |
| Cash Flows from Noncapital Financing Activities:                               |   |  |
| Operating Transfers In   | 10,000.00   |  |
| Cash Flows from Investing Activities:  |   |  |
| Loss on Market   |   | (1,762.00)   |
| Net Increase (Decrease) in Cash and Cash Equivalents<br>During the Fiscal Year | 3,375.53  | (1,762.00)   |
| Cash and Cash Equivalents at Beginning of Year                                 | 7,055.20  | 42,889.00  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                | <b>\$ 10,430.73</b>                                 | <b>\$ 41,127.00</b>                                  |

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

|  |                        |                        |  |                     |
|--|------------------------|------------------------|--|---------------------|
| Other Financing Sources (Uses):              |                        |                        |  |                     |
| Operating Transfers In                       | 21,105.70              | 800,000.00             |  | 500.00              |
| Insurance Proceeds                           |                        |                        |  |                     |
| (Catastrophic)                               | 381.25                 |                        |  |                     |
| Sale of County Property                      | 3,214.62               | 16,698.00              |  |                     |
| Operating Transfers Out                      | <u>(800,500.00)</u>    | <u>(21,105.70)</u>     |  |                     |
| Total Other Financing Sources (Uses)         | <u>(775,798.43)</u>    | <u>795,592.30</u>      |  | <u>500.00</u>       |
| Excess of Revenue and Other Sources Over     |                        |                        |  |                     |
| (Under) Expenditures and Other Uses          | <u>(91,774.13)</u>     | <u>428,412.98</u>      |  | <u>(11,473.85)</u>  |
| Other Changes in Fund Balance:               |                        |                        |  |                     |
| Changes in Reserve for Inventory of Supplies |                        | 14,545.91              |  |                     |
| Unidentified Adjustment                      | <u>(10,909.14)</u>     |                        |  |                     |
| Total Other Changes in Fund Balance          | <u>(10,909.14)</u>     | <u>14,545.91</u>       |  | <u>0.00</u>         |
| Fund Balance, January 1, 2001                | <u>1,188,026.19</u>    | <u>584,331.42</u>      |  | <u>20,982.31</u>    |
| Residual Equity Transfers In                 |                        |                        |  | <u>12,897.16</u>    |
| FUND BALANCE, DECEMBER 31, 2001              | <u>\$ 1,085,342.92</u> | <u>\$ 1,027,290.31</u> |  | <u>\$ 22,405.62</u> |

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

|                                     |                     |                     |                  |                   |                   |                   |
|-------------------------------------|---------------------|---------------------|------------------|-------------------|-------------------|-------------------|
| Other                               | 0.00                | 4,093.21            | 4,093.21         | 0.00              | 3,535.00          | 3,535.00          |
| Public Works:                       |                     |                     |                  |                   |                   |                   |
| Highways                            | 6,000.00            | 8,640.21            | 2,640.21         | 31,000.00         | 29,062.31         | (1,937.69)        |
| Health and Welfare:                 |                     |                     |                  |                   |                   |                   |
| Economic Assistance:                |                     |                     |                  |                   |                   |                   |
| Poor Lien Recoveries                | 1,500.00            | 6,448.48            | 4,948.48         |                   |                   |                   |
| Other                               | 2,000.00            | 3,216.67            | 1,216.67         |                   |                   |                   |
| Conservation of Natural Resources   | 45,000.00           | 51,809.58           | 6,809.58         |                   |                   |                   |
| Fines and Forfeits:                 |                     |                     |                  |                   |                   |                   |
| Costs                               | 800.00              | 1,510.00            | 710.00           |                   |                   |                   |
| Forfeits                            | 500.00              | 2,150.00            | 1,650.00         |                   |                   |                   |
| Other                               | 0.00                | 13.00               | 13.00            |                   |                   |                   |
| Miscellaneous Revenue:              |                     |                     |                  |                   |                   |                   |
| Investment Earnings                 | 60,000.00           | 91,979.65           | 31,979.65        |                   |                   |                   |
| Rent                                | 1,600.00            | 1,857.03            | 257.03           |                   |                   |                   |
| Refund of Prior Year's Expenditures | 2,000.00            | 2,129.69            | 129.69           |                   |                   |                   |
| Other                               | 13,600.00           | 2,969.20            | (10,630.80)      | 200.00            | 640.00            | 440.00            |
| Total Revenue                       | <u>1,590,287.32</u> | <u>1,642,740.63</u> | <u>52,453.31</u> | <u>553,997.80</u> | <u>659,059.35</u> | <u>105,061.55</u> |

Expenditures:

|                                    |             |           |           |  |  |  |
|------------------------------------|-------------|-----------|-----------|--|--|--|
| General Government:                |             |           |           |  |  |  |
| Legislative:                       |             |           |           |  |  |  |
| Board of County Commissioners      | 51,215.44   | 50,560.62 | 654.82    |  |  |  |
| Contingency                        | 100,000.00  |           |           |  |  |  |
| (Amount Transferred)               | (44,173.82) |           | 55,826.18 |  |  |  |
| Elections                          | 2,475.00    | 1,906.15  | 568.85    |  |  |  |
| Judicial System                    | 12,400.00   | 6,359.19  | 6,040.81  |  |  |  |
| Financial Administration:          |             |           |           |  |  |  |
| Auditor                            | 69,732.98   | 67,809.84 | 1,923.14  |  |  |  |
| Treasurer                          | 63,028.30   | 62,447.99 | 580.31    |  |  |  |
| Data Processing                    | 13,053.00   | 12,892.63 | 160.37    |  |  |  |
| Legal Services:                    |             |           |           |  |  |  |
| State's Attorney                   | 64,525.00   | 64,494.01 | 30.99     |  |  |  |
| Court Appointed Attorney           | 11,000.00   | 6,618.94  | 4,381.06  |  |  |  |
| Abused and Neglected Child Defense | 2,034.91    | 2,034.91  | 0.00      |  |  |  |
| Other Administration:              |             |           |           |  |  |  |
| General Government Building        | 90,740.04   | 90,631.27 | 108.77    |  |  |  |
| Director of Equalization           | 58,387.08   | 53,761.03 | 4,626.05  |  |  |  |

|   |                        |                        |                       |                      |                        |                      |                      |                    |  |
|---|------------------------|------------------------|-----------------------|----------------------|------------------------|----------------------|----------------------|--------------------|--|
| <b>Conservation of Natural Resources:</b>   |                        |                        |                       |                      |                        |                      |                      |                    |  |
| Soil Conservation:  |                        |                        |                       |                      |                        |                      |                      |                    |  |
| County Extension  | 39,577.18              | 39,538.13              | 39.05                 |                      |                        |                      |                      |                    |  |
| Weed and Pest Control   | 76,793.16              | 67,157.81              | 9,635.35              |                      |                        |                      |                      |                    |  |
| <b>Urban and Economic Development:</b>  |                        |                        |                       |                      |                        |                      |                      |                    |  |
| Urban Development:  |                        |                        |                       |                      |                        |                      |                      |                    |  |
| Planning and Zoning   | 3,323.00               | 2,651.27               | 671.73                |                      |                        |                      |                      |                    |  |
| Debt Service  | 65,000.00              | 33,361.34              | 31,638.66             |                      |                        |                      |                      |                    |  |
| Total Expenditures  | <u>1,107,490.08</u>    | <u>958,716.33</u>      | <u>148,773.75</u>     | <u>1,035,435.20</u>  | <u>1,026,238.67</u>    | <u>800,000.00</u>    | <u>800,000.00</u>    | <u>9,196.53</u>    |  |
| <b>Other Financing Sources (Uses):</b>  |                        |                        |                       |                      |                        |                      |                      |                    |  |
| Operating Transfers In  | 0.00                   | 21,105.70              | 21,105.70             | 0.00                 |                        |                      |                      |                    |  |
| Insurance Proceeds  |                        |                        |                       |                      |                        |                      |                      |                    |  |
| (Catastrophic)  | 0.00                   | 381.25                 | 381.25                | 0.00                 |                        |                      |                      |                    |  |
| Sale of County Property   | 0.00                   | 3,214.62               | 3,214.62              | 0.00                 |                        |                      |                      |                    |  |
| Operating Transfers Out   | <u>(529,560.31)</u>    | <u>(800,500.00)</u>    | <u>(270,939.69)</u>   | <u>0.00</u>          | <u>(21,105.70)</u>     | <u>16,698.00</u>     | <u>16,698.00</u>     | <u>(21,105.70)</u> |  |
| Total Other Financing Sources (Uses)  | <u>(529,560.31)</u>    | <u>(775,798.43)</u>    | <u>(246,238.12)</u>   | <u>0.00</u>          | <u>795,592.30</u>      | <u>795,592.30</u>    | <u>795,592.30</u>    | <u>795,592.30</u>  |  |
| <b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b> | <u>(46,763.07)</u>     | <u>(91,774.13)</u>     | <u>(45,011.06)</u>    | <u>(481,437.40)</u>  | <u>428,412.98</u>      | <u>909,850.38</u>    | <u>909,850.38</u>    |                    |  |
| <b>Other Changes in Fund Balance:</b>   |                        |                        |                       |                      |                        |                      |                      |                    |  |
| Changes in Reserve for Inventory of Supplies  | 0.00                   | (10,909.14)            | (10,909.14)           | 0.00                 |                        |                      |                      |                    |  |
| Unidentified Adjustment   | 0.00                   | (10,909.14)            | (10,909.14)           | 0.00                 |                        |                      |                      |                    |  |
| Total Other Changes in Fund Balance   | <u>1,188,026.19</u>    | <u>1,188,026.19</u>    | <u>0.00</u>           | <u>584,331.42</u>    | <u>584,331.42</u>      | <u>584,331.42</u>    | <u>584,331.42</u>    | <u>0.00</u>        |  |
| Fund Balance, January 1, 2001   |                        |                        |                       |                      |                        |                      |                      |                    |  |
| <b>FUND BALANCE, DECEMBER 31, 2001</b>  | <u>\$ 1,141,263.12</u> | <u>\$ 1,085,342.92</u> | <u>\$ (55,920.20)</u> | <u>\$ 102,894.02</u> | <u>\$ 1,027,290.31</u> | <u>\$ 924,396.29</u> | <u>\$ 924,396.29</u> |                    |  |

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, 2001**

|  | <b>Proprietary<br/>Fund<br/>Types<br/>Internal<br/>Service</b> | <b>Fiduciary<br/>Fund<br/>Types<br/>Nonexpendable<br/>Trust</b> |
|--|--|---|
| Cash Flows from Operating Activities:  |  |   |
| Operating Income   | \$   | \$ 2,400.00   |
| Net Cash Provided (Used) by Operating Activities                               |  | 2,400.00  |
| Cash Flows from Noncapital Financing Activities:                               |  |   |
| Residual Equity Transfer Out   |  | (12,897.16)   |
| Cash Flows from Investing Activities:  |  |   |
| Loss on Market   |  | (2,701.00)  |
| Net Increase (Decrease) in Cash and Cash Equivalents<br>During the Fiscal Year |  | (13,198.16)   |
| Cash and Cash Equivalents at Beginning of Year                                 | 7,055.20   | 56,087.16   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                | <b>\$ 7,055.20</b>   | <b>\$ 42,889.00</b>   |

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

buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, are not 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, 2002 balance of general fixed assets includes approximately 10 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 funds 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, 2002 were as follows:

|                             |                        |
|-----------------------------|------------------------|
|                             | <u>Bank Balance</u>    |
| Insured (FDIC/NCUA)         | \$ 200,000.00          |
| Uninsured, uncollateralized | 2,179,910.62           |
| Total Deposits              | <u>\$ 2,379,910.62</u> |

The carrying amount of deposits on the December 31, 2002 balance sheet was \$2,195,219.89.

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.

The investments at December 31, 2002 were as follows:

|       |                       |
|-------|-----------------------|
|       | <u>Fair<br/>Value</u> |
| Stock | \$ 9,187.00           |

The investment in stock is 300 shares of various common stocks and was a gift to the library, and is to be held as a nonexpendable 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 funds 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.



5. OPERATING LEASES

1. Equipment: 2002 Caterpillar Loader  
 Lessor: First State Bank, Miller  
 Interest Rate: 4.5%  
 Commencement Date: 10-21-02  
 Termination Date: 11-1-07  
 Amount Financed: \$100,122.21  
 Payments made from the Special Revenue Fund.
  
2. Equipment: (2) Volvo Motor Graders  
 Lessor: First State Bank, Miller  
 Interest Rate: 6.5%  
 Commencement Date: 5-2-01  
 Termination Date: 5-1-05  
 Amount Financed: \$218,874  
 Payments made from the Special Revenue Fund.
  
3. Equipment: John Deere Motor Grader  
 Lessor: John Deere Credit  
 Interest Rate: 4.5%  
 Commencement Date: 7-20-02  
 Termination Date: 7-20-06  
 Amount Financed: \$158,000  
 Payments made from the Special Revenue Fund.
  
4. Equipment: John Deere Dozer  
 Lessor: John Deere Credit  
 Interest Rate: 7.25%  
 Commencement Date: 3-20-00  
 Termination Date: 3-20-05  
 Amount Financed: \$73,815  
 Payments made from the Special Revenue Fund.
  
5. Equipment: 1999 Volvo Loader  
 Lessor: Associated Commercial Corporation  
 Interest Rate: 6.99%  
 Commencement Date: 9-9-99  
 Termination Date: 9-9-04  
 Amount Financed: \$152,667  
 Payments made from the Special Revenue Fund.

The following are the minimum payments on existing operating leases:

| Year       | Special<br>Revenue<br>Fund |
|------------|----------------------------|
| 2003       | \$ 157,535.99              |
| 2004       | \$ 136,393.71              |
| 2005       | \$ 121,394.71              |
| 2006       | \$ 57,397.37               |
| 2007       | \$ 22,878.92               |
| Thereafter | \$ 0.00                    |

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.

Workmen's Compensation:

The county purchases liability insurance for workmen's compensation from a commercial carrier.

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 Claims Fund in the amount of \$10,430.73 for the payment of future unemployment benefits.

During the two years ended December 31, 2002, 2 claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$6,624.47. At December 31, 2002, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

9. ACCOUNTING PRINCIPLES CHANGE

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 establishes new requirements for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the county, GASB No. 34 implementation is first required for the calendar year ending December 31, 2004. The effect of the implementation of GASB No. 34 on the financial statements of the county has not yet been determined.