

**HAND COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2014**



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

HAND COUNTY  
COUNTY OFFICIALS  
December 31, 2014

Board of Commissioners:

James Iverson  
Larry Rowen  
Luke Wernsmann  
J. D. Wangsness  
Jim Jones

Auditor:  
Sandra Selting

Treasurer:  
Sheri Koeck

State's Attorney:  
Elton Anson

Register of Deeds:  
DeAnn Hargens

Sheriff:  
Doug DeBoer

HAND COUNTY  
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427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

County Commission  
Hand County  
Miller, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hand County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 1, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item No. 2014-001 to be a material weakness.



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AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission  
Hand County  
Miller, South Dakota

We have audited Hand County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the biennial period ended December 31, 2014. The 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Hand County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2014.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Federal Audit Findings:**

The prior audit report contained no written federal audit findings.

**Prior Other Audit Finding:**

Finding No. 2012-01:

Internal accounting controls over financial reporting were inadequate resulting in inaccurate information being presented to users of the annual financial reports. This finding has not been corrected and is restated as current other audit finding No. 2014-001.

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

**Summary of the Independent Auditor's Results:**

***Financial Statements***

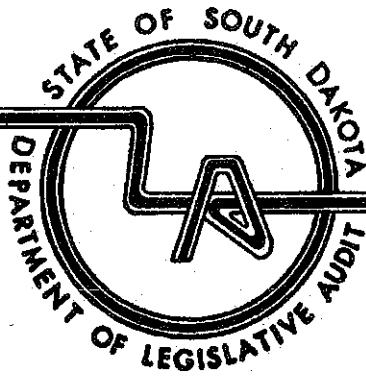
- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of internal controls over financial reporting as discussed in current audit finding No. 2014-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- d. An unmodified 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 Facilities Loans and Grants Cluster
- 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 auditee.

**Current Federal Audit Findings:**

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



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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Hand County  
Miller, South Dakota

### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hand County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**HAND COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2014**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 2,287,463.37
Investments	23,033.00
Restricted Assets:	
Cash and Cash Equivalents	22,995.00
	22,995.00
<b>TOTAL ASSETS</b>	<b>\$ 2,333,491.37</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 5)	
911 Service Purposes	\$ 127,726.90
Library Purposes	13,783.07
Modernization and Preservation Relief Purposes	12,858.34
Debt Service Purposes	22,995.00
Permanently Restricted Purposes:	
Nonexpendable	23,033.00
Other Purposes	4,751.97
Unrestricted	2,128,343.09
	2,128,343.09
<b>TOTAL NET POSITION</b>	<b>\$ 2,333,491.37</b>

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



**HAND COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 736,004.83	\$ 110,805.98	\$ 2,989.73	\$(622,209.12)
Public Safety	316,758.20	8,734.50	130,813.17	(177,210.53)
Public Works	2,029,477.80	68,241.40	803,832.06	(1,157,404.34)
Health and Welfare	839,642.68	264,261.67		(575,381.01)
Culture and Recreation	80,636.38	11,396.03		(69,240.35)
Conservation of Natural Resources	144,606.93	2,280.05		(142,326.88)
Urban and Economic Development	2,615.85			(2,615.85)
*Interest on Long-Term Debt	144,618.63			(144,618.63)
<b>Total Primary Government</b>	<b>\$ 4,294,361.30</b>	<b>\$ 465,719.63</b>	<b>\$ 937,634.96</b>	<b>\$(2,891,006.71)</b>

**General Revenues:**

Taxes:

\* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

Property Taxes	2,005,474.20
State Shared Revenues	65,416.29
Grants and Contributions not Restricted to Specific Programs	5,233.59
Unrestricted Investment Earnings	4,684.71
Debt Issued	582,065.64
Miscellaneous Revenue	104,001.31
<b>Total General Revenues</b>	<b>2,766,875.74</b>
<b>Change in Net Position</b>	<b>(124,130.97)</b>
<b>Net Position - Beginning</b>	<b>2,150,370.21</b>
<b>NET POSITION - ENDING</b>	<b>\$ 2,026,239.24</b>

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

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Public Safety:						
Law Enforcement	7,333.82					7,333.82
Prisoner Care	2,525.00					2,525.00
Sobriety Testing					80.00	80.00
Public Works:						
Road Maintenance Contract Charges			55,882.69			55,882.69
Other	20,067.46					20,067.46
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	14,518.97					14,518.97
Veterans Service Officer	1,875.00					1,875.00
Social Services	2,281.17					2,281.17
Culture and Recreation					11,871.92	11,871.92
Conservation of Natural Resources	5,702.28					5,702.28
Fines and Forfeits:						
Costs	872.50					872.50
Miscellaneous Revenue:						
Investment Earnings	4,193.21			268.13		4,461.34
Rent	1,110.40					1,110.40
Hospital Lease Payments					296,418.99	296,418.99
Refund of Prior Year's Expenditures	2,060.00					2,060.00
Other	498.02		255.38		150.00	903.40
Total Revenues	<u>2,233,293.13</u>	<u>1,316,444.01</u>	<u>296,418.99</u>	<u>87,895.17</u>	<u>150.00</u>	<u>3,934,051.30</u>

**Expenditures:**

General Government:						
Legislative:						
Board of County Commissioners	42,527.36					42,527.36
Electons	21,522.05					21,522.05
Judicial System	6,905.92					6,905.92
Financial Administration:						
Auditor	108,404.88					108,404.88
Treasurer	99,224.53					99,224.53
Legal Services:						
State's Attorney	76,144.28					76,144.28
Court Appointed Attorney	2,631.52					2,631.52
Other Administration:						
General Government Building	119,294.68					119,294.68
Director of Equalization	139,035.84					139,035.84
Register of Deeds	66,209.29					66,209.29
Veterans Service Officer	11,305.31					11,305.31
				500.00		

Weed and Pest Control	98,776.05				98,776.05
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	2,476.14				2,476.14
Debt Service		203,716.49		3,597,279.47	3,800,995.96
Total Expenditures	1,164,914.03	2,086,600.90		3,597,279.47	6,960,842.39
Excess of Revenues Over (Under) Expenditures	1,068,379.10	(770,156.89)		(24,152.82)	(3,026,791.09)
<b>Other Financing Sources (Uses):</b>					
Transfers In		1,000,000.00		13,708.72	1,013,708.72
Transfers Out	(1,000,700.00)			(13,008.72)	(1,013,708.72)
Long-Term Debt Issued				3,323,855.48	3,323,855.48
Sale of County Property	5,467.24	4,720.50			10,187.74
Total Other Financing Sources (Uses)	(995,232.76)	1,004,720.50		700.00	3,334,043.22
Net Change in Fund Balance	73,146.34	234,563.61		(23,452.82)	307,252.13
Fund Balance - Beginning	1,495,863.22	304,061.20		226,314.82	2,026,239.24
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,569,009.56</b>	<b>\$ 538,624.81</b>		<b>\$ 202,862.00</b>	<b>\$ 2,333,491.37</b>

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

Public Safety:				
Law Enforcement	4,683.61			4,683.61
Prisoner Care	1,745.00			1,745.00
Other	702.89			702.89
Public Works:				
Road Maintenance Contract Charges		59,579.06		59,579.06
Other	8,662.34			8,662.34
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	9,277.62			9,277.62
Social Services	1,739.05			1,739.05
Culture and Recreation			11,396.03	11,396.03
Conservation of Natural Resources	2,280.05			2,280.05
Fines and Forfeits:				
Costs	1,603.00			1,603.00
Miscellaneous Revenue:				
Investment Earnings	4,358.19		326.52	4,684.71
Rent	1,110.40			1,110.40
Hospital Lease Payments	400.00			400.00
Contributions and Donations	4,838.00		252,945.00	252,945.00
Refund of Prior Year's Expenditures	55.70			4,838.00
Other		30.01		335.71
Total Revenues	<u>2,172,303.19</u>	<u>951,992.98</u>	<u>0.00</u>	<u>3,489,737.09</u>

**Expenditures:**

General Government:				
Legislative:				
Board of County Commissioners				
Elections	55,188.47			55,188.47
Judicial System	6,674.53			6,674.53
Financial Administration:	7,640.64			7,640.64
Auditor	114,902.69			114,902.69
Treasurer	97,383.01			97,383.01
Legal Services:				
State's Attorney	76,330.31			76,330.31
Court Appointed Attorney	10,915.74			10,915.74
Other Administration:				
General Government Building	135,596.01			135,596.01
Director of Equalization	135,756.14			135,756.14
Register of Deeds	73,853.45			78,643.45
Veterans Service Officer	10,173.16			10,173.16
		4,790.00		

Urban and Economic Development:						
Urban Development:						
Planning and Zoning	2,615.85					2,615.85
Debt Service	127,855.90	30,000.00			275,940.00	433,795.90
Capital Outlay			642,081.43			642,081.43
Total Expenditures	<u>1,357,851.29</u>	<u>1,900,966.74</u>	<u>642,081.43</u>		<u>393,461.84</u>	<u>4,294,361.30</u>
Excess of Revenues Over (Under) Expenditures	814,451.90	(948,973.76)	(642,081.43)		(28,020.92)	(804,624.21)
<b>Other Financing Sources (Uses):</b>						
Transfers In		700,000.00			7,000.00	707,000.00
Transfers Out	(700,000.00)				(7,000.00)	(707,000.00)
Long-Term Debt Issued			582,065.64			582,065.64
Sale of County Property		98,427.60				98,427.60
Total Other Financing Sources (Uses)	<u>(700,000.00)</u>	<u>798,427.60</u>	<u>582,065.64</u>		<u>0.00</u>	<u>680,493.24</u>
Net Change in Fund Balance	114,451.90	(150,546.16)	(60,015.79)		(28,020.92)	(124,130.97)
Fund Balance - Beginning	1,381,411.32	454,607.36	60,015.79		254,335.74	2,150,370.21
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,495,863.22</u>	<u>\$ 304,061.20</u>	<u>\$ 0.00</u>		<u>\$ 226,314.82</u>	<u>\$ 2,026,239.24</u>

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

HAND COUNTY  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of Hand County (County), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

## **Fiduciary Funds:**

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

*Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.*

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The County’s basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

#### *Measurement Focus:*

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

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, applied within the limitations of the modified cash basis of accounting.

#### *Basis of Accounting:*

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.



1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

i. Application of Net Position:

It is the County's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the County Commissioners.

A schedule of fund balances is provided as follows:

**HAND COUNTY  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

Fund Balances:	General Fund	Road and Bridge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Library Investment-Nonspendable Purposes	\$	\$	\$	\$ 23,033.00	\$ 23,033.00
Restricted For:					
911 Service Purposes				127,726.90	127,726.90
Library Purposes				13,783.07	13,783.07
Modernization and Preservation					
Relief Purposes				12,858.34	12,858.34
Emergency Management Purposes				4,277.96	4,277.96
Domestic Abuse Purposes				394.01	394.01
24/7 Sobriety Purposes				80.00	80.00
Debt Service Requirements Purposes			22,995.00		22,995.00
Assigned To:					
Applied to Next Year's Budget	526,612.49				526,612.49
Road and Bridge Purposes		538,624.81			538,624.81
Emergency Management Purposes				20,008.72	20,008.72
Domestic Abuse Purposes				700.00	700.00
Unassigned	<u>1,042,397.07</u>				<u>1,042,397.07</u>
Total Fund Balances	<u>\$ 1,569,009.56</u>	<u>\$ 538,624.81</u>	<u>\$ 22,995.00</u>	<u>\$ 202,862.00</u>	<u>\$ 2,333,491.37</u>

board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings should be reported, however the County has not reported the interfund transfer of investment earnings.

3. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 22,995.00	For Hospital Debt Service, by hospital operating lease agreement

4. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

5. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2014 was as follows:

**Major Purposes:**

911 Service Purposes	\$ 127,726.90
Library Purposes	13,783.07
Modernization and Preservation	
Relief Purposes	12,858.34
Debt Service Purposes	<u>22,995.00</u>

**Permanently Restricted Purposes:**

Library Investment Fund – Nonexpendable	<u>23,033.00</u>
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**Other Purposes:**

Domestic Abuse Purposes	394.01
Emergency Management Purposes	4,277.96
24/7 Sobriety Purposes	<u>80.00</u>

Total Other Purposes	<u>4,751.97</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 205,148.28</u></b>
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These balances are restricted due to federal grant and statutory requirements.

security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$53,087.11, \$55,511.79, and \$57,000.78, respectively, equal to the required contributions each year.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2014, the County was involved in three lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance (SDPAA). Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

- Automobile Liability
- General Liability
- Property Liability

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%

**SUPPLEMENTARY INFORMATION  
HAND COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes—Current	\$ 1,967,121.01	\$ 1,967,121.01	\$ 1,961,137.61	\$ (5,983.40)
General Property Taxes—Delinquent	4,000.00	4,000.00	6,993.85	2,993.85
Penalties and Interest	1,000.00	1,000.00	4,402.49	3,402.49
Telephone Tax (Outside)	0.00	0.00	11.98	11.98
Mobile Home Tax	60.00	60.00	61.52	1.52
Licenses and Permits	5,300.00	5,300.00	7,811.96	2,511.96
<b>Intergovernmental Revenue:</b>				
Federal Grants	2,920.00	2,920.00	18,979.91	16,059.91
Federal Payments in Lieu of Taxes	2,000.00	2,000.00	3,684.03	1,684.03
State Grants	0.00	0.00	13,500.00	13,500.00
<b>State Shared Revenue:</b>				
Bank Franchise	13,000.00	13,000.00	14,187.47	1,187.47
Court Appointed Attorney/Public Defender	200.00	200.00	428.81	228.81
Telecommunications Gross Receipts Tax	22,000.00	22,000.00	18,599.94	(3,400.06)
Motor Vehicle 1/4%	1,000.00	1,000.00	2,078.43	1,078.43
Wind Farm Taxes	27,000.00	27,000.00	29,451.97	2,451.97
<b>Charges for Goods and Services:</b>				
<b>General Government:</b>				
Treasurer's Fees	4,700.00	4,700.00	6,831.35	2,131.35
Register of Deeds' Fees	48,000.00	48,000.00	67,167.00	19,167.00
Driver's License Exam	3,000.00	3,000.00	2,610.00	(390.00)
Clerk of Courts Fees	5,000.00	5,000.00	5,483.80	483.80
Other Fees	2,900.00	2,900.00	6,833.18	3,933.18
<b>Public Safety:</b>				
Law Enforcement	5,000.00	5,000.00	7,333.82	2,333.82
Prisoner Care	1,500.00	1,500.00	2,525.00	1,025.00
<b>Public Works:</b>				
Other	8,500.00	8,500.00	20,087.46	11,587.46
<b>Health and Welfare:</b>				
<b>Economic Assistance:</b>				
Poor Lien Recoveries	4,000.00	4,000.00	14,518.97	10,518.97
Veterans Service Officer	0.00	0.00	1,875.00	1,875.00
Social Services	1,500.00	1,500.00	2,281.17	781.17
Conservation of Natural Resources	8,000.00	8,000.00	5,702.28	(2,297.72)
<b>Fines and Forfeits:</b>				
Costs	1,500.00	1,500.00	872.50	(627.50)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	5,000.00	5,000.00	4,193.21	(806.79)
Rent	1,110.00	1,110.00	1,110.40	0.40
Refund of Prior Year's Expenditures	1,500.00	1,500.00	2,060.00	560.00
Other	0.00	0.00	498.02	498.02
<b>Total Revenues</b>	<b>2,146,811.01</b>	<b>2,146,811.01</b>	<b>2,233,293.13</b>	<b>86,482.12</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative:</b>				
Board of County Commissioners	44,175.20	44,175.20	42,527.36	1,647.84
Contingency	100,000.00	100,000.00	(1,749.54)	98,250.46
Amount Transferred				
Elections	21,770.00	21,770.00	21,522.05	247.95
Judicial System	17,000.00	17,000.00	6,905.92	10,094.08
<b>Financial Administration:</b>				
Auditor	116,091.06	116,091.06	108,404.88	7,686.18
Treasurer	102,991.85	102,991.85	99,224.53	3,767.32
<b>Legal Services:</b>				
State's Attorney	80,750.32	80,750.32	76,144.28	4,606.04
Court Appointed Attorney	10,000.00	10,000.00	2,631.52	7,368.48
Abused and Neglected Child Defense	750.00	750.00	0.00	750.00
<b>Other Administration:</b>				
General Government Building	164,930.07	164,930.07	119,294.68	45,635.39

**SUPPLEMENTARY INFORMATION**  
**HAND COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 83,028.77	\$ 83,028.77	\$ 91,261.71	\$ 8,232.94
General Property Taxes--Delinquent	0.00	0.00	372.87	372.87
Penalties and Interest	0.00	0.00	139.67	139.67
Licenses and Permits	50.00	50.00	150.00	100.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	264,120.35	264,120.35
Federal Payments in Lieu of Taxes	0.00	0.00	169.43	169.43
State Shared Revenue:				
Bank Franchise	300.00	300.00	269.95	(30.05)
Motor Vehicle Licenses	725,000.00	725,000.00	835,439.84	110,439.84
State Highway Fund (former 10% game)	0.00	0.00	1,492.31	1,492.31
Prorate License Fees	50,000.00	50,000.00	55,761.56	5,761.56
63 3/4% Mobile Home	0.00	0.00	1,823.25	1,823.25
Motor Fuel Tax	0.00	0.00	9,305.00	9,305.00
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	25,000.00	25,000.00	55,882.69	30,882.69
Miscellaneous Revenue:				
Other	400.00	400.00	255.38	(144.62)
<b>Total Revenues</b>	<b>883,778.77</b>	<b>883,778.77</b>	<b>1,316,444.01</b>	<b>432,665.24</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,930,620.93	1,930,620.93	1,882,884.41	47,736.52
Debt Service	200,000.00	200,000.00	203,716.49	(3,716.49)
<b>Total Expenditures</b>	<b>2,130,620.93</b>	<b>2,130,620.93</b>	<b>2,086,600.90</b>	<b>44,020.03</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,246,842.16)</b>	<b>(1,246,842.16)</b>	<b>(770,156.89)</b>	<b>476,685.27</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,100,776.81	1,100,776.81	1,000,000.00	(100,776.81)
Sale of County Property	5,000.00	5,000.00	4,720.50	(279.50)
<b>Total Other Financing Sources (Uses)</b>	<b>1,105,776.81</b>	<b>1,105,776.81</b>	<b>1,004,720.50</b>	<b>(101,056.31)</b>
<b>Net Change in Fund Balance</b>	<b>(141,065.35)</b>	<b>(141,065.35)</b>	<b>234,563.61</b>	<b>375,628.96</b>
<b>Fund Balance - Beginning</b>	<b>304,061.20</b>	<b>304,061.20</b>	<b>304,061.20</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 162,995.85</b>	<b>\$ 162,995.85</b>	<b>\$ 538,624.81</b>	<b>\$ 375,628.96</b>

**SUPPLEMENTARY INFORMATION  
HAND COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2013  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Director of Equalization	136,778.11	136,778.11	135,756.14	1,021.97
Register of Deeds	80,911.24	80,911.24	73,853.45	7,057.79
Veterans Service Officer	10,608.75	10,608.75	10,173.16	435.59
Predatory Animal	6,800.68	6,800.68	6,800.68	0.00
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Sheriff	245,720.78	245,720.78	179,314.64	66,406.14
County Jail	53,600.00	53,600.00	34,253.44	19,346.56
Coroner	1,725.00	1,725.00	255.65	1,469.35
<b>Public Works:</b>				
<b>Sanitation:</b>				
Solid Waste	19,134.00	19,134.00	17,360.58	1,773.42
<b>Health and Welfare:</b>				
<b>Economic Assistance:</b>				
Support of Poor	59,650.00	59,650.00	4,754.00	54,896.00
Public Welfare	200.00	200.00	0.00	200.00
<b>Health Assistance:</b>				
County Nurse	31,497.96	31,970.46	31,970.46	0.00
<b>Mental Health Services:</b>				
Mentally Ill	2,400.00	2,400.00	0.00	2,400.00
Developmentally Disabled	2,160.00	2,160.00	2,160.00	0.00
Mental Health Centers	10,950.00	10,950.00	9,450.00	1,500.00
Mental Illness Board	2,400.00	2,400.00	0.00	2,400.00
Other	350.00	350.00	0.00	350.00
<b>Culture and Recreation:</b>				
<b>Culture:</b>				
Public Library	77,608.71	77,608.71	72,039.01	5,569.70
<b>Conservation of Natural Resources:</b>				
<b>Soil Conservation:</b>				
County Extension	39,946.77	40,797.60	40,797.60	0.00
Weed and Pest Control	127,241.18	127,241.18	103,809.33	23,431.85
<b>Urban and Economic Development:</b>				
<b>Urban Development:</b>				
Planning and Zoning	2,915.70	2,915.70	2,615.85	299.85
Debt Service	132,000.00	132,000.00	127,855.90	4,144.10
<b>Total Expenditures</b>	<u>1,680,537.87</u>	<u>1,675,106.69</u>	<u>1,357,851.29</u>	<u>317,255.40</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>426,525.50</u>	<u>431,956.68</u>	<u>814,451.90</u>	<u>382,495.22</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(765,000.00)	(765,000.00)	(700,000.00)	65,000.00
Insurance Proceeds	200.00	200.00	0.00	(200.00)
Sale of County Property	100.00	100.00	0.00	(100.00)
<b>Total Other Financing Sources (Uses)</b>	<u>(764,700.00)</u>	<u>(764,700.00)</u>	<u>(700,000.00)</u>	<u>64,700.00</u>
<b>Net Change in Fund Balance</b>	<u>(338,174.50)</u>	<u>(332,743.32)</u>	<u>114,451.90</u>	<u>447,195.22</u>
<b>Fund Balance - Beginning</b>	<u>1,381,411.32</u>	<u>1,381,411.32</u>	<u>1,381,411.32</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,043,236.82</u>	<u>\$ 1,048,668.00</u>	<u>\$ 1,495,863.22</u>	<u>\$ 447,195.22</u>

HAND COUNTY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget

Note 1. 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.
4. Before October first of 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.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.



**HAND COUNTY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Two Years Ended December 31, 2014**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2013</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2014</u>
<b>Governmental Long-Term Debt:</b>				
Equipment Installment Loan Contracts	\$ 420,145.20	\$ 262,600.00	\$ (265,730.21)	\$ 417,014.99
Rural Development - Community Facilities Loan	2,904,009.06	622,940.64	(3,526,949.70)	0.00
General Obligation Refunding Bonds		3,323,855.48	(104,381.23)	3,219,474.25
Gravel Royalty Contracts	45,000.00	75,000.00	(60,000.00)	60,000.00
<b>Total</b>	<b>\$ 3,369,154.26</b>	<b>\$ 4,284,396.12</b>	<b>\$ (3,957,061.14)</b>	<b>\$ 3,696,489.24</b>

Note 1 - Long-Term Debt:

Debt payable at December 31, 2014 is comprised of the following:

Equipment Installment Loan Contracts:

Installment loan contract for the purchase of a John Deere Motorgrader. The contract had an original balance of \$214,534.29, an interest rate of 3.95% and called for annual payments of \$40,937.09 beginning April 14, 2012 and ending April 14, 2017. Payments are made by the Road and Bridge Fund. \$ 113,734.23

Installment loan contract for the purchase of a John Deere Motorgrader. The contract had an original balance of \$262,600.00, an interest rate of 3.20% and called for annual payments of \$46,117.35 beginning June 1, 2014 and ending June 1, 2018. Payments are made by the Road and Bridge Fund. \$ 223,021.65

Installment loan contract for the purchase of a Asphalt Stripper. The contract had an original balance of \$155,000.00, an interest rate of 3.99% and called for annual payments of \$42,756.85 beginning July 5, 2013 and ending July 5, 2016. Payments are made by the Road and Bridge Fund. \$ 80,259.11

Rural Development - Community Facilities Loan:

Community Facilities Loan was for the construction and renovation of the County owned hospital. The loan was drawn for \$3,500,000 which allowed for multiple draws during the construction phase. The loan was dated November 4, 2010 and had an interest rate of 4.125%. Interest only payments were due November 4, 2011 and 2012 with 2016 consecutive monthly principal and interest payments of \$22,995 commencing on December 4, 2014. This loan was repaid in full during the audit period using the proceeds of the General Obligation Refunding Bond. \$ 0.00

General Obligation Refunding Bonds:

General Obligation Refunding Bonds were issued May 13, 2014 to refinance a Rural Development Loan. The initial balance of the bond was \$3,323,855.48 and an initial interest rate of 2.80% for the first 7.5 years a rate equal to the 30 day average FHLB 7 year fixed rate index capped at 5.05% and a 2.80% floor. Monthly principal and interest payments of \$22,635.57 began on June 13, 2014 and end May 13, 2029. Payments are made from the Debt Service Fund and financed through an operating agreement with Avera. \$ 3,219,474.25

Gravel Royalty Contracts:

The debt is comprised of two contracts. The first contract was signed on November 22, 2011 for purchase of 32,400 tons of gravel at \$1.50 per ton or \$48,445. The contract calls for one payment of \$3,445.50 on January 15, 2012 and three subsequent annual payments of \$15,000 beginning January 15, 2013. The second contract was signed September 27, 2013 for the purchase of 50,000 tons of gravel at \$1.50 per ton or \$75,000. The contract calls for five payments of \$15,000, the first due December 31, 2013 and four annual payments beginning January 15, 2014 and ending January 15, 2017. Payments are made from the Road and Bridge Fund. \$ 60,000.00