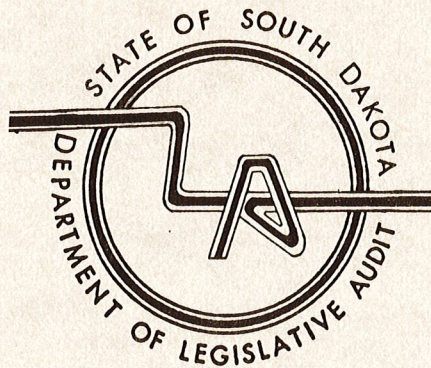


HAND COUNTY  
AUDIT REPORT

Years Ended December 31, 1990 and 1989



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

FILED

JUN 14 1991

*Betty Mayford*

AUDITOR, HAND CO., SO. DAK.



HAND COUNTY  
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435 SOUTH CHAPELLE  
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MAURICE C. CHRISTIANSEN, CPA  
AUDITOR GENERAL

COMPLIANCE REPORT BASED ON AN AUDIT OF  
GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of County Commissioners  
Hand County, South Dakota

We have audited the general purpose financial statements of Hand County, South Dakota, as of and for the two years ended December 31, 1990, and have issued our report thereon dated April 19, 1991.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Hand County is the responsibility of Hand County's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Hand County complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those provisions.

This report is intended for the information of the management and governing board. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maurice C. Christiansen, CPA  
Auditor General

April 19, 1991

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions noted were as follows:

- a. Numerous material reporting errors were noted in the operating statements of 1989.
- b. A lack of segregation of duties existed due to size of entity.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our study and evaluation disclosed that there are material weaknesses in controls in effect at Hand County. These material weaknesses are listed as reportable conditions a. and b. above.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Hand County in a separate communication dated April 19, 1991.

This report is intended for the information of the management and governing board. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Maurice C. Christiansen, CPA  
Auditor General

April 19, 1991



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MAURICE C. CHRISTIANSEN, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Hand County, South Dakota

We have audited the accompanying general purpose financial statements of Hand County, South Dakota, as of December 31, 1990 and for the two years then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Hand County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The 1989 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--All Governmental Fund Types and Expendable Trust Funds and the 1989 Combined Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual--General and Special Revenue Fund Types contained material reporting errors. The revenues reported for the same funds on these two statements did not equal each other. The anticipated revenues reported were not properly classified by type of revenue and did not agree with the amounts actually shown in the budget. These operating statements reported both expendable trust fund revenues and expenditures in excess of \$3,000,000 when actual revenues were approximately \$500 and expenditures were zero. These operating statements overstated operating transfers in and out by approximately \$400,000. The expenditures reported for the same funds on these two statements did not equal each other or the amounts recorded as expenditures in the expenditure budget record. The beginning fund balances shown on these two statements varied by a total of approximately \$700,000 as compared to the reported ending fund balances of the previous year.

HAND COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
December 31, 1990

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		
	General Fund	Special Revenue Funds	Capital Projects Funds		General Fixed Assets	General Long-Term Debt	
Assets:							
Current Assets:							
Cash	\$1,226,316.12	\$ 431,733.65	\$ 42,197.01	\$ 548,318.20	\$	\$	
Taxes Receivable--Current	1,112,543.42	158,992.58					
Taxes Receivable--Delinquent	43,828.95	7,312.77					
Inventory of Supplies	139,851.53						
Total Current Assets	2,522,540.02	598,039.00	42,197.01	548,318.20	0.00	0.00	
Fixed Assets:							
Land					18,536.00		
Buildings					1,236,854.98		
Machinery and Equipment					823,679.75		
Total Fixed Assets	0.00	0.00	0.00	0.00	2,079,070.73	0.00	
Other Assets:							
Amount to be Provided for Payment of General Long-Term Debt						4,645.52	
TOTAL ASSETS	\$2,522,540.02	\$ 598,039.00	\$ 42,197.01	\$ 548,318.20	\$2,079,070.73	\$ 4,645.52	

HAND COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
For the Year Ended December 31, 1990

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
Revenue:				
Taxes	\$1,123,672.09	\$ 163,683.97	\$	\$
Licenses and Permits	1,512.00	335.00		
Intergovernmental Revenue	474,236.70	32,882.44		
Charges for Goods and Services	94,027.26			
Fines and Forfeits				
Miscellaneous Revenue	111,239.85	197.45	27,001.73	565.00
Total Revenue	1,804,687.90	197,098.86	27,001.73	565.00
Expenditures:				
General Government	383,946.00			270.00
Public Safety	119,880.38			
Public Works	684,644.15			
Health and Welfare	57,142.39	119,645.37		
Culture and Recreation	70,955.34	6,970.62	1,325.00	
Conservation of Natural Resources	110,048.32			
Total Expenditures	1,426,616.58	126,615.99	1,325.00	270.00
Other Financing Sources (Uses):				
Operating Transfers In	(600.00)	25,600.00		
Operating Transfers Out		(25,000.00)		
Total Other Financing Sources (Uses)	(600.00)	600.00	0.00	0.00
Excess of Revenue and Other Sources Over Expenditures and Other Uses	377,471.32	71,082.87	25,676.73	295.00
Other Changes in Fund Balance:				
Changes in Reserves:				
Inventory	139,851.53			
Fund Balance, January 1, 1990	555,610.26	387,166.54	283,239.06	12,208.13
Adjustments:				
Adjustment for Prior Year's Expenditures	26,515.76	(26,515.76)		
Adjusted Fund Balance	582,126.02	360,650.78	283,239.06	12,208.13
Residual Equity Transfers In (Out)	266,718.78		(266,718.78)	
FUND BALANCE, DECEMBER 31, 1990	\$1,366,167.65	\$ 431,733.65	\$ 42,197.01	\$ 12,503.13

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



[illegible]

HAND COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND BALANCES  
 ALL NONEXPENDABLE TRUST FUNDS  
 For the Year Ended December 31, 1990

	Fiduciary Fund Type ----- Nonexpendable Trust -----
Fund Balance, January 1, 1990	\$ 24,836.65
 FUND BALANCE, DECEMBER 31, 1990	 ----- \$ 24,836.65 =====

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

HAND COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
For the Year Ended December 31, 1989

	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Expendable Trust
Revenue:			
Taxes	\$1,227,272.42	\$ 134,153.70	\$
Licenses and Permits	1,960.00	345.00	
Intergovernmental Revenue	303,480.34	51,948.49	3,308,784.88
Charges for Goods and Services	82,771.80		
Fines and Forfeits	1,459.46	97.49	
Miscellaneous Revenue	136,854.53		
Total Revenue	1,753,778.49	186,544.68	3,308,784.88
Expenditures:			
General Government	396,249.17		3,327,500.03
Public Safety	115,983.54		
Public Works	695,415.01	59,622.50	
Health and Welfare	80,995.75	6,305.60	
Culture and Recreation	65,115.11		
Conservation of Natural Resources	73,002.97		
Total Expenditures	1,426,761.55	65,928.10	3,327,500.03
Other Financing Sources (Uses):			
Operating Transfers In	98,771.35	6,540.74	70,242.97
Operating Transfers Out	(317,592.51)	(97,988.99)	(68,993.62)
Total Other Financing Sources (Uses)	(218,821.16)	(91,448.25)	1,249.35
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	108,195.78	29,168.33	(17,465.80)
Fund Balance, January 1, 1989	447,414.48	358,028.21	217,376.76
FUND BALANCE, DECEMBER 31, 1989	\$ 555,610.26	\$ 387,196.54	\$ 199,910.96

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



HAND COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The fund and account groups included in this report are controlled by or dependent upon the board of county commissioners.

The accounting policies of the county conform to generally accepted accounting principles as applicable to governments.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and four generic fund types as follows:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Fiduciary Funds:**

**Trust and Agency Funds** - Trust and Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, and Agency Funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



3. The board of county commissioners holds a meeting for the purpose of considering the provisional budget on the first Tuesday in September in each year. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.
4. On the second Tuesday in September in each year the board of county commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the county auditor.
5. After adoption by the board of county commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. The following supplemental budgets were adopted by the board of county commissioners during the two years ended:

	12/31/89 -----	12/31/90 -----
General Fund:		
Conservation of Natural Resources:		
Weed and Pest Control	\$	\$12,998.14
Public Safety:		
Hazardous Materials		2,000.00
General Government:		
Revenue Sharing	70.00	
Stripper Well Fund:		
Public Works:		
Stripper Well	6,479.63	
Secondary Road Fund:		
Public Works:		
Secondary Road	10,000.00	
Women, Infants and Children's Fund:		
Health and Welfare		
Women, Infants and Children		370.00

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the board of county commissioners.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. No encumbrances were made in either 1989 or 1990.

The financial statements do give effect to these liabilities. These amounts do not include the employer's share of payroll deductions.

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

j. Cash Flows:

For the purposes of the statement of cash flows, the county considers all highly liquid investments (including restricted assets) with a maturity of nine months or less when purchased to be cash equivalents.

2. PROPERTY TAX

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

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

The combined tax rate to finance county services including principal and interest on long-term debt for the year ended December 31, 1990 was \$9.12 per \$1,000 of taxable valuation.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the two years ended December 31, 1990 is as follows:

	Balance 1/1/89	Additions	Deletions	Balance 12/31/90
Land	\$ 14,000.00	\$ 4,536.00	\$	\$ 18,536.00
Buildings	4,057,666.00		2,820,811.02	1,236,854.98
Machinery and Equipment	598,228.00	225,451.75		823,679.75
TOTAL	\$4,669,894.00	\$229,987.75	\$2,820,811.02	\$2,079,070.73

HAND COUNTY  
COUNTY OFFICIALS  
December 31, 1990

Board of Commissioners:  
Frank Lockner, Chairman  
Bob Schroeder  
Joe Lingscheit  
George Weiseler  
Glen Smith

Auditor:  
Betty Morford

Treasurer:  
LaDonna Kindle

State's Attorney:  
Jim Jones

Register of Deeds:  
Darlene Droz

Sheriff:  
Charles Fechner

HAND COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
For the Year Ended December 31, 1990

	Snow Removal	Highway and Bridge Reserve	Secondary Road	Women, Infants and Children	LTEAP	Domestic Abuse	Total
Revenue:							
Taxes	\$ 83,279.10	\$ 63,854.81	\$ 16,550.06	\$	\$	\$	\$ 163,683.97
Licenses and Permits							335.00
Intergovernmental Revenue	10,300.35	7,360.63	8,922.65	2,676.58	3,622.23	335.00	32,882.44
Miscellaneous Revenue	122.48	74.97					197.45
Total Revenue	93,701.93	71,290.41	25,472.71	2,676.58	3,622.23	335.00	197,098.86
Expenditures:							
Public Works	45,894.62	38,737.47	35,013.28	2,687.29	4,151.73	131.60	119,645.37
Health and Welfare							6,970.62
Total Expenditures	45,894.62	38,737.47	35,013.28	2,687.29	4,151.73	131.60	126,615.99
Other Financing Sources (Uses):							
Operating Transfers In	(25,000.00)	25,000.00			600.00		25,600.00
Operating Transfers Out							(25,000.00)
Total Other Financing Sources (Uses)	(25,000.00)	25,000.00	0.00	0.00	600.00	0.00	600.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	22,807.31	57,552.94	(9,540.57)	(10.71)	70.50	203.40	71,082.87
Fund Balance, January 1, 1990	247,980.64	94,051.44	42,830.33	170.72	(7.59)	2,141.00	387,166.54
Adjustments:							
1989 Reimbursement of General Fund for Snow Removal Expenses and for Secondary Road Expenses	(17,065.51)		(9,450.25)				(26,515.76)
Adjusted Fund Balance	230,915.13	94,051.44	33,380.08	170.72	(7.59)	2,141.00	360,650.78
FUND BALANCE, DECEMBER 31, 1990	\$ 253,722.44	\$ 151,604.38	\$ 23,839.51	\$ 160.01	\$ 62.91	\$ 2,344.40	\$ 431,733.65



