HAND COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2012

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

HAND COUNTY
COUNTY OFFICIALS
December 31, 2012

Board of Commissioners:
Larry Rowen, Chairman
Ronald D. Campbell
James Iverson
Luke Wernsmann
Todd Waring

Auditor:
Sandra Selting

Treasurer:
Sheri Koeck

State's Attorney:
Elton Anson

Register of Deeds:
Sheila Coss

Sheriff:
Douglus DeBoer

HAND COUNTY
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Fiduciary Funds

As of December 31, 2012:

Supplementary Information:

For the Year Ended December 31, 2012:

For the Year Ended December 31, 2011:

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

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, 2012 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 July 2, 2013.

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. 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards.*

County's Response to Findings

The County did not wish to respond to the finding identified in our audit as described in the accompanying Schedule of Current Audit Findings and Questioned Costs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

July 2, 2013

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MARTIN L. GUINDON, CPA
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

Report on Compliance for Each Major Federal Program

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, 2012. 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, 2012.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Martin L. Guindon, CPA
Auditor General

July 2, 2013

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

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. 2012-01.

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 awards tested as major programs were:

1. Community Facilities Loans and Grants Cluster
2. CDBG – State-Administered CDBG 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.

Current Other Audit Findings:

Internal Control-Related Finding - Material Weakness:

Financial Reporting Errors

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.

Analysis:

We noted the following significant errors in the County's annual financial report for the years ended December 31, 2012 and 2011:

a. The 2012 Statement of Net Position Cash and Cash Equivalents were understated $222,522.92 and Restricted Cash and Cash Equivalents were overstated the same amount.

b. The 2012 Statement of Activities – Health and Welfare expenditures were understated $1,364,746.80, Unallocated Capital Outlay expenditures were overstated $1,464,580.53, and Interest on Long-Term Debt expenditures were understated the difference of $99,833.73. In addition, Charges for Services revenues were understated $311,679.21, Operating Grants and Contributions revenues were overstated $175,462.28 and General Revenue for Debt Issued was overstated $136,216.93. There was no net effect to Net Position.

c. The 2011 Statement of Activities – Health and Welfare expenditures were understated $1,816,097.07, Unallocated Capital Outlay expenditures were overstated $1,819,818.99, and Interest on Long-Term Debt expenditures were understated the difference of $3,721.92. In addition, Charges for Services revenues were understated $4,259.02, Capital Grants and Contributions revenue were understated $309,000.00, General Revenue was overstated $323,531.49, and the beginning Net Position was understated by the difference of $10,272.47.

d. The Hospital Capital Projects Fund, a major fund, was incorrectly reported as part of the Other Governmental Funds in the 2012 fund financial statements.

e. The 2012 Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds Hospital Lease Payment revenues of $136,216.93 were reported incorrectly as Long-Term Debt Issued, and Hospital Debt Service expenditures of $113,221.93 were reported incorrectly as Capital Outlay expenditures.

f. The 2011 Statement of Revenues, Expenditures and Changes in Fund Balances – Hospital Capital Projects Fund Federal Grant revenues of $309,000.00 were reported incorrectly as Long-Term Debt Issued.

Other less significant errors were also noted in the County's annual financial report.

We were able to correct the material reporting errors and therefore have issued an unqualified auditor's opinion on the financial statements contained in this audit report. However, users of the annual financial report received information of diminished reliability.

RECOMMENDATION:

We recommend the County strengthen internal accounting controls over financial reporting.

Auditee's Corrective Action Plan:

Management chose not to respond to this finding.

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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, 2012 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Hand County as of December 31, 2012, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* the Budgetary Comparison Schedules and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated July 2, 2013 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Martin L. Guindon, CPA
Auditor General

July 2, 2013

HAND COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2012

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	$ 2,067,321.42
Investments	23,033.00
Restricted Assets:	
Cash and Cash Equivalents	60,015.79
TOTAL ASSETS	$ 2,150,370.21
NET POSITION:	
Restricted For: (See Note 5)	
Capital Projects Purposes	$ 60,015.79
Permanently Restricted Purposes	
Nonexpendable	23,033.00
Other Purposes	231,302.74
Unrestricted	1,836,018.68
TOTAL NET POSITION	$ 2,150,370.21

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	$ 728,297.62	$ 90,451.32	$ 4,859.22	$ (632,987.08)
Public Safety	287,969.90	6,718.33	71,599.20	(209,652.37)
Public Works	1,931,730.23	70,713.31	792,464.81	(1,068,552.11)
Health and Welfare	1,419,466.77	142,557.95	1,703.53	(1,275,205.29)
Culture and Recreation	72,220.14	10,066.38		(62,153.76)
Conservation of Natural Resources	125,154.16	1,247.82	4,089.75	(119,816.59)
Urban and Economic Development	1,971.43			(1,971.43)
*Interest on Long-Term Debt	114,810.53			(114,810.53)
Total Primary Government	$ 4,681,620.78	$ 321,755.11	$ 874,716.51	(3,485,149.16)
General Revenues:				
Taxes:				
Property Taxes				1,935,954.13
911 Telephone Surcharge				19,698.45
State Shared Revenues				60,262.49
Grants and Contributions not Restricted to Specific Programs				3,483.86
Unrestricted Investment Earnings				6,243.01
Debt Issued				1,411,374.39
Miscellaneous Revenue				100,101.24
Total General Revenues				3,537,117.57
Change in Net Position				51,968.41
Net Position - Beginning				2,098,401.80
NET POSITION - ENDING				$ 2,150,370.21

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

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, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 659,583.72	$ 84,386.99	$ 4,465.49	$	$ (570,731.24)
Public Safety	340,221.41	8,121.68	86,118.73		(245,981.00)
Public Works	1,731,477.00	22,797.59	1,030,323.67		(678,355.74)
Health and Welfare	1,871,498.49	9,505.32		309,000.00	(1,552,993.17)
Culture and Recreation	68,406.80				(68,406.80)
Conservation of Natural Resources	116,594.42	9,800.88	3,014.75		(103,778.79)
Urban and Economic Development	2,026.11				(2,026.11)
Intergovernmental	784.20				(784.20)
*Interest on Long-Term Debt	13,320.80				(13,320.80)
Total Primary Government	$ 4,803,912.95	$ 134,612.46	$ 1,123,922.64	$ 309,000.00	(3,236,377.85)

General Revenues:	
Taxes:	
Property Taxes	1,906,582.74
911 Telephone Surcharge	35,670.52
State Shared Revenues	61,988.80
Unrestricted Investment Earnings	12,513.26
Debt Issued	1,506,559.97
Miscellaneous Revenue	4,881.19
Total General Revenues	3,528,196.48
Change in Net Position	291,818.63
Net Position - Beginning	1,806,583.17
NET POSITION - ENDING	$ 2,098,401.80

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

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

HAND COUNTY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 1,381,411.32	$ 454,607.36	$	$ 231,302.74	$ 2,067,321.42
Investments				23,033.00	23,033.00
Restricted Cash and Cash Equivalents			60,015.79		60,015.79
TOTAL ASSETS	$ 1,381,411.32	$ 454,607.36	$ 60,015.79	$ 254,335.74	$ 2,150,370.21
FUND BALANCES: (See Note 1. i.)					
Nonspendable	$	$		$ 23,033.00	$ 23,033.00
Restricted			60,015.79	231,302.74	291,318.53
Assigned	466,887.02	454,607.36			921,494.38
Unassigned	914,524.30				914,524.30
TOTAL FUND BALANCES	$ 1,381,411.32	$ 454,607.36	$ 60,015.79	$ 254,335.74	$ 2,150,370.21

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

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HAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	$ 1,839,804.43	$ 85,130.98	$	$	$ 1,924,935.41
General Property Taxes--Delinquent	6,621.30	560.87			7,182.17
Penalties and Interest	3,563.15	184.42			3,747.57
Telephone Tax (Outside)	0.30				0.30
Mobile Home Tax	88.68				88.68
911 Telephone Surcharge				19,698.45	19,698.45
Licenses and Permits	6,895.00	150.00		390.00	7,435.00
Intergovernmental Revenue:					
Federal Grants	33,203.83	32,535.49		22,145.29	87,884.61
Federal Payments in Lieu of Taxes	3,319.98	163.88			3,483.86
State Grants	4,089.75				4,089.75
State Shared Revenue:					
Bank Franchise	10,907.59	207.55			11,115.14
Motor Vehicle Licenses		695,870.73			695,870.73
State Highway Fund (former 10% game)		1,377.23			1,377.23
Court Appointed Attorney/Public Defender	390.61				390.61
Prorate/Port of Entry Fees		55,798.05			55,798.05
63 3/4% Mobile Home		1,216.22			1,216.22
Telecommunications Gross Receipts Tax	22,017.24				22,017.24
Motor Vehicle 1/4%	1,548.61				1,548.61
Wind Farm Taxes	27,130.11				27,130.11
Motor Fuel Tax		5,667.09			5,667.09
911 Remittances				19,170.08	19,170.08
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	7,164.92				7,164.92
Register of Deeds' Fees	59,282.00			1,452.00	60,734.00
Driver's License Exam	3,430.00				3,430.00
Clerk of Courts Fees	5,691.77				5,691.77

Other Fees	5,425.23				5,425.23
Public Safety:					
Law Enforcement	3,808.48				3,808.48
Prisoner Care	1,379.35				1,379.35
Public Works:					
Road Maintenance Contract Charges		56,922.08			56,922.08
Other	13,641.23				13,641.23
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	5,951.02				5,951.02
Social Services	1,703.53				1,703.53
Culture and Recreation				10,066.38	10,066.38
Conservation of Natural Resources	1,247.82				1,247.82
Fines and Forfeits:					
Costs	1,030.50				1,030.50
Forfeits	500.00				500.00
Miscellaneous Revenue:					
Investment Earnings	5,787.27			455.74	6,243.01
Rent	1,110.40				1,110.40
Hospital Lease Payments				136,216.93	136,216.93
Refund of Prior Year's Expenditures	1,585.54				1,585.54
Other	480.26			125.00	605.26
Total Revenues	2,078,799.90	935,784.59	0.00	209,719.87	3,224,304.36
Expenditures:					
General Government:					
Legislative:					
Board of County Commissioners	41,865.11				41,865.11
Elections	19,069.81				19,069.81
Judicial System	15,867.18				15,867.18
Financial Administration:					
Auditor	101,183.56				101,183.56
Treasurer	93,197.03				93,197.03
Legal Services:					
State's Attorney	70,030.77				70,030.77
Court Appointed Attorney	10,237.32				10,237.32
Abused and Neglected Child Defense	7,007.23				7,007.23
Other Administration:					
General Government Building	144,582.23				144,582.23
Director of Equalization	129,775.97				129,775.97
Register of Deeds	78,604.51				78,604.51

HAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012
(Continued)

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Veterans Service Officer	10,076.22				10,076.22
Predatory Animal	6,800.68				6,800.68
Public Safety:					
Law Enforcement:					
Sheriff	216,205.75				216,205.75
County Jail	19,883.74				19,883.74
Coroner	178.60				178.60
Protective and Emergency Services:					
Emergency and Disaster Services				47,455.96	47,455.96
Communication Center				4,245.85	4,245.85
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		1,813,737.96			1,813,737.96
Sanitation:					
Solid Waste	16,143.43				16,143.43
Health and Welfare:					
Economic Assistance:					
Support of Poor	10,012.01				10,012.01
Health Assistance:					
County Nurse	31,497.96				31,497.96
Social Services:					
Domestic Abuse				1,000.00	1,000.00
Mental Health Services:					
Mentally Ill	600.00				600.00
Developmentally Disabled	2,160.00				2,160.00
Mental Health Centers	9,450.00				9,450.00
Culture and Recreation:					
Culture:					
Public Library	64,147.91			8,072.23	72,220.14
Conservation of Natural Resources:					
Soil Conservation:					

County Extension	37,353.50				37,353.50
Weed and Pest Control	87,800.66				87,800.66
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	1,971.43				1,971.43
Debt Service	116,825.64			113,221.93	230,047.57
Capital Outlay			1,351,358.60		1,351,358.60
Total Expenditures	1,342,528.25	1,813,737.96	1,351,358.60	173,995.97	4,681,620.78
Excess of Revenues Over (Under) Expenditures	736,271.65	(877,953.37)	(1,351,358.60)	35,723.90	(1,457,316.42)
Other Financing Sources (Uses):					
Transfers In		700,000.00		9,890.77	709,890.77
Transfers Out	(700,000.00)			(9,890.77)	(709,890.77)
Long-Term Debt Issued			1,411,374.39		1,411,374.39
Insurance Proceeds	3,779.59				3,779.59
Sale of County Property	3,221.00	89,659.85		1,250.00	94,130.85
Total Other Financing Sources (Uses)	(692,999.41)	789,659.85	1,411,374.39	1,250.00	1,509,284.83
Net Change in Fund Balance	43,272.24	(88,293.52)	60,015.79	36,973.90	51,968.41
Fund Balance - Beginning	1,338,139.08	542,900.88	0.00	217,361.84	2,098,401.80
FUND BALANCE - ENDING	$ 1,381,411.32	$ 454,607.36	$ 60,015.79	$ 254,335.74	$ 2,150,370.21

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

HAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	$ 1,790,045.96	$ 80,797.34	$	$	$ 1,870,843.30
General Property Taxes--Delinquent	27,445.15	378.73			27,823.88
Penalties and Interest	7,651.44	128.70			7,780.14
Telephone Tax (Outside)	0.62				0.62
Mobile Home Tax	134.80				134.80
911 Telephone Surcharge				35,670.52	35,670.52
Licenses and Permits	6,300.00	50.00		720.00	7,070.00
Intergovernmental Revenue:					
Federal Grants	36,209.59	246,480.13	309,000.00	55,843.89	647,533.61
Federal Payments in Lieu of Taxes	1,949.95	85.24			2,035.19
State Grants		177,024.20			177,024.20
State Shared Revenue:					
Bank Franchise	8,143.42	154.95			8,298.37
Motor Vehicle Licenses		551,672.58			551,672.58
State Highway Fund (former 10% game)		1,377.23			1,377.23
Court Appointed Attorney/Public Defender	283.42				283.42
Prorate/Port of Entry Fees		53,769.53			53,769.53
Telecommunications Gross Receipts Tax	27,765.40				27,765.40
Motor Vehicle 1/4%	1,262.07				1,262.07
Wind Farm Taxes	25,925.03				25,925.03
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	6,573.13				6,573.13
Register of Deeds' Fees	54,855.50				54,855.50
Driver's License Exam	3,635.00				3,635.00
Clerk of Courts Fees	5,463.00				5,463.00
Other Fees	2,911.46				2,911.46
Public Safety:					
Law Enforcement	5,208.90				5,208.90

Prisoner Care	2,718.78				2,718.78
Other	194.00				194.00
Public Works:					
Road Maintenance Contract Charges		12,338.00			12,338.00
Other	10,364.59	45.00			10,409.59
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	4,526.30				4,526.30
Veterans Service Officer	1,875.00				1,875.00
Conservation of Natural Resources	9,800.88				9,800.88
Fines and Forfeits:					
Costs	1,663.50				1,663.50
Miscellaneous Revenue:					
Investment Earnings	11,712.41			800.85	12,513.26
Rent	1,110.40				1,110.40
Hospital Lease Payments				4,259.02	4,259.02
Refund of Prior Year's Expenditures	1,625.96				1,625.96
Other	250.27	405.81		405.70	1,061.78
Total Revenues	2,057,605.93	1,124,707.44	309,000.00	97,699.98	3,589,013.35
Expenditures:					
General Government:					
Legislative:					
Board of County Commissioners	51,784.00				51,784.00
Elections	4,075.72				4,075.72
Judicial System	10,598.86				10,598.86
Financial Administration:					
Auditor	95,512.39				95,512.39
Treasurer	88,517.90				88,517.90
Legal Services:					
State's Attorney	69,038.09				69,038.09
Court Appointed Attorney	5,555.30				5,555.30
Other Administration:					
General Government Building	125,338.23				125,338.23
Director of Equalization	123,504.96				123,504.96
Register of Deeds	68,698.20				68,698.20
Veterans Service Officer	10,159.39				10,159.39
Predatory Animal	6,800.68				6,800.68
Public Safety:					
Law Enforcement:					
Sheriff	232,988.72				232,988.72

HAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011
(Continued)

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
County Jail	18,861.44				18,861.44
Coroner	286.87				286.87
Protective and Emergency Services:					
Emergency and Disaster Services				66,395.44	66,395.44
Communication Center				21,688.94	21,688.94
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges	35,755.71	1,614,257.98			1,650,013.69
Sanitation:					
Solid Waste	15,149.42				15,149.42
Health and Welfare:					
Economic Assistance:					
Support of Poor	9,619.05				9,619.05
Public Welfare	149.93				149.93
Health Assistance:					
County Nurse	31,497.96				31,497.96
Social Services:					
Domestic Abuse				700.00	700.00
Mental Health Services:					
Mentally Ill	600.00				600.00
Developmentally Disabled	2,160.00				2,160.00
Mental Health Centers	9,450.00				9,450.00
Mental Illness Board	1,224.48				1,224.48
Culture and Recreation:					
Culture:					
Public Library	66,828.71			1,578.09	68,406.80
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	25,783.31				25,783.31
Weed and Pest Control	90,811.11				90,811.11

Urban and Economic Development:					
Urban Development:					
Planning and Zoning	2,026.11				2,026.11
Intergovernmental Expenditures	784.20				784.20
Debt Service	75,912.77			4,259.02	80,171.79
Capital Outlay			1,815,559.97		1,815,559.97
Total Expenditures	1,279,473.51	1,614,257.98	1,815,559.97	94,621.49	4,803,912.95
Excess of Revenues Over (Under) Expenditures	778,132.42	(489,550.54)	(1,506,559.97)	3,078.49	(1,214,899.60)
Other Financing Sources (Uses):					
Transfers In	10,430.73	775,000.00		9,306.65	794,737.38
Transfers Out	(775,000.00)			(9,306.65)	(784,306.65)
Long-Term Debt Issued			1,506,559.97		1,506,559.97
Insurance Proceeds	158.26				158.26
Total Other Financing Sources (Uses)	(764,411.01)	775,000.00	1,506,559.97	0.00	1,517,148.96
Net Change in Fund Balance	13,721.41	285,449.46	0.00	3,078.49	302,249.36
Fund Balance - Beginning	1,324,417.67	257,451.42	0.00	214,283.35	1,796,152.44
FUND BALANCE - ENDING	$ 1,338,139.08	$ 542,900.88	$ 0.00	$ 217,361.84	$ 2,098,401.80

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

HAND COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Internal Service Funds
Operating Revenues	$ 0.00
Operating Expenses	0.00
Operating Income (Loss)	0.00
Transfers Out	(10,430.73)
Change in Net Position	(10,430.73)
Net Position - Beginning	10,430.73
NET POSITION - ENDING	$ 0.00

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

HAND COUNTY
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2012

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 313,468.44
TOTAL ASSETS	$ 313,468.44
NET POSITION:	
Net Position Held in Agency Capacity	$ 313,468.44
TOTAL NET POSITION	$ 313,468.44

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

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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

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. The General Fund is always considered to be a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining Special Revenue funds are not considered major funds: 911 Service, Emergency and Disaster, Domestic Abuse, Library Fines/Memorial, and Modernization and Preservation Relief Fund. These funds are reported on the fund financial statements as "Other Governmental Funds".

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Hospital Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

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 or trust funds for individuals, private organizations, or other governments).

Hospital Capital Projects Fund – to account for financial resources to be used for the construction and renovation of the county hospital. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs—that is for the benefit of the County and its citizenry.

Library Investment Fund – to account for gifts or donations to the library which have restrictions placed on the expenditure of the principal by the donor. This is not a major fund.

Proprietary Funds:

Internal Service Funds – Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. The particular types of goods or services provided to other funds are for payment of unemployment claims. Internal service funds are never considered to be major funds. The Unemployment Fund is the only internal service fund maintained by the County. This fund was closed in 2011 with the residual balance being transferred to the General Fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category 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.

If the County applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist partially of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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.

f. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The proprietary fund essentially has access to the entire amount of its cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents.

g. 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. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

h. 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.

i. 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.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact in the form of stock certificates.

The County uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The Government *does not* have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	**Revenue Source**
Road and Bridge Fund	Grants, Property Taxes, and State Shared Revenue

A schedule of fund balances is provided as follows:

HAND COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Road and Bridge Fund	Hospital Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Library Investment-Nonexpendable Purposes	$	$	$	$ 23,033.00	$ 23,033.00
Restricted For:					
911 Service Purposes				158,674.80	158,674.80
Library Purposes				8,779.82	8,779.82
Emergency and Disaster Purposes				38,117.11	38,117.11
Domestic Abuse Purposes				1,284.01	1,284.01
Debt Service Purposes				22,995.00	22,995.00
Hospital Capital Project Purposes			60,015.79		60,015.79
Modernization and Preservation Purposes				1,452.00	1,452.00
Assigned To:					
Applied to Next Year's Budget	466,887.02				466,887.02
Road and Bridge Purposes		454,607.36			454,607.36
Unassigned	914,524.30				914,524.30
Total Fund Balances	$ 1,381,411.32	$ 454,607.36	$ 60,015.79	$ 254,335.74	$ 2,150,370.21

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

As of December 31, 2012, the County had the following investments. Except for the investment in TECO Energy, Inc., and Nextra Energy, Inc., for the Library Fund, all investments are in an internal deposit and investment pool.

Investment	Credit Rating	Cost Value	Fair Value
*Nextra Energy, Inc.	N/A	$ 7,551	$ 13,838
*TECO Energy, Inc.	N/A	3,082	$ 3,352
Total Investments		$ 10,633	

*Although these stocks are not allowable investments for South Dakota Counties, they represent donated money held in trust for library operations at the request of the donor.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for the Library Investment Fund and the 911 Service Fund which retain their investment income. USGAAP, on the

other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing 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 are reported, while in the government-wide financial statements, they have been eliminated.

3. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
$ 60,015.79	For Hospital Building construction (includes balances with trustees)

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, 2012 was as follows:

Major Purposes:		
Hospital Capital Project Purposes	$ 60,015.79	
Permanently Restricted Purposes:		
Library Investment Fund – Nonexpendable Purposes	23,033.00	
Other Purposes:		
911 Service Purposes	158,674.80	
Domestic Abuse Purposes	1,284.01	
Emergency and Disaster Purposes	38,117.11	
Debt Service Purposes	22,995.00	
Library Fines Purposes	8,779.82	
Modernization and Preservation Purposes	1,452.00	
Total Other Purposes	231,302.74	
Total Restricted Net Position		**$ 314,351.53**

These balances are restricted due to federal grant and statutory requirements.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2012 were as follows:

	Transfers To:		
Transfers From:	Road and Bridge Fund	Other Governmental Funds	Total
Major Funds:			
General Fund	$ 700,000.00	$	$ 700,000.00
Other Governmental Funds		9,890.77	9,890.77
Total	$ 700,000.00	$ 9,890.77	$ 709,890.77

Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfers To:			
Transfers From:	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
Major Funds:				
General Fund	$	$ 775,000.00	$	$ 775,000.00
Proprietary Fund				
Internal Service Fund	10,430.73			10,430.73
Other Governmental Funds			9,306.65	9,306.65
Total	$ 10,430.73	$ 775,000.00	$ 9,306.65	$ 794,737.38

The County typically budgets transfers to the Road and Bridge Fund to conduct the indispensable functions of the County. The County transferred from the 911 Service Fund (Other Governmental Fund) to the Emergency and Disaster Fund (Other Governmental Fund) for the reimbursement of 911 costs. The County also closed the Unemployment Internal Service Fund to General Fund, which will pay any future unemployment claims.

7. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social

security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010 were $57,000.78, $58,462.19, and $55,524.25, respectively, equal to the required contributions each year.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2012, the County was not involved in any litigation.

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, 2012, 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 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%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2012, the County has vested balance in the cumulative reserve fund of $64,991.55.

The County carries a $2,000 deductible for the Law Enforcement coverage and $500 deductible for the Wrongful Acts coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), 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 Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

The County had assigned fund balance in the Internal Service Fund in the amount of $10,430.73 for the payment of future unemployment benefits. In 2011 this amount was transferred to the General Fund and the Internal Service Fund was closed. The County now budgets for unemployment claims within the General Fund.

During the two years ended December 31, 2012 no claims for unemployment benefits were paid. At December 31, 2012 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 1,854,055.07	$ 1,854,055.07	$ 1,839,804.43	$ (14,250.64)
General Property Taxes--Delinquent	8,000.00	8,000.00	6,621.30	(1,378.70)
Penalties and Interest	2,000.00	2,000.00	3,563.15	1,563.15
Telephone Tax (Outside)	0.00	0.00	0.30	0.30
Mobile Home Tax	125.00	125.00	88.68	(36.32)
Licenses and Permits	5,850.00	5,850.00	6,895.00	1,045.00
Intergovernmental Revenue:				
Federal Grants	7,500.00	7,500.00	33,203.83	25,703.83
Federal Payments in Lieu of Taxes	2,500.00	2,500.00	3,319.98	819.98
State Grants	0.00	0.00	4,089.75	4,089.75
State Shared Revenue:				
Bank Franchise	8,000.00	8,000.00	10,907.59	2,907.59
Court Appointed Attorney/Public Defender	500.00	500.00	390.61	(109.39)
Telecommunications Gross Receipts Tax	20,000.00	20,000.00	22,017.24	2,017.24
Motor Vehicle 1/4%	800.00	800.00	1,548.61	748.61
Wind Farm Taxes	26,000.00	26,000.00	27,130.11	1,130.11
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	4,500.00	4,500.00	7,164.92	2,664.92
Register of Deeds' Fees	42,000.00	42,000.00	59,282.00	17,282.00
Driver's License Exam	2,500.00	2,500.00	3,430.00	930.00
Clerk of Courts Fees	5,500.00	5,500.00	5,691.77	191.77
Other Fees	2,300.00	2,300.00	5,425.23	3,125.23
Public Safety:				
Law Enforcement	5,000.00	5,000.00	3,808.48	(1,191.52)
Prisoner Care	1,500.00	1,500.00	1,379.35	(120.65)
Public Works:				
Other	8,000.00	8,000.00	13,641.23	5,641.23
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	3,000.00	3,000.00	5,951.02	2,951.02
Social Services	800.00	800.00	1,703.53	903.53
Conservation of Natural Resources	20,000.00	20,000.00	1,247.82	(18,752.18)
Fines and Forfeits:				
Costs	1,500.00	1,500.00	1,030.50	(469.50)
Forfeits	0.00	0.00	500.00	500.00
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	5,787.27	(14,212.73)
Rent	1,100.00	1,100.00	1,110.40	10.40
Refund of Prior Year's Expenditures	1,500.00	1,500.00	1,585.54	85.54
Other	300.00	300.00	480.26	180.26
Total Revenues	2,054,830.07	2,054,830.07	2,078,799.90	23,969.83
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	43,624.20	43,624.20	41,865.11	1,759.09
Contingency	100,000.00	100,000.00		
Amount Transferred		(9,608.77)		90,391.23
Elections	28,200.00	28,200.00	19,069.81	9,130.19
Judicial System	17,000.00	17,000.00	15,867.18	1,132.82
Financial Administration:				
Auditor	103,636.24	103,636.24	101,183.56	2,452.68
Treasurer	91,990.95	93,197.03	93,197.03	0.00
Legal Services:				
State's Attorney	70,541.85	70,541.85	70,030.77	511.08
Court Appointed Attorney	16,000.00	16,000.00	10,237.32	5,762.68
Abused and Neglected Child Defense	750.00	7,007.23	7,007.23	0.00
Other Administration:				
General Government Building	145,506.88	145,506.88	144,582.23	924.65
Director of Equalization	129,618.78	129,775.97	129,775.97	0.00

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2012
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Register of Deeds	81,191.89	81,191.89	78,604.51	2,587.38
Veterans Service Officer	10,593.75	10,593.75	10,076.22	517.53
Predatory Animal	6,800.68	6,800.68	6,800.68	0.00
Public Safety:				
Law Enforcement:				
Sheriff	260,163.42	260,163.42	216,205.75	43,957.67
County Jail	53,600.00	53,600.00	19,883.74	33,716.26
Coroner	1,905.00	1,905.00	178.60	1,726.40
Public Works:				
Sanitation:				
Solid Waste	18,394.00	18,394.00	16,143.43	2,250.57
Health and Welfare:				
Economic Assistance:				
Support of Poor	58,650.00	58,650.00	10,012.01	48,637.99
Public Welfare	200.00	200.00	0.00	200.00
Health Assistance:				
County Nurse	31,497.96	31,497.96	31,497.96	0.00
Mental Health Services:				
Mentally Ill	2,400.00	2,400.00	600.00	1,800.00
Developmentally Disabled	3,720.00	3,720.00	2,160.00	1,560.00
Mental Health Centers	9,450.00	9,450.00	9,450.00	0.00
Mental Illness Board	2,400.00	2,400.00	0.00	2,400.00
Other	350.00	350.00	0.00	350.00
Culture and Recreation:				
Culture:				
Public Library	67,101.40	67,101.40	64,147.91	2,953.49
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	35,365.23	37,353.50	37,353.50	0.00
Weed and Pest Control	110,432.82	110,432.82	87,800.66	22,632.16
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	2,233.80	2,233.80	1,971.43	262.37
Debt Service	122,000.00	122,000.00	116,825.64	5,174.36
Total Expenditures	1,625,318.85	1,625,318.85	1,342,528.25	282,790.60
Excess of Revenues Over (Under) Expenditures	429,511.22	429,511.22	736,271.65	306,760.43
Other Financing Sources (Uses):				
Transfers Out	(765,000.00)	(765,000.00)	(700,000.00)	65,000.00
Insurance Proceeds	500.00	500.00	3,779.59	3,279.59
Sale of County Property	100.00	100.00	3,221.00	3,121.00
Total Other Financing Sources (Uses)	(764,400.00)	(764,400.00)	(692,999.41)	71,400.59
Net Change in Fund Balance	(334,888.78)	(334,888.78)	43,272.24	378,161.02
Fund Balance - Beginning	1,338,139.08	1,338,139.08	1,338,139.08	0.00
FUND BALANCE - ENDING	$ 1,003,250.30	$ 1,003,250.30	$ 1,381,411.32	$ 378,161.02

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2012

	Budgeted Amounts				Actual Amounts		Variance with Final Budget Positive (Negative)
		Original		Final			
Revenues:							
Taxes:							
General Property Taxes--Current	$	78,068.19	$	78,068.19	$	85,130.98	$ 7,062.79
General Property Taxes--Delinquent		500.00		500.00		560.87	60.87
Penalties and Interest		100.00		100.00		184.42	84.42
Licenses and Permits		0.00		0.00		150.00	150.00
Intergovernmental Revenue:							
Federal Grants		0.00		0.00		32,535.49	32,535.49
Federal Payments in Lieu of Taxes		100.00		100.00		163.88	63.88
State Shared Revenue:							
Bank Franchise		150.00		150.00		207.55	57.55
Motor Vehicle Licenses		732,832.00		732,832.00		695,870.73	(36,961.27)
State Highway Fund (former 10% game)		1,300.00		1,300.00		1,377.23	77.23
Prorate/Port of Entry Fees		40,000.00		40,000.00		55,798.05	15,798.05
63 3/4% Mobile Home		1,000.00		1,000.00		1,216.22	216.22
Motor Fuel Tax		0.00		0.00		5,667.09	5,667.09
Charges for Goods and Services:							
Public Works:							
Road Maintenance Contract Charges		23,000.00		23,000.00		56,922.08	33,922.08
Miscellaneous Revenue:							
Other		1,500.00		1,500.00		0.00	(1,500.00)
Total Revenues		878,550.19		878,550.19		935,784.59	57,234.40
Expenditures:							
Public Works:							
Highways and Bridges:							
Highways, Roads and Bridges		1,591,304.00		1,816,448.96		1,813,737.96	2,711.00
Excess of Revenues Over (Under) Expenditures		(712,753.81)		(937,898.77)		(877,953.37)	59,945.40
Other Financing Sources (Uses):							
Transfers In		750,000.00		750,000.00		700,000.00	(50,000.00)
Sale of County Property		500.00		77,500.00		89,659.85	12,159.85
Total Other Financing Sources (Uses)		750,500.00		827,500.00		789,659.85	(37,840.15)
Net Change in Fund Balance		37,746.19		(110,398.77)		(88,293.52)	22,105.25
Fund Balance - Beginning		542,900.88		542,900.88		542,900.88	0.00
FUND BALANCE - ENDING	$	580,647.07	$	432,502.11	$	454,607.36	$ 22,105.25

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 1,804,197.05	$ 1,804,197.05	$ 1,790,045.96	$ (14,151.09)
General Property Taxes--Delinquent	8,000.00	8,000.00	27,445.15	19,445.15
Penalties and Interest	1,200.00	1,200.00	7,651.44	6,451.44
Telephone Tax (Outside)	0.00	0.00	0.62	0.62
Mobile Home Tax	125.00	125.00	134.80	9.80
Licenses and Permits	5,540.00	5,540.00	6,300.00	760.00
Intergovernmental Revenue:				
Federal Grants	5,500.00	35,774.84	36,209.59	434.75
Federal Payments in Lieu of Taxes	3,000.00	3,000.00	1,949.95	(1,050.05)
State Shared Revenue:				
Bank Franchise	18,000.00	18,000.00	8,143.42	(9,856.58)
Court Appointed Attorney/Public Defender	2,000.00	2,000.00	283.42	(1,716.58)
Telecommunications Gross Receipts Tax	26,800.00	26,800.00	27,765.40	965.40
Motor Vehicle 1/4%	0.00	0.00	1,262.07	1,262.07
Wind Farm Taxes	0.00	0.00	25,925.03	25,925.03
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	3,800.00	3,800.00	6,573.13	2,773.13
Register of Deeds' Fees	42,000.00	42,000.00	54,855.50	12,855.50
Driver's License Exam	2,000.00	2,000.00	3,635.00	1,635.00
Clerk of Courts Fees	5,500.00	5,500.00	5,463.00	(37.00)
Other Fees	1,700.00	1,700.00	2,911.46	1,211.46
Public Safety:				
Law Enforcement	4,000.00	4,000.00	5,208.90	1,208.90
Prisoner Care	2,000.00	2,000.00	2,718.78	718.78
Other	0.00	0.00	194.00	194.00
Public Works:				
Other	6,000.00	6,000.00	10,364.59	4,364.59
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	2,000.00	2,000.00	4,526.30	2,526.30
Veterans Service Officer	1,875.00	1,875.00	1,875.00	0.00
Social Services	800.00	800.00	0.00	(800.00)
Conservation of Natural Resources	20,000.00	20,000.00	9,800.88	(10,199.12)
Fines and Forfeits:				
Costs	1,800.00	1,800.00	1,663.50	(136.50)
Forfeits	400.00	400.00	0.00	(400.00)
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	11,712.41	(8,287.59)
Rent	1,100.00	1,100.00	1,110.40	10.40
Refund of Prior Year's Expenditures	1,500.00	1,500.00	1,625.96	125.96
Other	250.00	250.00	250.27	0.27
Total Revenues	1,991,087.05	2,021,361.89	2,057,605.93	36,244.04
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	52,924.20	52,924.20	51,784.00	1,140.20
Contingency	100,000.00	100,000.00		
Amount Transferred		(8,344.19)		91,655.81
Elections	4,700.00	4,700.00	4,075.72	624.28
Judicial System	11,000.00	11,000.00	10,598.86	401.14
Financial Administration:				
Auditor	100,032.68	100,032.68	95,512.39	4,520.29
Treasurer	88,593.01	88,593.01	88,517.90	75.11
Legal Services:				
State's Attorney	75,009.14	75,009.14	69,038.09	5,971.05
Court Appointed Attorney	16,000.00	16,000.00	5,555.30	10,444.70
Abused and Neglected Child Defense	750.00	750.00	0.00	750.00
Other Administration:				
General Government Building	142,002.76	142,002.76	125,338.23	16,664.53
Director of Equalization	125,062.75	125,062.75	123,504.96	1,557.79
Register of Deeds	73,136.19	73,136.19	68,698.20	4,437.99
Veterans Service Officer	10,433.75	10,433.75	10,159.39	274.36

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2011
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Predatory Animal	6,800.68	6,800.68	6,800.68	0.00
Public Safety:				
Law Enforcement:				
Sheriff	204,440.73	234,715.57	232,988.72	1,726.85
County Jail	53,600.00	53,600.00	18,861.44	34,738.56
Coroner	1,905.00	1,905.00	286.87	1,618.13
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	0.00	0.00	35,755.71	(35,755.71)
Sanitation:				
Solid Waste	18,894.90	18,894.90	15,149.42	3,745.48
Health and Welfare:				
Economic Assistance:				
Support of Poor	56,850.00	56,850.00	9,619.05	47,230.95
Public Welfare	200.00	200.00	149.93	50.07
Health Assistance:				
County Nurse	30,606.45	31,497.96	31,497.96	0.00
Mental Health Services:				
Mentally Ill	3,720.00	3,720.00	600.00	3,120.00
Developmentally Disabled	2,880.00	2,880.00	2,160.00	720.00
Mental Health Centers	9,450.00	9,450.00	9,450.00	0.00
Mental Illness Board	1,800.00	1,800.00	1,224.48	575.52
Other	350.00	350.00	0.00	350.00
Culture and Recreation:				
Culture:				
Public Library	67,150.70	67,150.70	66,828.71	321.99
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	50,048.54	50,048.54	25,783.31	24,265.23
Weed and Pest Control	117,415.35	117,415.35	90,811.11	26,604.24
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	2,283.80	2,283.80	2,026.11	257.69
Intergovernmental Expenditures	0.00	784.20	784.20	0.00
Debt Service	105,000.00	111,668.48	75,912.77	35,755.71
Total Expenditures	1,533,040.63	1,563,315.47	1,279,473.51	283,841.96
Excess of Revenues Over (Under) Expenditures	458,046.42	458,046.42	778,132.42	320,086.00
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	10,430.73	10,430.73
Transfers Out	(810,000.00)	(810,000.00)	(775,000.00)	35,000.00
Insurance Proceeds	1,000.00	1,000.00	158.26	(841.74)
Sale of County Property	100.00	100.00	0.00	(100.00)
Total Other Financing Sources (Uses)	(808,900.00)	(808,900.00)	(764,411.01)	44,488.99
Net Change in Fund Balance	(350,853.58)	(350,853.58)	13,721.41	364,574.99
Fund Balance - Beginning	1,324,417.67	1,324,417.67	1,324,417.67	0.00
FUND BALANCE - ENDING	$ 973,564.09	$ 973,564.09	$ 1,338,139.08	$ 364,574.99

SUPPLEMENTARY INFORMATION
HAND COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 76,157.61	$ 76,157.61	$ 80,797.34	$ 4,639.73
General Property Taxes--Delinquent	500.00	500.00	378.73	(121.27)
Penalties and Interest	100.00	100.00	128.70	28.70
Licenses and Permits	0.00	0.00	50.00	50.00
Intergovernmental Revenue:				
Federal Grants	0.00	139,331.45	246,480.13	107,148.68
Federal Payments in Lieu of Taxes	0.00	0.00	85.24	85.24
State Grants	0.00	0.00	177,024.20	177,024.20
State Shared Revenue:				
Bank Franchise	350.00	350.00	154.95	(195.05)
Motor Vehicle Licenses	480,000.00	480,000.00	551,672.58	71,672.58
State Highway Fund (former 10% game)	1,300.00	1,300.00	1,377.23	77.23
Prorate/Port of Entry Fees	40,000.00	40,000.00	53,769.53	13,769.53
63 3/4% Mobile Home	300.00	300.00	0.00	(300.00)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	23,000.00	23,000.00	12,338.00	(10,662.00)
Other	0.00	0.00	45.00	45.00
Miscellaneous Revenue:				
Other	1,500.00	1,500.00	405.81	(1,094.19)
Total Revenues	623,207.61	762,539.06	1,124,707.44	362,168.38
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,488,351.00	1,627,682.35	1,614,257.98	13,424.37
Excess of Revenues Over (Under) Expenditures	(865,143.39)	(865,143.29)	(489,550.54)	375,592.75
Other Financing Sources (Uses):				
Transfers In	795,000.00	795,000.00	775,000.00	(20,000.00)
Sale of County Property	500.00	500.00	0.00	(500.00)
Total Other Financing Sources (Uses)	795,500.00	795,500.00	775,000.00	(20,500.00)
Net Change in Fund Balance	(69,643.39)	(69,643.29)	285,449.46	355,092.75
Fund Balance - Beginning	257,451.42	257,451.42	257,451.42	0.00
FUND BALANCE - ENDING	$ 187,808.03	$ 187,808.13	$ 542,900.88	$ 355,092.75

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 EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2012

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011	Expenditures 2012
US Department of Agriculture:				
Community Facilities Loans and Grants Cluster:				
Direct Federal Funding:				
Community Facilities Loans and Grants (Community Programs) (Note 3)	10.780		$ 1,506,559.97	$ 1,351,358.60
US Department of Housing and Urban Development:				
CDBG - State-Administered CDBG Cluster:				
Indirect Federal Funding:				
SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Note 3)	14.228		309,000.00	
US Department of Interior:				
Direct Federal Funding:				
Bureau of Land Management, Distribution of Receipts to State and Local Governments (Refuge Revenue Sharing) (Note 2)	15.227		1,140.21	2,206.69
US Department of Justice:				
Direct Federal Funding:				
Public Safety Partnership and Community Policing Grants	16.710		24,518.26	26,070.74
US Department of Transportation:				
Highway Safety Cluster:				
Indirect Federal Funding:				
SD Department of Public Safety,				
State and Community Highway Safety	20.600		4,999.98	574.52
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		756.60	3,638.57
Total US Department of Transportation - Highway Safety Cluster			5,756.58	4,213.09
US General Services Administration:				
Indirect Federal Funding:				
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		52,372.83	5,540.78
US Elections Assistance Commission:				
Indirect Federal Funding:				
SD Secretary of State, Help America Vote Act Requirements Payments	90.401		2,920.00	2,920.00
US Department of Homeland Security:				
Indirect Federal Funding:				
SD Department of Public Safety, Office of Emergency Management,				
Disaster Grants-Public Assistance	97.036		200,794.13	6,050.45
Emergency Management Performance Grants	97.042		23,712.81	12,335.29
Homeland Security Grant Program	97.067		32,039.98	9,810.00
Total US Department of Homeland Security			256,546.92	28,195.74
GRAND TOTAL			$ 2,158,814.77	$ 1,420,505.64

HAND COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2012
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011	Expenditures 2012

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

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

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

Note 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

HAND COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Two Years Ended December 31, 2012

Indebtedness	Long-Term Debt January 1, 2011	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2012
Governmental Long-Term Debt:				
Equipment Installment Loan Contracts	$ 218,800.39	$ 369,534.29	$ (168,162.73)	$ 420,171.95
Rural Development - Community Facilities Loan		2,917,934.36	(13,925.30)	2,904,009.06
Total	$ 218,800.39	$ 3,287,468.65	$ (182,088.03)	$ 3,324,181.01