

HARDING COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2014

HARDING COUNTY
COUNTY OFFICIALS
December 31, 2014

Board of Commissioners:

Deb Brown
Mathew DeBow
Robert W. Johnson
Charles Verhulst
Dean Wagner

Auditor:
Kathy Glines

Treasurer:
Becky Brengle

State's Attorney:
Robert A. Haijala

Register of Deeds:
Sue Litzel

Sheriff:
William H. Clarkson

HARDING COUNTY
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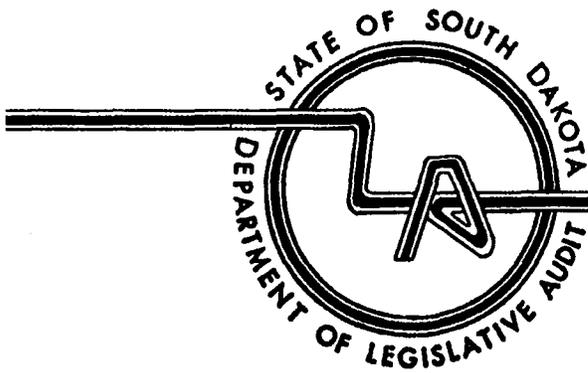
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Harding County
Buffalo, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harding County, South Dakota (County), as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 5, 2016.

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.

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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, and contracts, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

April 5, 2016

HARDING COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

There are no written current audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Harding County
Buffalo, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 of the governmental activities, each major fund, and the aggregate remaining fund information of Harding County as of December 31, 2014, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A's), and the Budgetary Comparison Schedules, on pages 6 through 21, and 55 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2016 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, 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

April 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Harding County's financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended on December 31, 2014. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the County's revenue generated from taxes and other revenues of governmental programs were \$300,896 more than the \$5,978,506 governmental program expenses. This is a decrease over the prior year when revenues exceeded expenditures by \$2,725,899.
- The total cost of the County's programs increased by approximately 31% which is due to various reasons, but mostly due to maintenance chip seal on 67 miles of road and crushing of 140,000 yards of gravel in 2014.
- The General Fund revenues reported a \$277,256 current year increase from 2014.
- The Mineral Severance Fund was separated from the Road and Bridge Fund in 2005. SDCL 10-39A-10 allows for the money to be deposited to a separate fund. The revenue collected from the Mineral Severance was \$3,364,128 which was \$364,128 more than what was anticipated. Mineral Severance funds used for road construction and maintenance in 2014 were \$3,270,485.
- Another concern about keeping the Mineral Severance monies within the Road and Bridge Fund monies was the reporting of the Mineral Severance money in the amount of \$867,290 (20% of revenues) that has been given to the Harding County School District in accordance with SDCL 10-39A-10. Management felt that it was misleading the public by reporting Road and Bridge Fund revenue which was being allocated to the School.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services, such as public safety, were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Harding County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety and highway maintenance	Instances in which the County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the County's Net Position and how they have changed. Net Position – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the conditions of the County's roads.

The government-wide financial statements of the County are reported in one category – Governmental Activities. This category include the County's basic service, such as general government services (auditor office, treasurer's office, etc.), public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resource services, urban and

economic development programs, and payments to local educational agencies. Property taxes, state shared revenues, federal grants, and interest earnings finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The County Commission establishes other funds to control and manage money for particular purposes (like the Fire Protection Fund).

The County has two kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Fiduciary Funds** – The County is the trustee, or fiduciary, for various external and internal parties. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table A-1
Harding County's Net Position

	Governmental Activities	
	2013	2014
Current and Other Assets	\$ 8,049,419	\$ 8,505,696
Capital Assets	6,108,087	5,950,494
Total Assets	14,157,506	14,456,190
Long-term Liabilities Outstanding	16,810	14,494
Other Liabilities	45	149
Total Liabilities	16,855	14,643
Net Position:		
Net Investment in Capital Assets	6,108,087	5,950,494
Restricted	6,045,055	4,524,172
Unrestricted	1,987,509	3,966,881
Total Net Position	\$ 14,140,651	\$ 14,441,547
Beginning Net Position	11,414,752	14,140,651
Increase (Decrease) in Net Position	2,725,899	300,896
Percentage of Increase (Decrease) in Net Position for 2014	24.0%	2.0%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The only long-term liability of the County is for compensated absences. The difference between the County's assets and liabilities is its Net Position.

Changes in Net Position

The County's 2014 total revenues were \$6,279,402. Twenty three (22.8%) percent of the County's revenue came from property and other taxes. Another sixty six (65.6%) comes from state and federal grants and contributions such as bank franchise fee and motor license fees and Energy Minerals Severance Tax, and most of the rest comes from shared revenues, interest earnings and user fees. The Public Works area saw a decrease in revenue in 2014 of \$1,566,241 (total revenue in 2013 of \$4,803,264, which includes STP funding, compared to a total of \$3,237,023 for 2014).

The County did chip seal maintenance on 67 miles of roads, crushed 140,000 yards of gravel and did a small bridge replacement project. The County also purchased a used heavy rescue truck to assist our first responders with vehicle accident calls. On the revenue side, the legal case concerning the Tinker dinosaur was settled and the County received \$190,000 as their share of the fossil. Oil production on County owned minerals increased and due to high oil prices through most of 2014, unanticipated revenue was received.

The total cost of all programs and services increased by \$1,415,364 which was mostly in the Public Works department. The cost does not represent the cost that the County incurred with purchasing Capital Assets in 2014. A total of \$114,946 was spent on Capital Assets in 2014 for equipment for the various departments. The Public Works department saw an increase in expense of 40% over last year

and spent in excess of \$3.6 million. Total expenses for road work, including the Mineral Severance funds transfer to the Road and Bridge Fund, in 2014 was \$3,646,060 compared to 2013 expense of \$2,563,166 plus the \$1,156,291 in STP funds spent by the State on the County's behalf, making a total of \$3,719,457 in total road work expenses.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows, considers the operations of the governmental activities.

Revenues for the County's government activities (including the sale of capital assets) decreased by 13.8% while total expenses increased by 31.0%. The County's management took a proactive approach to maintaining expenditures without cutting programs or employee wages. County staff stayed well within their budgets and used outside resources, such as grants, to offset costs that were initially budgeted items.

Table A-2
Harding County
Changes in Net Position

	<u>Governmental Activities</u>		<u>Total</u>
	2013	2014	Percentage Change 2013-2014
Revenues			
Program Revenues			
Charges for Services	\$ 250,269	\$ 441,613	76.4%
Operating Grants & Contributions	4,305,408	4,114,272	(4.4%)
Capital Grants & Contributions	1,156,291		(100%)
General Revenues			
Taxes	1,305,658	1,435,547	9.9%
State Shared Revenues	15,462	13,976	(9.6%)
Grants & Contributions – Unrestricted	209,573	224,981	7.4%
Unrestricted Investment Earnings	27,423	30,691	11.9%
Miscellaneous	18,957	18,322	(3.4%)
Total Revenues	7,289,041	6,279,402	(13.8%)
Expenses			
General Government	803,076	880,150	9.6%
Public Safety	281,284	281,928	0.2%
Public Works	2,563,166	3,646,060	42.2%
Health and Welfare	54,089	86,812	60.5%
Culture and Recreation	68,601	66,236	(3.4%)
Conservation of Natural Resources	137,559	135,357	(1.6%)
Urban and Economic Development	7,552	1,643	(78.3%)
Education	634,785	867,290	36.6%
Depreciation (Unallocated)	13,030	13,030	0.0%
Total Expenses	4,563,142	5,978,506	31.0%
Increase in Net Position	2,725,899	300,896	
Beginning Net Position	11,414,752	14,140,651	
Ending Net Position	\$ 14,140,651	\$ 14,441,547	2.1%

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The financial analysis of the County's funds mirror those highlighted in the analysis of governmental activities presented above. The County does not maintain any business type funds. The General Fund had an increase in fund balance for the year of \$377,919; the Road and Bridge Fund increased by \$756,221 and the Mineral Severance Fund decreased by \$759,143.

The County did make the following operating transfers between the governmental funds:

	Operating Transfers In	Operating Transfers Out
General Fund	\$	\$ 336,210
Road and Bridge Fund	3,469,491	
Other Governmental Funds	122,925	
General Fund	14,279	
Mineral Severance Fund		3,270,485
Total Operating Transfers	\$ 3,606,695	\$ 3,606,695

BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commission revised the County budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Contingency Transfers in the amount of \$95,357 were made to supplement four (4) different budgets to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of 2014 the County had invested \$5,950,494 in a broad range of capital assets, including, land and improvements, buildings, public welfare, highway maintenance equipment and other business equipment. (See Table A-3) This amount represents a net decrease (including additions and deductions) of \$157,594 over last year.

Table A-3
Harding County – Capital Assets

	Total Governmental Activities		Total Dollar Change	Total Percentage Change
	2013	2014	2013-2014	2013-2014
Land and Improvements	\$ 112,299	\$ 112,299	\$	0.0%
Buildings	794,052	780,040	(14,012)	(1.8%)
Machinery and Equipment	1,056,911	1,029,510	(27,401)	(2.6%)
Improvements Other Than Buildings	4,144,826	4,028,645	(116,181)	(2.8%)
Total Capital Assets (Net)	\$ 6,108,088	\$ 5,950,494	\$ (157,594)	(2.6%)

LONG-TERM DEBT

The County currently has no outstanding notes or bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's current economic position has shown a steady increase in revenue due to the increase in oil and gas production and record high prices for crude oil early in 2014. Crude oil prices fell to record lows the end of 2014 and beginning of 2015. History reminds us that we need to be cautious when planning expenditures due to the "windfall". It has always been the practice of the County Commission to have enough money in reserve in the Mineral Severance fund to fund most, if not all, of the next year's budget. This practice has allowed the County to make adjustments a year in advance of the projected revenues and eliminates last minute changes due to funding issues. Management has taken a conservative stand on increasing the expenditures only in relation to the revenue that is received. At the time the 2014 budget was approved, road and bridge projects were scheduled to improve and maintain existing infrastructure. Most of the scheduled road and bridge projects for 2015 can be suspended if the revenues continue to fall. The County is planning projects that will not create long-term costs but will instead allow us to make improvements that have been needed over the years to roads and bridges.

The increase of activity in the oil fields, and the expansion of the oil fields, is also showing on the County's infrastructure (roads and bridges) and it is important that the County maintain its' current road and bridge rehabilitation program to avoid the need for sizeable expenditures to keep the road and bridge structure viable. Heavy traffic on the road system by both of the oil field and agriculture sector has continued to create problem areas on the County road system. The County has been proactive on maintenance in these areas by scheduling road improvement projects to improve the roads that are being impacted the most.

The County has seen an increase in revenue due to the development of minerals which are owned by the County. Drilling is also being done on property owned by the County. This has resulted in an increase in signing bonuses, royalty payments and surface damage payments.

The County is still anticipating the placement of a crude oil pipeline, the TransCanada Keystone XL Pipeline, which will span approximately 74 miles through the County. At this time the project's future is uncertain due to Federal concerns with issuing a permit to cross the Canadian/USA border. If the project is approved, the actual financial impact is unknown, but the County is confident that there will be initial costs to the County. Agreements are being worked on with TransCanada for reimbursement of any costs incurred by the County, namely road damages. TransCanada is also planning the placement of a crew camp in Harding County which could impact the emergency services (law enforcement and medical) provided by the County.

Regarding property taxes payable in 2015, the County did experience an increase in total property taxable valuation (after factors are applied by Director of Equalization) of \$36,433,532 or (16%) from the prior year. The increase in taxable value was due to factors that are applied by the Director of Equalization which are supplied by the SD Department of Revenue. After applying the laws and regulations relating to the property tax freeze, the County could increase the amount of revenue generated from property taxes for 2014, payable 2015, by approximately \$44,726. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) which ever is lower plus any growth experienced from any improvements or change in use of real property. For taxes payable 2015, the CPI was 1.40%. The County saw a total of \$7,882,502 (3.6%) in added property growth for taxes payable in 2015. Of the total growth, \$5,771,680, or 73%, was from commercial (Other) properties. The County Commissioners have chosen to increase the tax levy request by the 5.00% as allowed by State law.

Due to the factors that are calculated by the SD Department of Revenue and applied by the Director of Equalization, property owners in the County have seen shifts of tax burden between the various property classifications. This has been ongoing for the past few years and has become more and more noticeable

the past couple of years. For taxes payable 2015, the factor that was applied to the full and true value of the AG properties was 85% while the factor of the other properties was 91.7%. For taxes payable 2014, the AG factor was 85% and the other properties was 66.6%. For taxes payable 2013 the AG factor was 85% and other properties was 90.6%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the Harding County Auditors Office, PO Box 26, Buffalo, SD 57720.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Harding County's financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended on December 31, 2013. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the County's revenue generated from taxes and other revenues of governmental programs were \$2,725,899 more than the \$4,563,142 governmental program expenses. This is an increase over the prior year when revenues exceeded expenditures by \$1,824,409.
- The total cost of the County's programs decreased by approximately 8% which is due to various reasons, but mainly due to a bridge replacement project that was completed in 2012.
- The General Fund revenues reported a \$218,453 current year decrease from 2012.
- The Mineral Severance Fund was separated from the Road and Bridge Fund in 2005. SDCL 10-39A-10 allows for the money to be deposited to a separate fund. The revenue collected from the Mineral Severance was \$3,414,269 which was \$413,529 more than what was anticipated. Mineral Severance funds used for road construction and maintenance in 2013 were \$1,842,879.
- Another concern about keeping the Mineral Severance monies with the Road and Bridge Fund monies was the reporting of the Mineral Severance money in the amount of \$634,785 (20% of revenues) that has been given to the School District in accordance with SDCL 10-39A-10. Management felt that is deceiving to the public to report Road and Bridge Fund being allocated to the School.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Harding County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety and highway maintenance	Instances in which the County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the conditions of the County's roads.

The government-wide financial statements of the County are reported in one category – Governmental Activities. This category include the County's basic service, such as general government services (auditor office, treasurer's office, etc.), public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resource services, urban and

economic development programs, and payments to local educational agencies. Property taxes, state shared revenues, federal grants, and interest earnings finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The County Commission establishes other funds to control and manage money for particular purposes (like the Fire Protection Fund).

The County has two kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Fiduciary Funds** – The County is the trustee, or fiduciary, for various external and internal parties. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table A-1
Harding County's Net Position

	Governmental Activities	
	2012	2013
Current and Other Assets	\$ 6,263,910	\$ 8,049,419
Capital Assets	5,164,124	6,108,087
Total Assets	11,428,034	14,157,506
Long-term Liabilities Outstanding	12,132	16,810
Other Liabilities	1,150	45
Total Liabilities	13,282	16,855
Net Position:		
Net Investment in Capital Assets	5,164,124	6,108,087
Restricted	3,487,383	6,045,055
Unrestricted	2,763,245	1,987,509
Total Net Position	\$ 11,414,752	\$ 14,140,651
Beginning Net Position	9,590,343	11,414,752
Increase (Decrease) in Net Position	1,824,409	2,725,899
Percentage of Increase (Decrease) in Net Position for 2013	19.0%	24.0%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The only long-term liability of the County is for compensated absences. The difference between the County's assets and liabilities is its net position.

Changes in Net Position

The County's total revenues were \$7,289,041. Eighteen (18%) percent of the County's revenue comes from property and other taxes. Another seventy eight (78%) comes from state and federal grants and contributions such as bank franchise fee and motor license fees and Energy Minerals Severance Tax, and most of the rest comes from shared revenues, interest earnings and user fees. The Public Works area saw an increase in revenue in 2013 of \$630,195 (total revenue in 2013 of \$4,803,264, which includes STP funding, compared to a total of \$4,173,069 for 2012). The County completed a chip seal project on the North Camp Crook road which had been a graveled road. Surface Transportation Program (STP) funds in the amount of \$1,156,291 were used but no actual revenue or expense were recorded due to the State of South Dakota paying the costs directly from the STP allocation, but are included as Revenue and Expense for the purpose of this discussion.

The total cost of all programs and services was virtually unchanged, but did see a total decrease in expenses of approximately \$395,123. The cost does not represent the cost that the County incurred with purchasing Capital Assets in 2013. A total of \$79,919 was spent on Capital Assets in 2013 for equipment for the various departments. The Public Works department saw a decrease in expense of 12.8% over last year and spent in excess of \$2.5 million. Total expenses for road work, including the Mineral Severance funds, in 2012 were \$2,940,653 compared to 2013 expense of \$2,563,166 plus the \$1,156,291 in STP funding making a total of \$3,719,456 in total road work expenses.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows, considers the operations of the governmental activities.

Revenues for the County's governmental activities (including the sale of capital assets) increased by 7.3% while total expenses decreased by 8.0%. The County's management took a proactive approach to maintaining expenditures without cutting programs or employee wages. County staff stayed well within their budgets and used outside resources, such as grants, to offset costs that were initially budgeted items.

Table A-2
Harding County
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Revenues			
Program Revenues			
Charges for Services	\$ 220,794	\$ 250,269	13.3%
Operating Grants & Contributions	4,139,363	4,305,408	4.0%
Capital Grants & Contributions	700,000	1,156,291	65.2%
General Revenues			
Taxes	1,445,647	1,305,658	(9.7%)
State Shared Revenues	17,795	15,462	(13.1%)
Grants & Contributions – Unrestricted	206,315	209,573	1.6%
Unrestricted Investment Earnings	36,867	27,423	(25.6%)
Miscellaneous	15,893	18,957	19.3%
Total Revenues	6,782,674	7,289,041	7.5%
Expenses			
General Government	781,878	803,076	2.7%
Public Safety	301,272	281,284	(6.6%)
Public Works	2,940,653	2,563,166	(12.8%)
Health and Welfare	65,140	54,089	(17.0%)
Culture and Recreation	75,947	68,601	(9.7%)
Conservation of Natural Resources	136,108	137,559	1.1%
Urban and Economic Development	2,838	7,552	66.1%
Education	641,399	634,785	(1.0%)
Depreciation (Unallocated)	13,030	13,030	0.0%
Total Expenses	4,958,265	4,563,142	(8.0%)
Increase in Net Position	1,824,409	2,725,899	
Beginning Net Position	9,590,343	11,414,752	
Ending Net Position	\$ 11,414,752	\$ 14,140,651	23.8%

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

The financial analysis of the County’s funds mirror those highlighted in the analysis of governmental activities presented above. The County does not maintain any business type funds. The General Fund had an increase in fund balance for the year of \$213,619; the Road and Bridge Fund increased by \$550,201 and the Mineral Severance Fund increased by \$940,865.

The County did make the following operating transfers between the governmental funds:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$	\$ 341,320
Road and Bridge Fund	2,070,319	
Other Governmental Funds	109,620	
General Fund	4,260	
Mineral Severance Fund		1,842,879
Total Operating Transfers	<u>\$ 2,184,199</u>	<u>\$ 2,184,199</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commission revised the County budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Contingency Transfers in the amount of \$11,076 were made to supplement five (5) different budgets to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of 2013 the County had invested \$6,108,088 in a broad range of capital assets, including, land and improvements, buildings, police equipment, highway maintenance equipment and other business equipment. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$943,964 over last year.

Table A-3
Harding County – Capital Assets

	<u>Total Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
	2012	2013	2012-2013	2012-2013
Land and Improvements	\$ 112,299	\$ 112,299	\$	0.0%
Buildings	808,065	794,052	(14,013)	(1.7%)
Machinery and Equipment	1,139,045	1,056,911	(82,134)	(.8%)
Improvements Other Than Buildings	3,104,715	4,144,826	1,040,111	25%
Total Capital Assets (Net)	<u>\$ 5,164,124</u>	<u>\$ 6,108,088</u>	<u>\$ 943,964</u>	<u>15.5%</u>

LONG-TERM DEBT

The County currently has no outstanding notes or bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's current economic position has shown a steady increase in revenue due to the increase in oil and gas production and the increased product prices. History reminds us that we need to be cautious when planning expenditures due to the "windfall". Management has taken a conservative stand on increasing the expenditures only in relation to the revenue that is received. At the time the 2013 budget was approved, road and bridge projects were scheduled to improve existing infrastructure. The County is planning projects that will not create long term costs but will instead allow us to do improvements that have been needed over the years to roads and bridges.

The increase of activity in the oil fields, and the expansion of the oil fields, is also showing on the County's infrastructure (roads and bridges) and it is important that the County maintain its' current road and bridge rehabilitation program to avoid the need for sizeable expenditures to keep the road and bridge structure viable. Heavy traffic on the road system by both of the oil field and agriculture section has continued to create problem areas on the County road system. The County has been proactive on maintenance in these areas and scheduling road improvement projects to improve the roads that are being impacted the most.

The County has seen an increase in revenue due to the development of minerals which are owned by the County. Drilling is also being done on property owned by the County. This has resulted in an increase in signing bonuses, royalty payments and surface damage payments.

The County is still anticipating the placement of a crude oil pipeline, the TransCanada Keystone XL Pipeline, which will span approximately 74 miles. At this time the project's future is uncertain due to Federal concerns with issuing a permit to cross the Canadian/USA border. If the project is approved, the actual financial impact is unknown, but the County is confident that there will be initial costs to the County. Agreements are being worked on with TransCanada for reimbursement of any costs incurred by the County, namely road damages. TransCanada is also planning the placement of a crew camp in Harding County which could impact the emergency services (law enforcement and medical) provided by the County.

For property taxes payable in 2014, the County did experience a decrease in total property taxable valuation (after factors are applied by Director of Equalization) of \$5,277,150 or (2.4%) from the prior year. The decrease in taxable value was due to factors that are applied by the Director of Equalization which are supplied by the SD Department of Revenue. After applying the laws and regulations relating to the property tax freeze, the County could increase the amount of revenue generated from property taxes for 2013, payable 2014, by approximately \$47,556. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) which ever is lower plus any growth experienced from any improvements or change in use of real property. For taxes payable 2014, the CPI was 2.10%. The County saw a total of \$4,207,820 (1.88%) in added property growth for taxes payable in 2014. Of the total growth, \$3,575,130, or 85%, was from commercial (Other) properties. The County Commissioners have chosen to increase the tax levy request by the 3.98% as allowed by State law.

Due to the factors that are calculated by the SD Department of Revenue and applied by the Director of Equalization, property owners in the County have seen shifts of tax burden between the various property classifications. This has been on going for the past few years and has become more and more noticeable the past couple of years. For taxes payable 2014, the factor that was applied to the full and true value of the AG properties was 85% while the factor of the other properties was 66.6%. For taxes payable 2013 the AG factor was 85% and other properties was 90.6%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the Harding County Auditors Office, PO Box 26, Buffalo, SD 57720.

**HARDING COUNTY
STATEMENT OF NET POSITION
December 31, 2014**

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 6,090,118.05
Investments	1,100,000.00
Accounts Receivable, Net	48,536.42
Inventories	1,267,042.00
Capital Assets:	
Land, Improvements and Construction in Progress	112,298.73
Other Capital Assets, Net of Depreciation	5,838,194.95
	14,456,190.15
TOTAL ASSETS	\$ 14,456,190.15
LIABILITIES:	
Other Current Liabilities	\$ 149.20
Noncurrent Liabilities:	
Due in More than One Year	14,493.51
	14,642.71
TOTAL LIABILITIES	\$ 14,642.71
NET POSITION:	
Net Investment in Capital Assets	\$ 5,950,493.68
Restricted For: (See Note 8)	
Road and Bridge Purposes	1,935,396.83
Mineral Severance Purposes	2,521,815.10
Other Purposes	66,959.99
Unrestricted	3,966,881.84
	14,441,547.44
TOTAL NET POSITION	\$ 14,441,547.44

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

**HARDING COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 880,149.86	\$ 300,447.37	\$ 3,826.44	\$ (575,876.05)
Public Safety	281,928.19	5,145.12	15,951.72	(260,831.35)
Public Works	3,646,059.66	31,820.07	3,205,203.43	(409,036.16)
Health and Welfare	86,812.43	40,130.89	15,720.00	(30,961.54)
Culture and Recreation	66,235.88	17,081.86	1,209.95	(47,944.07)
Conservation of Natural Resources	135,356.85	43,362.85	5,070.87	(86,923.13)
Urban and Economic Development	1,642.94	3,625.00		1,982.06
Payments to Local Education Agencies	867,290.08		867,290.08	0.00
**Depreciation Expense - Unallocated	13,030.44			(13,030.44)
Total Primary Government	\$ 5,978,506.33	\$ 441,613.16	\$ 4,114,272.49	(1,422,620.68)
General Revenues:				
Taxes:				
				1,435,547.02
				13,975.90
				224,981.00
				30,691.17
				18,321.76
				<u>1,723,516.85</u>
				300,896.17
				<u>14,140,651.27</u>
				<u>\$ 14,441,547.44</u>

**This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 6)

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

**HARDING COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,669,660.67	\$ 2,043,949.37	\$ 2,081,815.10	\$ 294,692.91	\$ 6,090,118.05
Investments	660,000.00		440,000.00		1,100,000.00
Taxes Receivable--Delinquent	17,672.12			360.24	18,032.36
Accounts Receivable, Net	30,504.06				30,504.06
Inventory of Supplies		1,267,042.00			1,267,042.00
TOTAL ASSETS	<u>\$ 2,377,836.85</u>	<u>\$ 3,310,991.37</u>	<u>\$ 2,521,815.10</u>	<u>\$ 295,053.15</u>	<u>\$ 8,505,696.47</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Due to State Government	\$ 4.60	\$ 142.66	\$	\$ 1.94	\$ 149.20
Deferred Inflows of Resources:					
Unavailable Revenue--Property Taxes	17,672.12			360.24	18,032.36
Fund Balances: (See Note 1.j.)					
Nonspendable		1,267,042.00			1,267,042.00
Restricted		678,157.49	2,521,815.10	66,959.99	3,266,932.58
Assigned	1,229,138.00	1,365,649.22		227,730.98	2,822,518.20
Unassigned	1,131,022.13				1,131,022.13
Total Fund Balances	<u>2,360,160.13</u>	<u>3,310,848.71</u>	<u>2,521,815.10</u>	<u>294,690.97</u>	<u>8,487,514.91</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,377,836.85</u>	<u>\$ 3,310,991.37</u>	<u>\$ 2,521,815.10</u>	<u>\$ 295,053.15</u>	<u>\$ 8,505,696.47</u>

The Notes to the Financial Statements are an integral part of this statement.

HARDING COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2014

Total Fund Balances - Governmental Funds \$ 8,487,514.91

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 5,950,493.68

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (14,493.51)

Assets, such as taxes receivable (delinquent), are not available to pay for current period expenditures and therefore are deferred in the funds. 18,032.36

Net Position of Governmental Activities \$ 14,441,547.44

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

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HARDING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
General Property Taxes--Current	\$ 1,209,513.62	\$	\$	\$ 24,793.96	\$ 1,234,307.58
General Property Taxes--Delinquent	1,484.36			30.33	1,514.69
Penalties and Interest	1,731.76			35.50	1,767.26
Telephone Tax (Outside)	43.60				43.60
Tax Deed Revenue	190,572.83			1,909.07	192,481.90
Licenses and Permits	5,181.66			300.00	5,481.66
Intergovernmental Revenue:					
Federal Grants	4,604.80			16,360.24	20,965.04
Federal Shared Revenue		33,254.11			33,254.11
Federal Payment in Lieu of Taxes	220,184.81			4,796.19	224,981.00
State Grants	2,400.00			5,070.87	7,470.87
State Shared Revenue:					
Bank Franchise	7,029.86			142.51	7,172.37
Motor Vehicle Licenses		539,777.30			539,777.30
State Highway Fund (former 10% game)		6,836.90			6,836.90
Court Appointed Attorney/Public Defender	565.00				565.00
Energy Minerals Severance Tax			3,364,128.72		3,364,128.72
Prorate License Fees		25,137.20			25,137.20
63 3/4% Mobile Home/Manufactured Home		30,153.61			30,153.61
Secondary Road Motor Vehicle Remittances		64,067.07			64,067.07
Telecommunications Gross Receipts Tax	6,803.53				6,803.53
Motor Vehicle 1/4%	861.44				861.44
Motor Fuel Tax		4,533.80			4,533.80
911 Remittances				15,311.48	15,311.48
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	2,834.60				2,834.60
Register of Deeds' Fees	76,217.80			7,835.86	84,053.66

Driver's License Exam	1,240.00				1,240.00
Legal Services	6,201.11			75.00	6,276.11
Clerk of Courts Fees	4,538.20				4,538.20
Other Fees	200,115.54			151.60	200,267.14
Public Safety:					
Law Enforcement	1,489.46				1,489.46
Prisoner Care	1,117.42				1,117.42
Sobriety Testing				892.26	892.26
Public Works:					
Road Maintenance Contract Charges		31,820.07			31,820.07
Health and Welfare:					
Health Assistance:					
Ambulance	40,130.89				40,130.89
Culture and Recreation				17,081.86	17,081.86
Conservation of Natural Resources	43,362.85				43,362.85
Fines and Forfeits:					
Costs	1,001.98			25.00	1,026.98
Miscellaneous Revenue:					
Investment Earnings	7,483.56	8,059.34	14,278.96	869.31	30,691.17
Contributions and Donations				1,209.95	1,209.95
Refund of Prior Year's Expenditures	5,033.14	219.64		750.16	6,002.94
Other	1,494.78		225.00		1,719.78
Total Revenues	2,043,238.60	743,859.04	3,378,632.68	97,641.15	6,263,371.47

Expenditures:

General Government:

Legislative:

Board of County Commissioners

126,501.89

126,501.89

Elections

18,093.00

18,093.00

Judicial System

15,382.68

15,382.68

Financial Administration:

Auditor

106,865.26

106,865.26

Treasurer

99,854.35

99,854.35

Data Processing

21,399.00

21,399.00

Copier

3,138.41

3,138.41

Legal Services:

State's Attorney

107,448.72

107,448.72

Other Administration:

General Government Building

93,403.86

10,647.69

104,051.55

Director of Equalization

122,393.12

122,393.12

Register of Deeds

119,186.64

119,186.64

HARDING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Veterans Service Officer	6,190.04				6,190.04
Predatory Animal	13,017.83				13,017.83
Geographic Information System	7,054.35				7,054.35
Public Safety:					
Law Enforcement:					
Sheriff	196,414.70				196,414.70
County Jail	9,573.03			70.00	9,643.03
Coroner	568.65				568.65
Protective and Emergency Services:					
Fire Protection				32,835.72	32,835.72
Emergency and Disaster Services	5,527.27			2,246.84	7,774.11
Communication Center	1,572.40			14,368.80	15,941.20
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		4,111,646.89			4,111,646.89
Transportation:					
Airport	3,706.91				3,706.91
Health and Welfare:					
Economic Assistance:					
Support of Poor	504.00				504.00
Health Assistance:					
Health Services	4,583.68				4,583.68
Ambulance	40,091.71				40,091.71
Women, Infants and Children	34.36				34.36
Social Services:					
Domestic Abuse				1,000.00	1,000.00
Mental Health Services:					
Mentally Ill	19,471.42				19,471.42
Developmentally Disabled	720.00				720.00
Mental Health Centers	1,255.00				1,255.00

Culture and Recreation:					
Culture:					
Public Library			46,125.93		46,125.93
Recreation:					
County Fair			20,109.95		20,109.95
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	26,995.87				26,995.87
Soil Conservation Districts	16,329.60				16,329.60
Weed and Pest Control	81,754.71		3,429.33		85,184.04
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	1,642.94				1,642.94
Payments to Local Education Agencies			867,290.08		867,290.08
Capital Outlay	73,066.80	27,765.30		14,113.40	114,945.50
Total Expenditures	<u>1,343,742.20</u>	<u>4,139,412.19</u>	<u>867,290.08</u>	<u>144,947.66</u>	<u>6,495,392.13</u>
Excess of Revenues Over (Under) Expenditures	<u>699,496.40</u>	<u>(3,395,553.15)</u>	<u>2,511,342.60</u>	<u>(47,306.51)</u>	<u>(232,020.66)</u>
Other Financing Sources (Uses):					
Transfers In	14,278.96	3,469,491.26		122,925.00	3,606,695.22
Transfers Out	(336,210.00)		(3,270,485.22)		(3,606,695.22)
Sale of County Property	353.17	10,120.00		125.87	10,599.04
Total Other Financing Sources (Uses)	<u>(321,577.87)</u>	<u>3,479,611.26</u>	<u>(3,270,485.22)</u>	<u>123,050.87</u>	<u>10,599.04</u>
Net Change in Fund Balance	377,918.53	84,058.11	(759,142.62)	75,744.36	(221,421.62)
Changes in Nonspendable		672,162.91			672,162.91
Fund Balance - Beginning	<u>1,982,241.60</u>	<u>2,554,627.69</u>	<u>3,280,957.72</u>	<u>218,946.61</u>	<u>8,036,773.62</u>
FUND BALANCE - ENDING	<u>\$ 2,360,160.13</u>	<u>\$ 3,310,848.71</u>	<u>\$ 2,521,815.10</u>	<u>\$ 294,690.97</u>	<u>\$ 8,487,514.91</u>

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

HARDING COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Statement of Activities
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (221,421.62)

Amounts reported for governmental activities in the Statement of Activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 114,945.50

This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (272,538.76)

The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available". 5,431.99

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. 2,316.15

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the Statement of Activities when consumed. This amount represents the "change in" inventory of supplies. 672,162.91

Change in Net Position of Governmental Activities \$ 300,896.17

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

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HARDING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund	Road and Bridge Fund	Mineral Severance Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	\$ 1,157,968.49	\$	\$	\$ 23,499.35	\$ 1,181,467.84
General Property Taxes--Delinquent	490.20			10.33	500.53
Penalties and Interest	2,246.10			41.54	2,287.64
Tax Deed Revenue	108,139.36			662.25	108,801.61
Licenses and Permits	4,860.00			270.00	5,130.00
Intergovernmental Revenue:					
Federal Grants	37,548.78	230,385.64		19,860.00	287,794.42
Federal Shared Revenue		3,413.26			3,413.26
Federal Payment in Lieu of Taxes	205,367.52			4,205.48	209,573.00
State Grants				5,941.63	5,941.63
State Shared Revenue:					
Bank Franchise	7,479.70			156.13	7,635.83
Motor Vehicle Licenses		514,822.10			514,822.10
State Highway Fund (former 10% game)		6,836.90			6,836.90
Court Appointed Attorney/Public Defender	636.62				636.62
Energy Minerals Severance Tax			3,414,268.98		3,414,268.98
Prorate License Fees		38,274.50			38,274.50
63 3/4% Mobile Home/Manufactured Home		11,854.13			11,854.13
Telecommunications Gross Receipts Tax	7,826.79				7,826.79
Motor Vehicle 1/4%	742.44				742.44
Motor Fuel Tax		4,579.06			4,579.06
911 Remittances				15,128.94	15,128.94
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	2,364.00				2,364.00
Register of Deeds' Fees	87,871.08			10,302.42	98,173.50
Driver's License Exam	990.00				990.00
Legal Services	8,539.61			100.00	8,639.61
Clerk of Courts Fees	4,407.00				4,407.00

Other Fees	18,467.42			280.14	18,747.56
Public Safety:					
Law Enforcement	632.90				632.90
Prisoner Care	1,430.00				1,430.00
Sobriety Testing				478.00	478.00
Public Works:					
Road Maintenance Contract Charges		19,774.33			19,774.33
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	2,575.20				2,575.20
Health Assistance:					
Ambulance	29,811.77				29,811.77
Culture and Recreation				11,150.00	11,150.00
Conservation of Natural Resources	45,965.07				45,965.07
Miscellaneous Revenue:					
Investment Earnings	19,545.92	3,343.78	4,260.22	272.74	27,422.66
Contributions and Donations				1,114.90	1,114.90
Refund of Prior Year's Expenditures	8,607.25	1,526.22		1,721.86	11,855.33
Other	1,469.04	5,632.51			7,101.55
Total Revenues	<u>1,765,982.26</u>	<u>840,442.43</u>	<u>3,418,529.20</u>	<u>95,195.71</u>	<u>6,120,149.60</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners	137,616.60				137,616.60
Elections	6,563.75				6,563.75
Judicial System	15,332.10				15,332.10

Financial Administration:

Auditor	104,646.88				104,646.88
Treasurer	94,568.82				94,568.82
Data Processing	1,679.17				1,679.17

Legal Services:

State's Attorney	94,798.30				94,798.30
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Other Administration:

General Government Building	70,322.34				70,322.34
Director of Equalization	120,026.49				120,026.49
Register of Deeds	113,976.88			988.87	114,965.75
Veterans Service Officer	6,201.32				6,201.32
Predatory Animal	13,017.83				13,017.83
Geographic Information System	6,850.00				6,850.00

HARDING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(Continued)

	General Fund	Road and Bridge Fund	Mineral Severance Fund	Other Governmental Funds	Total Governmental Funds
Public Safety:					
Law Enforcement:					
Sheriff	178,212.33			1,312.50	179,524.83
County Jail	6,818.75			30.00	6,848.75
Coroner	2,271.36				2,271.36
Protective and Emergency Services:					
Fire Protection				32,085.82	32,085.82
Emergency and Disaster Services	6,148.10				6,148.10
Communication Center	1,517.76			16,290.09	17,807.85
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		2,414,868.23			2,414,868.23
Transportation:					
Airport	7,721.40				7,721.40
Health and Welfare:					
Economic Assistance:					
Support of Poor	437.00				437.00
Health Assistance:					
Health Services	4,322.79				4,322.79
Ambulance	30,383.24			597.84	30,981.08
Women, Infants and Children	43.10				43.10
Mental Health Services:					
Developmentally Disabled	720.00				720.00
Mental Health Centers	1,255.00				1,255.00
Culture and Recreation:					
Culture:					
Public Library				41,386.98	41,386.98
Other - Dinosaur	8,040.70				8,040.70
Recreation:					
County Fair				19,173.55	19,173.55

Conservation of Natural Resources:					
Soil Conservation:					
County Extension	24,545.77				24,545.77
Soil Conservation Districts	16,332.30				16,332.30
Weed and Pest Control	88,021.88		3,760.75		91,782.63
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	7,552.26				7,552.26
Payments to Local Education Agencies			634,784.82		634,784.82
Capital Outlay	45,359.49	14,700.00		19,860.00	79,919.49
Total Expenditures	<u>1,215,303.71</u>	<u>2,429,568.23</u>	<u>634,784.82</u>	<u>135,486.40</u>	<u>4,415,143.16</u>
Excess of Revenues Over (Under) Expenditures	<u>550,678.55</u>	<u>(1,589,125.80)</u>	<u>2,783,744.38</u>	<u>(40,290.69)</u>	<u>1,705,006.44</u>
Other Financing Sources (Uses):					
Transfers In	4,260.22	2,070,319.16		109,620.00	2,184,199.38
Transfers Out	<u>(341,320.00)</u>		<u>(1,842,879.38)</u>		<u>(2,184,199.38)</u>
Total Other Financing Sources (Uses)	<u>(337,059.78)</u>	<u>2,070,319.16</u>	<u>(1,842,879.38)</u>	<u>109,620.00</u>	<u>0.00</u>
Net Change in Fund Balance	213,618.77	481,193.36	940,865.00	69,329.31	1,705,006.44
Changes in Nonspendable		69,007.44			69,007.44
Fund Balance - Beginning	<u>1,768,622.83</u>	<u>2,004,426.89</u>	<u>2,340,092.72</u>	<u>149,617.30</u>	<u>6,262,759.74</u>
FUND BALANCE - ENDING	<u>\$ 1,982,241.60</u>	<u>\$ 2,554,627.69</u>	<u>\$ 3,280,957.72</u>	<u>\$ 218,946.61</u>	<u>\$ 8,036,773.62</u>

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

HARDING COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Statement of Activities
For the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 1,705,006.44

Amounts reported for governmental activities in the Statement of Activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 79,919.49

This amount represents capital asset contribution which are not reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 1,156,290.75

This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (267,842.81)

In the Statement of Activities, losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. (24,404.64)

The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available". 12,600.37

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. (4,677.84)

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the Statement of Activities when consumed. This amount represents the "change in" inventory of supplies. 69,007.44

Change in Net Position of Governmental Activities \$ 2,725,899.20

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

**HARDING COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2014**

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 125,199.84
TOTAL ASSETS	\$ 125,199.84
LIABILITIES:	
Amounts Held for Others	\$ 19,312.46
Due to Other Governments	105,887.38
TOTAL LIABILITIES	\$ 125,199.84

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

HARDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Harding 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.

The County participates in two cooperative units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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.

Energy Mineral Severance Tax Fund (Mineral Severance Fund) – to account for the energy minerals severance tax received from the secretary of revenue. The county auditor, at the direction of the county commissioners, is to allocate the funds to be distributed by the county treasurer for school and road purposes to offset social, economic, or physical impacts; either, direct or indirect, resulting from energy development or production in the county. (SDCL 10-39A-8 and 10) This is a major fund.

The remaining special revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, Public Library, Pass-Through Grants, Courthouse Building, 24/7 Sobriety, County Fair, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days. The revenues which are accrued at December 31, 2014 are ambulance, weed, highway charges for goods and services, grant reimbursements, and energy mineral severance tax payments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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 entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by SDCL 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2014 balance of governmental activities capital assets includes approximately .80 percent for which the costs were determined by estimates of the original costs.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	All Land	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 100,000	Straight-line	20 years
Buildings	\$ 5,000	Straight-line	75 years
Machinery and Equipment	\$ 3,500	Straight-line	6-30 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition.

f. Long-Term Liabilities:

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences.

g. 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.

h. Equity Classifications:

Government-wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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.
3. Unrestricted Net Position – All other net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Agency Funds have no fund equity.

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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 County *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

Road and Bridge Fund
Mineral Severance Fund

Revenue Source

Intergovernmental and State Shared Revenues
State Shared Energy Mineral Severance Tax

A schedule of fund balances is provided as follows:

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Mineral Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$	\$ 1,267,042.00	\$	\$	\$ 1,267,042.00
Restricted For:					
Road and Bridge Purposes		540,828.19			540,828.19
Snow Removal Purposes		137,329.30			137,329.30
Mineral Severance Tax Purposes			2,521,815.10		2,521,815.10
Courthouse Building Purposes				6,151.65	6,151.65
911 Service Purposes				7,923.81	7,923.81
Domestic Abuse Purposes				675.00	675.00
24/7 Sobriety Purposes				2,275.26	2,275.26
Pass Through Grant Purposes				3,622.29	3,622.29
Fire Protection Purposes				27,599.57	27,599.57
Modernization and Preservation Relief Purposes				18,712.41	18,712.41
Assigned To:					
Applied to Next Year's Budget	568,569.00				568,569.00
Road and Bridge Purposes	445,569.00	1,138,421.39			1,583,990.39
Snow Removal Purposes		227,227.83			227,227.83
Ambulance Purposes	105,000.00				105,000.00
County Fair Purposes				2,335.27	2,335.27
Fire Protection Purposes				19,064.12	19,064.12
Courthouse and Jail Purposes				191,030.38	191,030.38
Library Purposes	110,000.00			15,301.21	125,301.21
Unassigned	1,131,022.13				1,131,022.13
Total Fund Balances	<u>\$ 2,360,160.13</u>	<u>\$ 3,310,848.71</u>	<u>\$ 2,521,815.10</u>	<u>\$ 294,690.97</u>	<u>\$ 8,487,514.91</u>

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.

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 911 Service, Road and Bridge, Fire Protection and Courthouse Building Funds which retains its 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. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year.

4. INVENTORY

Inventory in the Road and Bridge Fund consists of expendable supplies held for consumption. Supply inventories are recorded at average cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. 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.

6. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2014 is as follows:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2014
<i>Governmental Activities:</i>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 112,298.73	\$	\$	\$ 112,298.73
Total Capital Assets not being Depreciated	112,298.73	0.00	0.00	112,298.73
<i>Capital Assets being Depreciated:</i>				
Infrastructure (Improvements Other Than Buildings)	3,374,517.87	1,156,290.75		4,530,808.62
Buildings	1,050,912.05			1,050,912.05
Machinery and Equipment	2,604,343.21	194,864.99	(90,694.00)	2,708,514.20
Total Capital Assets being Depreciated	7,029,773.13	1,351,155.74	(90,694.00)	8,290,234.87
TOTAL CAPITAL ASSETS	\$ 7,142,071.86	\$ 1,351,155.74	\$ (90,694.00)	\$ 8,402,533.60

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2014
Less Accumulated Depreciation for: Infrastructure (Improvements Other Than Buildings)	\$ (269,802.51)	\$ (232,360.90)	\$	\$ (502,163.41)
Buildings	(242,847.53)	(28,024.32)		(270,871.85)
Machinery and Equipment	(1,465,297.67)	(279,996.35)	66,289.36	(1,679,004.66)
Total Accumulated Depreciation	<u>(1,977,947.71)</u>	<u>(540,381.57)</u>	66,289.36	<u>(2,452,039.92)</u>
Total Capital Assets being Depreciated, Net	<u>5,051,825.42</u>	<u>810,774.17</u>	<u>(24,404.64)</u>	<u>5,838,194.95</u>
Governmental Activity Capital Assets, Net	<u>\$ 5,164,124.15</u>	<u>\$ 810,774.17</u>	<u>\$ (24,404.64)</u>	<u>\$ 5,950,493.68</u>

Depreciation expense was charged to functions as follows for the year ended December 31, 2014:

General Government	\$ 10,506.79
Public Safety	20,508.94
Public Works	202,543.46
Health and Welfare	19,152.26
Conservation of Natural Resources	6,796.87
Depreciation-Unallocated	<u>13,030.44</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 272,538.76</u>

Depreciation expense was charged to functions as follows for the year ended December 31, 2013:

General Government	\$ 11,326.38
Public Safety	20,204.50
Public Works	202,026.46
Health and Welfare	16,329.58
Conservation of Natural Resources	4,925.45
Depreciation-Unallocated	<u>13,030.44</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 267,842.81</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2013	Additions	Deletions	Ending Balance 12/31/2014
Primary Government: Governmental Activities:				
Accrued Compensated Absences	\$ 12,131.82	\$ 60,689.96	\$ 58,328.27	\$ 14,493.51

Long-Term Liabilities payable at December 31, 2014 is comprised of the following:

Compensated Absences:

Annual Leave – Payment to be made by the General Fund,
Road and Bridge Fund, or Mineral Severance Fund \$ 14,493.51

8. RESTRICTED NET POSITION

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

Major Purposes:

Road and Bridge Purposes	\$ 1,935,396.83
Mineral Severance Purposes	<u>2,521,815.10</u>

Other Purposes:

911 Service Purposes	7,923.81
Domestic Abuse Purposes	675.00
Fire Protection Purposes	27,599.57
Courthouse Building Purposes	6,151.65
Pass Through Grant Purposes	3,622.29
24/7 Sobriety Purposes	2,275.26
Modernization and Preservation Relief Purposes	<u>18,712.41</u>

Total Other Purposes	<u>66,959.99</u>
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Total Restricted Net Position	<u>\$ 4,524,171.92</u>
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These balances are restricted due to federal grant and statutory requirements.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014, were as follows:

Transfers From:	Transfers To:			Total
	General Fund	Road and Bridge Fund	Other Governmental Funds	
Major Funds:				
General Fund	\$ 14,278.96	\$ 213,285.00	\$ 122,925.00	\$ 336,210.00
Mineral Severance Fund	<u>14,278.96</u>	<u>3,256,206.26</u>	<u>122,925.00</u>	<u>3,270,485.22</u>
Total	<u>\$ 14,278.96</u>	<u>\$ 3,469,491.26</u>	<u>\$ 122,925.00</u>	<u>\$ 3,606,695.22</u>

Interfund transfers for the year ended December 31, 2013 were as follows:

Transfers From:	Transfers To:			Total
	General Fund	Road and Bridge Fund	Other Governmental Funds	
Major Funds:				
General Fund	\$ 4,260.22	\$ 231,700.00	\$ 109,620.00	\$ 341,320.00
Mineral Severance Fund	<u>4,260.22</u>	<u>1,838,619.16</u>	<u>109,620.00</u>	<u>1,842,879.38</u>
Total	<u>\$ 4,260.22</u>	<u>\$ 2,070,319.16</u>	<u>\$ 109,620.00</u>	<u>\$ 2,184,199.38</u>

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County.

10. 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 SDCL 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, 2014, 2013, and 2012 were \$48,455.97, \$49,324.14, and \$47,424.88, respectively, equal to the required contributions each year.

11. JOINT VENTURES

Western South Dakota Juvenile Service Center Compact

The County participates in a joint venture, known as the Western South Dakota Juvenile Services Center Joint Powers Agreement, formed for the purpose of providing juvenile detention services.

The members of the joint venture and their relative percentage of participation are as follows:

Pennington County	66%
Lawrence County	16%
Butte County	7%
Fall River County	5%
Custer County	5%
Harding County	1%

The joint venture's governing board is composed of one county commissioner from each county. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The County retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Pennington County Auditor's Office.

At December 31, 2014, this joint venture had no assets, as the joint venture operates on a breakeven basis, and no long-term liabilities, as all debt was paid off in May of 2013.

North Central Regional E-911 Center

The County participates in a joint venture known as the North Central E-911 Center, formed for the purpose of providing efficient and consolidated E-911 services to the citizens of the member counties.

The members of the joint venture are as follows:

<u>Original Members</u>	<u>Contracting Members</u>
Corson County	Campbell County
Edmunds County	McPherson County
Perkins County	Sioux County, North Dakota
Walworth County	Harding County
	Potter County

The joint powers agreement is formulated in accordance with SDCL 34-45. The governing board consists of two members from each governmental entity entering the joint agreement. The War Hawk Civil Defense Coordinator, as well as a responder from the Standing Rock Emergency Services, are permanent nonvoting board members.

The operations and activities of the center are financed by telephone surcharge, less the state coordinator fee per phone of the participating government entity. The County remits 65 cents of the 75 cent surcharge for land line phones and 75 cents for cell line phones.

The County retains no equity interest in the net position of the joint venture but does have a responsibility to fund its proportionate share of deficits of the joint venture. The County's proportionate share varies based upon its cumulative contributions.

Separate financial statements for this joint venture are available from the City of Mobridge.

At December 31, 2014, this joint venture had a total cash fund balance of \$516,912.97 and no long-term debt.

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2014, the County was not involved in any litigation.

13. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

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

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:

General Liability,
 Automobile Liability,
 Law Enforcement Liability, and
 Official's 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, 2014, the County has vested balance in the cumulative reserve fund of \$46,967.95.

The County carries a \$2,000 deductible for the law enforcement liability coverage and \$500 deductible for the official's liability 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.

During the year two years ended December 31, 2014, no claims for unemployment benefits were paid. At December 31, 2014, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,217,423.00	\$ 1,217,423.00	\$ 1,209,513.62	\$ (7,909.38)
General Property Taxes--Delinquent	0.00	0.00	1,484.36	1,484.36
Penalties and Interest	0.00	0.00	1,731.76	1,731.76
Telephone Tax (Outside)	0.00	0.00	43.60	43.60
Tax Deed Revenue	110,000.00	110,000.00	190,572.83	80,572.83
Licenses and Permits	4,830.00	4,830.00	5,181.66	351.66
Intergovernmental Revenue:				
Federal Grants	3,000.00	3,000.00	4,604.80	1,604.80
Federal Payments in Lieu of Taxes	190,000.00	190,000.00	220,184.81	30,184.81
State Grants	0.00	0.00	2,400.00	2,400.00
State Shared Revenue:				
Bank Franchise	7,500.00	7,500.00	7,029.86	(470.14)
Court Appointed Attorney/Public Defender	150.00	150.00	565.00	415.00
Telecommunications Gross Receipts Tax	8,200.00	8,200.00	6,803.53	(1,396.47)
Motor Vehicle 1/4%	700.00	700.00	861.44	161.44
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,100.00	2,100.00	2,834.60	734.60
Register of Deeds' Fees	50,000.00	50,000.00	76,217.80	26,217.80
Driver's License Exam	1,200.00	1,200.00	1,240.00	40.00
Legal Services	2,050.00	2,050.00	6,201.11	4,151.11
Clerk of Courts Fees	4,000.00	4,000.00	4,538.20	538.20
Other Fees	2,500.00	2,500.00	200,115.54	197,615.54
Public Safety:				
Law Enforcement	400.00	400.00	1,489.46	1,089.46
Prisoner Care	1,000.00	1,000.00	1,117.42	117.42
Health and Welfare:				
Health Assistance:				
Ambulance	25,000.00	25,000.00	40,130.89	15,130.89
Conservation of Natural Resources	30,100.00	30,100.00	43,362.85	13,262.85
Fines and Forfeits:				
Costs	0.00	0.00	1,001.98	1,001.98
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	7,483.56	(22,516.44)
Refund of Prior Year's Expenditures	1,500.00	1,500.00	5,033.14	3,533.14
Other	500.00	500.00	1,494.78	994.78
Total Revenues	1,692,153.00	1,692,153.00	2,043,238.60	351,085.60
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	148,810.00	148,810.00	126,501.89	22,308.11
Contingency	260,000.00	260,000.00		

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Amount Transferred		(95,356.79)		164,643.21
Elections	19,500.00	19,500.00	18,093.00	1,407.00
Judicial System	24,000.00	24,000.00	15,382.68	8,617.32
Financial Administration:				
Auditor	119,370.00	119,370.00	106,865.26	12,504.74
Treasurer	101,715.00	101,715.00	99,854.35	1,860.65
Data Processing	0.00	21,399.00	21,399.00	0.00
Copier	5,000.00	5,000.00	3,138.41	1,861.59
Legal Services:				
State's Attorney	127,015.00	127,015.00	107,448.72	19,566.28
Other Administration:				
General Government Building	129,485.00	129,485.00	93,403.86	36,081.14
Director of Equalization	143,370.00	143,370.00	122,393.12	20,976.88
Register of Deeds	126,855.00	126,855.00	119,186.64	7,668.36
Veterans Service Officer	6,580.00	6,580.00	6,190.04	389.96
Predatory Animal	13,020.00	13,020.00	13,017.83	2.17
Geographic Information System	9,450.00	9,450.00	7,054.35	2,395.65
Public Safety:				
Law Enforcement:				
Sheriff	212,865.00	212,865.00	196,414.70	16,450.30
County Jail	10,500.00	10,500.00	9,573.03	926.97
Coroner	805.00	805.00	568.65	236.35
Juvenile Detention	5,000.00	5,000.00	0.00	5,000.00
Protective and Emergency Services:				
Emergency and Disaster Services	5,840.00	61,794.07	61,794.07	0.00
Communication Center	1,700.00	1,700.00	1,572.40	127.60
Public Works:				
Transportation:				
Airport	22,650.00	22,650.00	3,706.91	18,943.09
Health and Welfare:				
Economic Assistance:				
Support of Poor	22,000.00	22,000.00	504.00	21,496.00
Health Assistance:				
Health Services	7,200.00	7,200.00	4,583.68	2,616.32
Ambulance	40,900.00	40,900.00	40,091.71	808.29
Women, Infants and Children	100.00	100.00	34.36	65.64
Mental Health Services:				
Mentally Ill	1,500.00	19,471.42	19,471.42	0.00
Developmentally Disabled	750.00	750.00	720.00	30.00
Drug Abuse	100.00	100.00	0.00	100.00
Mental Health Centers	1,255.00	1,255.00	1,255.00	0.00
Culture and Recreation:				
Culture:				
Other - Dinosaur	20,000.00	20,000.00	0.00	20,000.00

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	29,985.00	29,985.00	26,995.87	2,989.13
Soil Conservation Districts	16,300.00	16,332.30	16,329.60	2.70
Weed and Pest Control	100,480.00	100,480.00	98,554.71	1,925.29
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	4,835.00	4,835.00	1,642.94	3,192.06
Total Expenditures	<u>1,738,935.00</u>	<u>1,738,935.00</u>	<u>1,343,742.20</u>	<u>395,192.80</u>
Excess of Revenues Over (Under) Expenditures	<u>(46,782.00)</u>	<u>(46,782.00)</u>	<u>699,496.40</u>	<u>746,278.40</u>
Other Financing Sources (Uses):				
Transfers In	3,000.00	3,000.00	14,278.96	11,278.96
Transfers Out	(369,210.00)	(369,210.00)	(336,210.00)	33,000.00
Sale of County Property	0.00	0.00	353.17	353.17
Total Other Financing Sources (Uses)	<u>(366,210.00)</u>	<u>(366,210.00)</u>	<u>(321,577.87)</u>	<u>44,632.13</u>
Net Change in Fund Balance	(412,992.00)	(412,992.00)	377,918.53	790,910.53
Fund Balance - Beginning	<u>1,982,241.60</u>	<u>1,982,241.60</u>	<u>1,982,241.60</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,569,249.60</u>	<u>\$ 1,569,249.60</u>	<u>\$ 2,360,160.13</u>	<u>\$ 790,910.53</u>

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental Revenue:				
Federal Shared Revenue	\$ 3,000.00	\$ 3,000.00	\$ 33,254.11	\$ 30,254.11
State Shared Revenue:				
Motor Vehicle Licenses	625,000.00	625,000.00	539,777.30	(85,222.70)
State Highway Fund (former 10% game)	6,800.00	6,800.00	6,836.90	36.90
Prorate License Fees	40,000.00	40,000.00	25,137.20	(14,862.80)
63 3/4% Mobile Home/Manufactured Home	7,000.00	7,000.00	30,153.61	23,153.61
Secondary Road Motor Vehicle Remittances	0.00	0.00	64,067.07	64,067.07
Motor Fuel Tax	4,000.00	4,000.00	4,533.80	533.80
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	17,000.00	17,000.00	31,820.07	14,820.07
Miscellaneous Revenue:				
Investment Earnings	1,300.00	1,300.00	8,059.34	6,759.34
Refund of Prior Year's Expenditures	400.00	400.00	219.64	(180.36)
Total Revenues	<u>704,500.00</u>	<u>704,500.00</u>	<u>743,859.04</u>	<u>39,359.04</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,520,760.00	4,776,966.26	4,139,412.19	637,554.07
Excess of Revenues Over (Under) Expenditures	<u>(816,260.00)</u>	<u>(4,072,466.26)</u>	<u>(3,395,553.15)</u>	<u>676,913.11</u>
Other Financing Sources (Uses):				
Transfers In	243,285.00	3,499,491.26	3,469,491.26	(30,000.00)
Sale of County Property	0.00	0.00	10,120.00	10,120.00
Total Other Financing Sources (Uses)	<u>243,285.00</u>	<u>3,499,491.26</u>	<u>3,479,611.26</u>	<u>(19,880.00)</u>
Changes in Nonspendable	0.00	0.00	672,162.91	672,162.91
Net Change in Fund Balance	<u>(572,975.00)</u>	<u>(572,975.00)</u>	<u>84,058.11</u>	<u>657,033.11</u>
Fund Balance - Beginning	2,554,627.69	2,554,627.69	2,554,627.69	0.00
FUND BALANCE - ENDING	<u>\$ 1,981,652.69</u>	<u>\$ 1,981,652.69</u>	<u>\$ 3,310,848.71</u>	<u>\$ 1,329,196.02</u>

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
MINERAL SEVERANCE FUND
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental Revenue:				
State Shared Revenue:				
Energy Minerals Severance Tax	\$ 3,000,000.00	\$ 3,000,000.00	\$ 3,364,128.72	\$ 364,128.72
Miscellaneous Revenue:				
Investment Earnings	3,000.00	3,000.00	14,278.96	11,278.96
Other	0.00	0.00	225.00	225.00
Total Revenues	<u>3,003,000.00</u>	<u>3,003,000.00</u>	<u>3,378,632.68</u>	<u>375,632.68</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	3,500,000.00	3,500,000.00	0.00	3,500,000.00
Payments to Local Education Agencies	0.00	867,290.00	867,290.08	(0.08)
Total Expenditures	<u>3,500,000.00</u>	<u>4,367,290.00</u>	<u>867,290.08</u>	<u>3,499,999.92</u>
Excess of Revenues Over (Under) Expenditures	(497,000.00)	(1,364,290.00)	2,511,342.60	3,875,632.60
Other Financing Sources (Uses):				
Transfers Out	(3,000.00)	(3,259,206.26)	(3,270,485.22)	(11,278.96)
Net Change in Fund Balance	(500,000.00)	(4,623,496.26)	(759,142.62)	3,864,353.64
Fund Balance - Beginning	3,280,957.72	3,280,957.72	3,280,957.72	0.00
FUND BALANCE - ENDING	<u>\$ 2,780,957.72</u>	<u>\$ (1,342,538.54)</u>	<u>\$ 2,521,815.10</u>	<u>\$ 3,864,353.64</u>

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,171,177.00	\$ 1,171,177.00	\$ 1,157,968.49	\$ (13,208.51)
General Property Taxes--Delinquent	0.00	0.00	490.20	490.20
Penalties and Interest	0.00	0.00	2,246.10	2,246.10
Tax Deed Revenue	90,000.00	90,000.00	108,139.36	18,139.36
Licenses and Permits	5,250.00	5,250.00	4,860.00	(390.00)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	37,548.78	37,548.78
Federal Payments in Lieu of Taxes	173,000.00	173,000.00	205,367.52	32,367.52
State Grants	3,000.00	3,000.00	0.00	(3,000.00)
State Shared Revenue:				
Bank Franchise	8,000.00	8,000.00	7,479.70	(520.30)
Court Appointed Attorney/Public Defender	400.00	400.00	636.62	236.62
Telecommunications Gross Receipts Tax	8,000.00	8,000.00	7,826.79	(173.21)
Motor Vehicle 1/4%	700.00	700.00	742.44	42.44
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	2,100.00	2,100.00	2,364.00	264.00
Register of Deeds' Fees	35,000.00	35,000.00	87,871.08	52,871.08
Driver's License Exam	1,200.00	1,200.00	990.00	(210.00)
Legal Services	2,050.00	2,050.00	8,539.61	6,489.61
Clerk of Courts Fees	4,000.00	4,000.00	4,407.00	407.00
Other Fees	2,500.00	2,500.00	18,467.42	15,967.42
Public Safety:				
Law Enforcement	1,750.00	1,750.00	632.90	(1,117.10)
Prisoner Care	1,000.00	1,000.00	1,430.00	430.00
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	0.00	0.00	2,575.20	2,575.20
Health Assistance:				
Ambulance	20,000.00	20,000.00	29,811.77	9,811.77
Conservation of Natural Resources	30,075.00	30,075.00	45,965.07	15,890.07
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	19,545.92	(10,454.08)
Refund of Prior Year's Expenditures	3,000.00	3,000.00	8,607.25	5,607.25
Other	700.00	700.00	1,469.04	769.04
Total Revenues	1,592,902.00	1,592,902.00	1,765,982.26	173,080.26
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	144,185.00	144,185.00	137,616.60	6,568.40
Contingency	260,000.00	260,000.00		

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Amount Transferred		(11,076.19)		248,923.81
Elections	3,075.00	9,875.00	6,563.75	3,311.25
Judicial System	22,500.00	22,500.00	15,332.10	7,167.90
Financial Administration:				
Auditor	114,035.00	114,035.00	104,646.88	9,388.12
Treasurer	97,865.00	97,865.00	94,568.82	3,296.18
Data Processing	3,250.00	10,582.17	10,582.17	0.00
Legal Services:				
State's Attorney	127,970.00	127,970.00	98,992.29	28,977.71
Other Administration:				
General Government Building	118,365.00	118,365.00	70,322.34	48,042.66
Director of Equalization	128,250.00	128,250.00	120,026.49	8,223.51
Register of Deeds	117,235.00	117,235.00	113,976.88	3,258.12
Veterans Service Officer	6,640.00	6,640.00	6,201.32	438.68
Predatory Animal	13,020.00	13,020.00	13,017.83	2.17
Geographic Information System	9,450.00	9,450.00	6,850.00	2,600.00
Public Safety:				
Law Enforcement:				
Sheriff	223,010.00	223,010.00	205,474.83	17,535.17
County Jail	10,500.00	10,500.00	6,818.75	3,681.25
Coroner	800.00	2,271.36	2,271.36	0.00
Juvenile Detention	5,000.00	5,000.00	0.00	5,000.00
Protective and Emergency Services:				
Emergency and Disaster Services	5,910.00	6,148.10	6,148.10	0.00
Communication Center	1,700.00	1,700.00	1,517.76	182.24
Public Works:				
Transportation:				
Airport	10,850.00	10,850.00	7,721.40	3,128.60
Health and Welfare:				
Economic Assistance:				
Support of Poor	22,000.00	22,000.00	437.00	21,563.00
Health Assistance:				
Health Services	7,200.00	7,200.00	4,322.79	2,877.21
Ambulance	38,000.00	38,000.00	35,383.24	2,616.76
Women, Infants and Children	75.00	75.00	43.10	31.90
Mental Health Services:				
Mentally Ill	1,500.00	1,500.00	0.00	1,500.00
Developmentally Disabled	750.00	750.00	720.00	30.00
Drug Abuse	100.00	100.00	0.00	100.00
Mental Health Centers	1,255.00	1,255.00	1,255.00	0.00
Culture and Recreation:				
Culture:				
Other - Dinosaur	10,000.00	10,000.00	8,040.70	1,959.30

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	29,225.00	29,225.00	24,545.77	4,679.23
Soil Conservation Districts	16,300.00	16,332.30	16,332.30	0.00
Weed and Pest Control	88,655.00	88,655.00	88,021.88	633.12
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	5,550.00	7,552.26	7,552.26	0.00
Total Expenditures	<u>1,644,220.00</u>	<u>1,651,020.00</u>	<u>1,215,303.71</u>	<u>435,716.29</u>
Excess of Revenues Over (Under) Expenditures	<u>(51,318.00)</u>	<u>(58,118.00)</u>	<u>550,678.55</u>	<u>608,796.55</u>
Other Financing Sources (Uses):				
Transfers In	5,000.00	5,000.00	4,260.22	(739.78)
Transfers Out	<u>(341,320.00)</u>	<u>(341,320.00)</u>	<u>(341,320.00)</u>	<u>0.00</u>
Total Other Financing Sources (Uses)	<u>(336,320.00)</u>	<u>(336,320.00)</u>	<u>(337,059.78)</u>	<u>(739.78)</u>
Net Change in Fund Balance	(387,638.00)	(394,438.00)	213,618.77	608,056.77
Fund Balance - Beginning	<u>1,768,622.83</u>	<u>1,768,622.83</u>	<u>1,768,622.83</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,380,984.83</u>	<u>\$ 1,374,184.83</u>	<u>\$ 1,982,241.60</u>	<u>\$ 608,056.77</u>

REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental Revenue:				
Federal Grants	\$ 240,750.00	\$ 240,750.00	\$ 230,385.64	\$ (10,364.36)
Federal Shared Revenue	4,500.00	4,500.00	3,413.26	(1,086.74)
State Shared Revenue:				
Motor Vehicle Licenses	550,000.00	550,000.00	514,822.10	(35,177.90)
State Highway Fund (former 10% game)	6,800.00	6,800.00	6,836.90	36.90
Prorate License Fees	40,000.00	40,000.00	38,274.50	(1,725.50)
63 3/4% Mobile Home/Manufactured Home	7,000.00	7,000.00	11,854.13	4,854.13
Motor Fuel Tax	4,000.00	4,000.00	4,579.06	579.06
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	22,000.00	22,000.00	19,774.33	(2,225.67)
Miscellaneous Revenue:				
Investment Earnings	1,300.00	1,300.00	3,343.78	2,043.78
Refund of Prior Year's Expenditures	400.00	400.00	1,526.22	1,126.22
Other	0.00	0.00	5,632.51	5,632.51
Total Revenues	<u>876,750.00</u>	<u>876,750.00</u>	<u>840,442.43</u>	<u>(36,307.57)</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	<u>1,480,035.00</u>	<u>3,318,654.16</u>	<u>2,429,568.23</u>	<u>889,085.93</u>
Excess of Revenues Over (Under) Expenditures	(603,285.00)	(2,441,904.16)	(1,589,125.80)	852,778.36
Other Financing Sources (Uses):				
Transfers In	<u>231,700.00</u>	<u>2,070,319.16</u>	<u>2,070,319.16</u>	<u>0.00</u>
Net Change in Fund Balance	(371,585.00)	(371,585.00)	481,193.36	852,778.36
Changes in Nonspendable	0.00	0.00	69,007.44	69,007.44
Fund Balance - Beginning	<u>2,004,426.89</u>	<u>2,004,426.89</u>	<u>2,004,426.89</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,632,841.89</u>	<u>\$ 1,632,841.89</u>	<u>\$ 2,554,627.69</u>	<u>\$ 921,785.80</u>

**REQUIRED SUPPLEMENTARY INFORMATION
HARDING COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
MINERAL SEVERANCE FUND
For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental Revenue:				
State Shared Revenue:				
Energy Minerals Severance Tax	\$ 2,500,000.00	\$ 2,500,000.00	\$ 3,414,268.98	\$ 914,268.98
Miscellaneous Revenue:				
Investment Earnings	<u>5,000.00</u>	<u>5,000.00</u>	<u>4,260.22</u>	<u>(739.78)</u>
Total Revenues	<u>2,505,000.00</u>	<u>2,505,000.00</u>	<u>3,418,529.20</u>	<u>913,529.20</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	3,000,000.00	3,000,000.00	0.00	3,000,000.00
Payments to Local Education Agencies	<u>0.00</u>	<u>634,784.82</u>	<u>634,784.82</u>	<u>0.00</u>
Total Expenditures	<u>3,000,000.00</u>	<u>3,634,784.82</u>	<u>634,784.82</u>	<u>3,000,000.00</u>
Excess of Revenues Over (Under) Expenditures	(495,000.00)	(1,129,784.82)	2,783,744.38	3,913,529.20
Other Financing Sources (Uses):				
Transfers Out	<u>(5,000.00)</u>	<u>(1,843,619.16)</u>	<u>(1,842,879.38)</u>	<u>739.78</u>
Net Change in Fund Balance	(500,000.00)	(2,973,403.98)	940,865.00	3,914,268.98
Fund Balance - Beginning	<u>2,340,092.72</u>	<u>2,340,092.72</u>	<u>2,340,092.72</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,840,092.72</u>	<u>\$ (633,311.26)</u>	<u>\$ 3,280,957.72</u>	<u>\$ 3,914,268.98</u>

HARDING COUNTY
NOTES TO THE REQUIRED 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.
10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's patrol car would be reported as an expenditure of the Public Safety/Law Enforcement function of government, along with all other current Law Enforcement related expenditures.