

UNION COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2012

**UNION COUNTY
COUNTY OFFICIALS
December 31, 2012**

Board of Commissioners:

**Doyle Karpen
Marvin Schempp
Ross Jordan
Milton Ustad
Dale Neely**

**Auditor:
Carol Klumper**

**Treasurer:
Myron Hertel**

**State's Attorney:
Jerry Miller**

**Register of Deeds:
Jana Foltz**

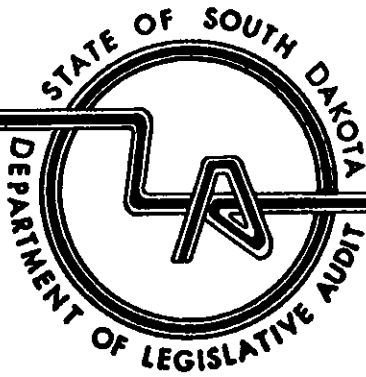
**Sheriff:
Dan Limoges**

UNION COUNTY
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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
Union County
Elk Point, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, South Dakota (County), as of December 31, 2012 for each of the years in the biennial period then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

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

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.

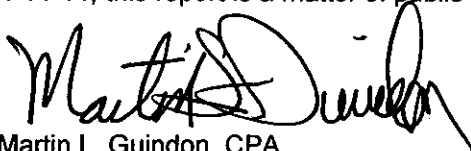
Compliance and Other Matters

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,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

September 19, 2013



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Union County
Elk Point, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Union County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the biennial period ended December 31, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Union County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2012.

Report on Internal Control Over Compliance

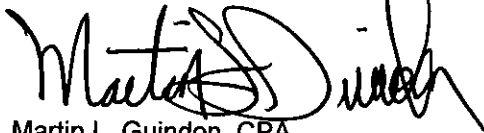
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types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

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

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

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

September 19, 2013

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal award tested as a major program was:
 - Disaster Grants – Public Assistance – CFDA # 97.036
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Union County did not qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Union County
Elk Point, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, South Dakota (County), as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

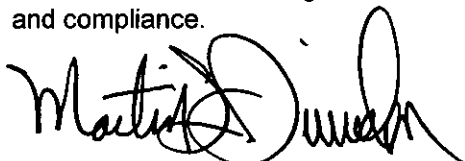
Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

September 19, 2013

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

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 3,593,887.28
Investments	1,352,099.46
TOTAL ASSETS	\$ 4,945,986.74
NET POSITION:	
Restricted For: (See Note 4)	
Road and Bridge Purposes	\$ 142,678.84
Other Purposes	388,633.88
Unrestricted	4,414,674.02
TOTAL NET POSITION	\$ 4,945,986.74

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

UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2012

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	\$ 1,800,716.16	\$ 405,453.71	\$ 24,135.39	\$ (1,371,127.06)
Public Safety	2,369,601.02	360,627.88	141,749.88	(1,867,223.26)
Public Works	3,192,881.16	86,717.16	1,552,272.71	(1,553,891.29)
Health and Welfare	142,380.34	15,285.69		(127,094.65)
Culture and Recreation	51,573.10	12,218.08		(39,355.02)
Conservation of Natural Resources	114,298.69	15,370.60	4,125.00	(94,803.09)
Urban and Economic Development	126,858.80			(126,858.80)
Intergovernmental	39,063.65			(39,063.65)
*Interest on Long-Term Debt	41,289.89			(41,289.89)
Total Primary Government	\$ 7,878,662.81	\$ 895,673.12	\$ 1,722,282.98	(5,260,706.71)
General Revenues:				
Taxes:				
				5,454,321.23
				347,544.11
				81,278.45
				117,476.08
				51,125.09
				3,164.67
				<u>6,054,909.63</u>
				794,202.92
				<u>4,151,782.82</u>
				<u>\$ 4,945,985.74</u>

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

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

UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2011

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	\$ 1,693,360.92	\$ 350,824.43	\$ 22,140.07	\$ (1,320,396.42)
Public Safety	2,560,843.59	217,252.56	6,009.08	(2,337,581.95)
Public Works	3,565,903.58	61,228.82	1,991,493.29	(1,513,181.47)
Health and Welfare	130,439.99	7,566.61		(122,873.38)
Culture and Recreation	44,744.11	16,518.74		(28,225.37)
Conservation of Natural Resources	157,467.57	36,033.28		(121,434.29)
Urban and Economic Development	133,355.75			(133,355.75)
Intergovernmental	38,644.45			(38,644.45)
Payments to Refunded Debt Escrow Agent	701,625.00			(701,625.00)
*Interest on Long-Term Debt	82,660.55			(82,660.55)
Total Primary Government	\$ 9,109,045.51	\$ 689,424.44	\$ 2,019,642.44	(6,399,978.63)
General Revenues:				
Taxes:				
	Property Taxes			5,268,809.92
	Wheel Tax			352,196.82
	911 Telephone Surcharge			132,527.26
	State Shared Revenues			135,895.17
	Unrestricted Investment Earnings			67,313.50
	Debt Issued			725,000.00
	Miscellaneous Revenue			32,106.09
	Total General Revenues			6,713,848.76
	Change in Net Position			313,870.13
	Net Position - Beginning			3,837,912.69
	NET POSITION - ENDING			\$ 4,151,782.82

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

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,633,940.40	\$ 570,479.10	\$ 389,467.78	\$ 3,593,887.28
Investments	1,108,721.56	243,377.90		1,352,099.46
TOTAL ASSETS	<u>\$ 3,742,661.96</u>	<u>\$ 813,857.00</u>	<u>\$ 389,467.78</u>	<u>\$ 4,945,986.74</u>
FUND BALANCES: (See Note 1. h.)				
Restricted	\$	\$ 142,678.84	\$ 388,633.88	\$ 531,312.72
Assigned	1,212,062.15	671,178.16	833.90	1,884,074.21
Unassigned	2,530,599.81			2,530,599.81
TOTAL FUND BALANCES	<u>\$ 3,742,661.96</u>	<u>\$ 813,857.00</u>	<u>\$ 389,467.78</u>	<u>\$ 4,945,986.74</u>

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

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,049,428.81	\$ 50,267.15	\$ 263,258.96	\$ 5,362,954.92
General Property Taxes--Delinquent	49,274.55	2,386.25	1,652.13	53,312.93
Penalties and Interest	14,273.30		490.27	14,763.57
Telephone Tax (Outside)	4,708.60			4,708.60
Mobile Home Tax	17,878.94	10.92	491.35	18,381.21
Wheel Tax		347,544.11		347,544.11
911 Telephone Surcharge			81,278.45	81,278.45
Tax Deed Revenue	200.00			200.00
Licenses and Permits	59,853.00		4,770.00	64,623.00
Intergovernmental Revenue:				
Federal Grants	80,888.44	2,280.59	407,613.48	490,782.51
Federal Payments in Lieu of Taxes	434.00			434.00
State Grants	8,152.37		56,632.78	64,785.15
State Shared Revenue:				
Bank Franchise	24,857.56		218.02	25,075.58
Motor Vehicle Licenses		1,009,463.40		1,009,463.40
Weed Grant	4,125.00			4,125.00
Court Appointed Attorney/Public Defender	10,590.68			10,590.68
Prorate/Port of Entry Fees		54,505.79		54,505.79
Abused and Neglected Child Defense	1,076.65			1,076.65
63 3/4% Mobile Home		4,076.05		4,076.05
Secondary Road Motor Vehicle Remittances		13,508.68		13,508.68
Telecommunications Gross Receipts Tax	92,400.50			92,400.50
Motor Vehicle 1/4%	3,324.98			3,324.98
Motor Fuel Tax		6,539.59		6,539.59
911 Remittances			59,070.50	59,070.50
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	28,638.29			28,638.29
Register of Deeds' Fees	210,783.20		5,190.00	215,973.20
Legal Services	33,915.48			33,915.48

Clerk of Courts Fees	19,864.00		1,400.00	21,264.00
Other Fees		1,821.91		1,821.91
Public Safety:				
Law Enforcement	73,064.58			73,064.58
Prisoner Care	246,862.36			246,862.36
Sobriety Testing			4,873.10	4,873.10
Public Works:				
Road Maintenance Contract Charges		86,717.16		86,717.16
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,012.13			4,012.13
Health Assistance:				
County Nurse	804.86			804.86
Women, Infants and Children	5,494.26			5,494.26
Mental Health Services	4,974.44			4,974.44
Culture and Recreation	12,218.08			12,218.08
Conservation of Natural Resources	15,370.60			15,370.60
Other Charges	35,027.83			35,027.83
Fines and Forfeits:				
Costs	26,407.84		100.00	26,507.84
Forfeits	9,320.00			9,320.00
Miscellaneous Revenue:				
Investment Earnings	40,398.96	5,585.93	5,141.20	51,126.09
Special Assessments	4,190.00			4,190.00
Refund of Prior Year's Expenditures	568.04			568.04
Other	762.63			762.63
Total Revenues	6,194,144.96	1,584,707.53	892,180.24	8,671,032.73
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	174,665.88			174,665.88
Elections	59,246.59			59,246.59
Judicial System	14,889.48			14,889.48
Financial Administration:				
Auditor	143,609.60			143,609.60
Treasurer	231,030.06			231,030.06
Data Processing	49,463.87			49,463.87

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Legal Services:				
State's Attorney	301,199.76			301,199.76
Public Defender	160,136.30			160,136.30
Court Appointed Attorney	3,242.17			3,242.17
Other Administration:				
General Government Building	306,581.36			306,581.36
Director of Equalization	203,984.75			203,984.75
Register of Deeds	132,358.72			132,358.72
Veterans Service Officer	18,511.54			18,511.54
Predatory Animal	1,796.08			1,796.08
Public Safety:				
Law Enforcement:				
Sheriff	872,431.12			872,431.12
County Jail	638,420.84		2,967.12	641,387.96
Coroner	4,062.09			4,062.09
Protective and Emergency Services:				
Fire Protection			50,873.68	50,873.68
Emergency and Disaster Services			543,713.02	543,713.02
Flood Control	35,694.74			35,694.74
Communication Center			121,310.45	121,310.45
Other Protective and Emergency Services			127.96	127.96
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		3,147,335.56		3,147,335.56
Health and Welfare:				
Economic Assistance:				
Support of Poor	25,521.94			25,521.94
Health Assistance:				
County Nurse	17,137.60			17,137.60
Ambulance	40,000.00			40,000.00
Women, Infants and Children	8,598.08			8,598.08
Social Services:				
Care of Aged	3,000.00			3,000.00

Domestic Abuse	5,000.00			5,000.00
Other			6,270.00	6,270.00
Mental Health Services:				
Mentally Ill	24,765.25			24,765.25
Mental Health Centers	10,226.00			10,226.00
Mental Illness Board	1,861.47			1,861.47
Culture and Recreation:				
Culture:				
Public Library	10,000.00			10,000.00
Historical Museum	1,800.00			1,800.00
Recreation:				
County Fair	39,773.10			39,773.10
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	33,502.06			33,502.06
Soil Conservation Districts	7,500.00			7,500.00
Weed and Pest Control	73,296.63			73,296.63
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	56,226.67			56,226.67
Economic Development:				
Tourism, Industrial or Recreational Development	355.00			355.00
Intergovernmental Expenditures		39,063.65		39,063.65
Debt Service		46,878.24	210,234.38	257,112.62
Total Expenditures	<u>3,709,888.75</u>	<u>3,233,277.45</u>	<u>935,496.61</u>	<u>7,878,662.81</u>
Excess of Revenues Over (Under) Expenditures	<u>2,484,256.21</u>	<u>(1,648,569.92)</u>	<u>(43,316.37)</u>	<u>792,369.92</u>
Other Financing Sources (Uses):				
Transfers In		1,818,506.00	32,000.00	1,850,506.00
Transfers Out	(1,730,518.00)		(119,988.00)	(1,850,506.00)
Sale of County Property	1,834.00			1,834.00
Total Other Financing Sources (Uses)	<u>(1,728,684.00)</u>	<u>1,818,506.00</u>	<u>(87,988.00)</u>	<u>1,834.00</u>
Net Change in Fund Balance	755,572.21	169,936.08	(131,304.37)	794,203.92
Fund Balance - Beginning	<u>2,987,089.75</u>	<u>643,920.92</u>	<u>520,772.15</u>	<u>4,151,782.82</u>
FUND BALANCE - ENDING	<u>\$ 3,742,661.96</u>	<u>\$ 813,857.00</u>	<u>\$ 389,467.78</u>	<u>\$ 4,945,986.74</u>

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 4,832,745.81	\$ 48,642.22	\$ 232,537.74	\$ 5,113,925.77
General Property Taxes--Delinquent	50,515.29	1,211.64	61,694.88	113,421.81
Penalties and Interest	11,122.55		5,933.49	17,056.04
Telephone Tax (Outside)	4,722.26			4,722.26
Mobile Home Tax	19,065.13	57.14	561.77	19,684.04
Wheel Tax		352,196.82		352,196.82
911 Telephone Surcharge			132,527.26	132,527.26
Licenses and Permits	52,943.40		4,290.00	57,233.40
Intergovernmental Revenue:				
Federal Grants	10,117.70	160,358.19	478,798.10	649,273.99
Federal Payments in Lieu of Taxes	405.00			405.00
State Grants	213,178.15	198,334.82	66,025.12	477,538.09
State Shared Revenue:				
Bank Franchise	17,614.29		177.06	17,791.35
Motor Vehicle Licenses		811,702.77		811,702.77
Weed Grant	3,500.00			3,500.00
Court Appointed Attorney/Public Defender	12,630.28			12,630.28
Prorate/Port of Entry Fees		52,548.76		52,548.76
63 3/4% Mobile Home		245.82		245.82
Secondary Road Motor Vehicle Remittances		12,486.94		12,486.94
Telecommunications Gross Receipts Tax	110,853.82			110,853.82
Motor Vehicle 1/4%	2,810.79			2,810.79
Other State Shared Revenue	3,750.00			3,750.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	28,088.91			28,088.91
Register of Deeds' Fees	179,911.60			179,911.60
Legal Services	30,068.52			30,068.52
Extension Fees	2,475.88			2,475.88
Clerk of Courts Fees	18,384.40		1,500.00	19,884.40

Other Fees	28,816.70			28,816.70
Public Safety:				
Law Enforcement	85,248.20			85,248.20
Prisoner Care	101,777.15			101,777.15
Sobriety Testing			2,733.00	2,733.00
Public Works:				
Road Maintenance Contract Charges		61,228.82		61,228.82
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	1,366.19			1,366.19
Health Assistance:				
County Nurse	472.00			472.00
Women, Infants and Children	5,253.46			5,253.46
Mental Health Services	474.96			474.96
Culture and Recreation	14,042.86			14,042.86
Conservation of Natural Resources	36,033.28			36,033.28
Fines and Forfeits:				
Costs	21,710.21			21,710.21
Forfeits	5,784.00			5,784.00
Miscellaneous Revenue:				
Investment Earnings	52,547.16	9,904.22	4,862.12	67,313.50
Rent	6,820.90			6,820.90
Contributions and Donations	650.00			650.00
Refund of Prior Year's Expenditures	10,264.05			10,264.05
Total Revenues	<u>5,976,164.90</u>	<u>1,708,918.16</u>	<u>991,640.54</u>	<u>8,676,723.60</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners	164,101.54			164,101.54
Elections	6,869.27			6,869.27
Judicial System	19,670.17			19,670.17

Financial Administration:

Auditor	142,614.24			142,614.24
Treasurer	226,145.45			226,145.45
Data Processing	38,385.36			38,385.36

Legal Services:

State's Attorney	282,794.76			282,794.76
Public Defender	162,053.51			162,053.51
Court Appointed Attorney	44,686.32			44,686.32
Abused and Neglected Child Defense	11,360.95			11,360.95

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Other Administration:				
General Government Building	232,154.94			232,154.94
Director of Equalization	214,927.53			214,927.53
Register of Deeds	128,297.38			128,297.38
Veterans Service Officer	17,503.42			17,503.42
Predatory Animal	1,796.08			1,796.08
Public Safety:				
Law Enforcement:				
Sheriff	841,581.27			841,581.27
County Jail	594,202.44		3,884.48	598,086.92
Coroner	6,338.03			6,338.03
Protective and Emergency Services:				
Fire Protection			56,500.00	56,500.00
Emergency and Disaster Services			792,871.29	792,871.29
Flood Control	8,905.43			8,905.43
Communication Center			151,560.65	151,560.65
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		3,522,719.31		3,522,719.31
Health and Welfare:				
Economic Assistance:				
Support of Poor	10,552.50			10,552.50
Health Assistance:				
County Nurse	17,987.40			17,987.40
Hospital	40,000.00			40,000.00
Women, Infants and Children	7,974.62			7,974.62
Other			103.24	103.24
Social Services:				
Care of Aged	2,500.00			2,500.00
Domestic Abuse	5,000.00		5,790.00	10,790.00
Mental Health Services:				
Mentally Ill	29,087.21			29,087.21

Mental Health Centers	9,928.00			9,928.00
Mental Illness Board	1,517.02			1,517.02
Culture and Recreation:				
Culture:				
Public Library	10,000.00			10,000.00
Historical Museum	1,800.00			1,800.00
Recreation:				
County Fair	32,944.11			32,944.11
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	58,564.07			58,564.07
Soil Conservation Districts	7,500.00			7,500.00
Weed and Pest Control	91,403.50			91,403.50
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	54,273.08			54,273.08
Economic Development:				
Tourism, Industrial or Recreational Development	851.14			851.14
Intergovernmental Expenditures		38,644.45		38,644.45
Debt Service		47,181.36	261,894.99	309,076.35
Total Expenditures	<u>3,526,270.74</u>	<u>3,608,545.12</u>	<u>1,272,604.65</u>	<u>8,407,420.51</u>
Excess of Revenues Over (Under) Expenditures	<u>2,449,894.16</u>	<u>(1,899,626.96)</u>	<u>(280,964.11)</u>	<u>269,303.09</u>
Other Financing Sources (Uses):				
Transfers In		2,000,082.00	382,171.00	2,382,253.00
Transfers Out	(2,262,253.00)	(120,000.00)		(2,382,253.00)
Long-Term Debt Issued			725,000.00	725,000.00
Insurance Proceeds	20,227.31			20,227.31
Sale of County Property	964.73			964.73
Payments to Refunded Debt Escrow Agent			(701,625.00)	(701,625.00)
Total Other Financing Sources (Uses)	<u>(2,241,060.96)</u>	<u>1,880,082.00</u>	<u>405,546.00</u>	<u>44,567.04</u>
Net Change in Fund Balance	208,833.20	(19,544.96)	124,581.89	313,870.13
Fund Balance - Beginning	<u>2,778,256.55</u>	<u>663,465.88</u>	<u>396,190.26</u>	<u>3,837,912.69</u>
FUND BALANCE - ENDING	<u>\$ 2,987,089.75</u>	<u>\$ 643,920.92</u>	<u>\$ 520,772.15</u>	<u>\$ 4,151,782.82</u>

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

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

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 701,041.10</u>
TOTAL ASSETS	<u><u>\$ 701,041.10</u></u>
NET POSITION:	
Net Position Held in Agency Capacity	<u>\$ 701,041.10</u>
TOTAL NET POSITION	<u><u>\$ 701,041.10</u></u>

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

UNION COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

Governmental Funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

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

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

The remaining Special Revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, 24/7 Sobriety, and Modernization and Preservation. These funds are reported on the fund financial statements as "Other Governmental Funds".

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

The Series 2003, TIF#3 Dakota Dunes and TIF #4 Malloy Debt Service Funds – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. These are not major 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.

The County's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when

revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

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

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

Basis of Accounting:

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

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

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

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

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

d. Deposits and Investments:

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

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

e. Program Revenues:

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

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

f. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

g. 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.

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

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

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

Major Special Revenue Fund

Revenue Source

Road and Bridge Fund

Motor Vehicle Licenses, Grants, Taxes,
and Intergovernmental Revenue

A schedule of fund balances is provided as follows:

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted For:				
Secondary Road Purposes	\$	\$ 22,690.84	\$	\$ 22,690.84
Special Emergency and Disaster Purposes		119,988.00		119,988.00
Bond Redemption Purposes			146,804.20	146,804.20
Rural Fire Protection Purposes			16.07	16.07
911 Service Purposes			232,463.56	232,463.56
24/7 Sobriety Purposes			4,160.05	4,160.05
Modernization and Preservation Purposes			5,190.00	5,190.00
Assigned To:				
Applied to Next Year's Budget	728,884.00			728,884.00
Highway Building Purposes	220,000.00			220,000.00
Bridge Replacement Purposes	263,178.15			263,178.15
Road and Bridge Purposes		671,178.16		671,178.16
Emergency Management Purposes			833.90	833.90
Unassigned	<u>2,530,599.81</u>			<u>2,530,599.81</u>
Total Fund Balances	<u>\$ 3,742,661.96</u>	<u>\$ 813,857.00</u>	<u>\$ 389,467.78</u>	<u>\$ 4,945,986.74</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.

As of December 31, 2012, the County had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 75,967.00

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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 investments to the fund making the investment.

3. 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.

4. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2012 was as follows:

Major Purposes:

Road and Bridge Purposes	<u>\$ 142,678.84</u>
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Other Purposes:

Bond Redemption Purposes	146,804.20
Rural Fire Protection Purposes	16.07
911 Service Purposes	232,463.56
24/7 Sobriety Program Purposes	4,160.00
Modernization and Preservation Relief Purposes	<u>5,190.00</u>

Total Other Purposes	<u>388,633.88</u>
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Total Restricted Net Position	<u>\$ 531,312.72</u>
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These balances are restricted due to federal grant, bond covenants, and statutory requirements.

5. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfer To:</u>		<u>Total</u>
	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:			
General Fund	\$ 1,698,518.00	\$ 32,000.00	\$ 1,730,518.00
Other Governmental Funds:			
Emergency Management	<u>119,988.00</u>		<u>119,988.00</u>
Total	<u>\$ 1,818,506.00</u>	<u>\$ 32,000.00</u>	<u>\$ 1,850,506.00</u>

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

Emergency and Disaster funds were transferred back to the Road and Bridge Fund once the County was reimbursed for costs associated with flooding along the Missouri River.

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

Transfers From:	Transfer To:		Total
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 2,000,082.00	\$ 262,000.00	\$ 2,262,253.00
Road and Bridge Fund		120,000.00	120,000.00
Total	\$ 2,000,082.00	\$ 382,171.00	\$ 2,382,253.00

The County typically budgets transfers to the Road and Bridge Fund and Emergency Management Fund (Other Governmental Fund) to conduct the indispensable functions of the County. Special Emergency and Disaster funds were transferred from the Road and Bridge Fund to the Emergency Management Fund to defray costs associated with flooding along the Missouri River.

6. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$130,265.59, \$130,132.98, and \$132,093.91, respectively, equal to the required contributions each year.

7. SIGNIFICANT CONTINGENCIES – LITIGATION

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

8. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2012, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The County purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. 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 two years ended December 31, 2012, six claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$7,319.99. At December 31, 2012, two claims had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will result in the future payment of unemployment benefits in the amount of approximately \$2,376.00.

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011	Expenditures 2012
US Department of Justice:				
Direct Federal Funding:				
Bureau of Justice Assistance, Bulletproof Vest Partnership Program	16.607		\$	\$ 1,301.92
Indirect Federal Funding:				
SD Associations of County Commissioners, Juvenile Justice and Delinquency Prevention-- Allocation to States	16.540		3,250.87	6,391.09
Total US Department of Justice			3,250.87	7,693.01
US Department of Transportation:				
Highway Safety Cluster:				
Indirect Federal Funding:				
SD Department of Public Safety, State and Community Highway Safety	20.600		572.83	1,981.09
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			1,097.50
Total US Department of Transportation - Highway Safety Cluster			572.83	3,078.59
US General Services Administration:				
Indirect Federal Funding:				
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 3)	39.003		5.03	247.94
US Elections Assistance Commission:				
Indirect Federal Funding:				
SD Secretary of State, Help America Vote Act Requirements Payments	90.401		6,294.00	8,709.08
US Department of Homeland Security:				
Homeland Security Cluster:				
Indirect Federal Funding:				
SD Department of Public Safety, Office of Emergency Management, Homeland Security Grant Program	97.067		2,295.00	114,759.26
Other Programs:				
Indirect Federal Funding:				
SD Department of Public Safety, Office of Emergency Management, Disaster Grants-Public Assistance (Note 2)	97.036		844,153.40	443,184.79
Emergency Management Performance Grants	97.042			647.80
Total US Department of Homeland Security			846,448.40	558,591.85
GRAND TOTAL			\$ 856,571.13	\$ 578,320.47

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

Note 2: This represents a Major Federal Financial Assistance Program.

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

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

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2011</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2012</u>
Governmental Long-Term Debt:				
General Obligation Bonds Payable	\$ 695,000.00	\$ 725,000.00 **	\$ (900,000.00)	\$ 520,000.00
Other Long-Term Debt Payable	363,944.14	300,000.00	(237,601.21)	426,342.93
Total Governmental Long-Term Debt	<u>\$ 1,058,944.14</u>	<u>\$ 1,025,000.00</u>	<u>\$ (1,137,601.21)</u>	<u>\$ 946,342.93</u>

** In 2011 the County issued \$725,000 in General Obligation Refunding Bonds, Series 2011 with an average interest rate of 2.02 percent to refund the March 1, 2003 General Obligation Bonds, Series 2003 with an average interest rate of 3.90 percent and unpaid principal of \$695,000, at the time of refunding.

The proceeds of the refunding issue in the amount of \$701,625 (less cost issuance \$23,375) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's records.

The County refunded the debt to reduce its total debt service payments over the next seven years by \$29,489.38, and to obtain an economic gain \$24,264.29.