

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
ANNUAL FINANCIAL REPORT

DECEMBER 31, 2008

STANLEY COUNTY LAW ENFORCEMENT
STATEMENT OF NET ASSETS
December 31, 2008

| | <u>Governmental</u> <u>Activities</u> |
|---------------------------|--|
| ASSETS: | |
| Cash and Cash Equivalents | <u>87,775.85</u> |
| TOTAL ASSETS | <u><u>87,775.85</u></u> |
| | |
| NET ASSETS: | |
| Unrestricted (deficit) | <u>87,775.85</u> |
| TOTAL NET ASSETS | <u><u>87,775.85</u></u> |

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

STANLEY COUNTY LAW ENFORCEMENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|-------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Public Safety | 398,540.33 | 9,430.70 | 4,931.60 | -384,178.03 |
| Total Governmental Activities | 398,540.33 | 9,430.70 | 4,931.60 | -384,178.03 |
| | | | | |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | | | | |
| Sales Taxes | | | | |
| Cost Sharing Fees | | | | 380,754.47 |
| Intergovernmental Revenues | | | | 2,163.36 |
| Unrestricted Investment Earnings | | | | 1,450.22 |
| Grants and Contributions not Restricted to Specific Programs | | | | |
| Miscellaneous Revenue | | | | |
| Gain on Sale of Fixed Assets | | | | |
| Special Items | | | | |
| Extraordinary Items | | | | |
| Transfer of Capital Assets Constructed in Capital Project Fund | | | | |
| Total General Revenues, Special Items, Extraordinary Items and Transfers | | | | 384,368.05 |
| Change in Net Assets | | | | 190.02 |
| Net Assets-Beginning | | | | 86,338.68 |
| Adjustments: | | | | |
| Prior Period Adjustment | | | | 0.00 |
| Adjusted Net Assets-Beginning | | | | 86,338.68 |
| NET ASSETS - ENDING | | | | 86,528.70 |

**STANLEY COUNTY LAW ENFORCEMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ending 12/31/2008**

| | <u>General</u> |
|----------------------------------|---------------------------|
| ASSETS: | |
| Cash | \$74,175.85 |
| Restricted Cash - Capital Outlay | <u>\$13,600.00</u> |
| TOTAL ASSETS | <u><u>\$87,775.85</u></u> |
| | |
| FUND BALANCES: | |
| Designated for Capital Outlay | \$13,600.00 |
| Undesignated | <u>\$74,174.85</u> |
| TOTAL FUND BALANCES | <u><u>\$87,774.85</u></u> |

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

STANLEY COUNTY LAW ENFORCEMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending 12/31/08

| | <u>General Fund</u> |
|--|---------------------|
| Revenue | |
| 320 Permits | |
| 3210 Pistol Permit | \$700.00 |
| Total Intergovernmental Revenue | \$700.00 |
| 330 Intergovernmental Revenue | |
| 334 State Grant | \$4,931.60 |
| Total Intergovernmental Revenue | \$4,931.60 |
| 340 Charges for Goods & Services | |
| 342 Public Safety | \$389,485.17 |
| Total Charges for Goods & Services | \$389,485.17 |
| 360 Miscellaneous Revenue | |
| 361 Interest Earned | \$2,163.36 |
| 369 Misc. Revenue | \$1,450.22 |
| Total Miscellaneous Revenue | \$3,613.58 |
| Total Revenue | \$398,730.35 |
| Expenditures | |
| 420 Public Safety | |
| 421 Police | \$398,540.33 |
| Total Public Safety | \$398,540.33 |
| Total Expenditures | \$398,540.33 |
| Excess (deficiency) of Revenues over Expenditures | \$190.02 |
| Other Financing Sources (Uses) | |
| 391.1 Operating Transfers In | |
| 511 Operating Transfers Out | |
| 367 Contributions From Private Sources | |
| 392 Proceeds From Long-Term Liabilities | |
| 393 Sale of Gen. Fixed Assets | |
| 394 Compensation for Loss/Damaged | |
| Total Other Financing Sources | \$0.00 |
| Other Change in Fund Balances: | |
| Net Change in Fund Balances | \$190.02 |
| Fund Balance January 1, 2008 | \$86,338.68 |
| Fund Balance December 31, 2008 | \$86,528.70 |

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting.

a. Financial Reporting Entity:

The reporting entity of the Stanley County Law Enforcement (a component unit of Stanley 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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 their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Stanley County is financially accountable because its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization. Stanley County may also be financially accountable for another organization if that organization is fiscally dependent on it.

The Stanley County Law Enforcement is a component unit of Stanley County. The five members of its board consist of two Stanley County Commissioners, the Stanley County Sheriff and two City of Fort Pierre Commissioners. Since the County has the majority on the

board it is deemed to control it, thus it's considered a component unit of the Stanley County.

b. Basis of Presentation:

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the Stanley County Law Enforcement (a component unit of Stanley County), GASB No. 34 implementation is first required for the calendar year ending December 31, 2004. The new reporting model significantly changed the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information. The implementation of GASB No. 34 results in a lack of comparability between these financial statements and those presented in prior years.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements have only *governmental type activities*. Governmental activities generally are financed through 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 Stanley County Law Enforcement 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. A fund is considered major if it is the primary operating fund of the Stanley County Law Enforcement (a component unit of Stanley 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 financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Stanley County Law Enforcement (a component unit of Stanley 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.

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.

During 2004, the Stanley County Law Enforcement (a component unity of Stanley County) changed its basis of accounting from a basis essentially in conformity with accounting principles generally accepted in the United States (USGAAP) to 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 Assets and Statement of Activities, both governmental and business-type 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 Assets 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 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 Stanley County Law Enforcement (SCLÉ) is recording long-term investments in marketable securities (those with maturities more than 90-days (3 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 Stanley County Law Enforcement (a component unit of Stanley 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.

Stanley County Law Enforcement (a component unit of Stanley County) held a \$25,000 certificate of deposit at First National Bank of Pierre along with \$11,680.03 held in a money market account at Edwards Jones, Inc. on December 31, 2008.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

f. Long-term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the financial statements. Instead, the debt proceeds

are reported as other financing sources and payments of principle and interest are reported as expenditures.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Stanley County Law Enforcement (a component unit of Stanley County)'s 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.

i. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components:

1. Restricted net assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components.

j. Application of Net Assets:

It is the Stanley County Law Enforcement (a component unity of Stanley County)'s policy to first use restricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The Stanley County Law Enforcement (a component unit of Stanley County) deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, 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 letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks 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.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

It is the Stanley County Law Enforcement (a component unit of Stanley County) policy to deposit all interest revenue to the fund making the investment.

The actual bank balances as of December 31, 2007 were as follows:

| | |
|---------------------|---------------------|
| Insured (FDIC/NCUA) | <u>\$ 87,775.85</u> |
| Total Deposits | <u>\$ 87,775.85</u> |

The carrying amount of deposits at December 31, 2008 was \$87,775.85.

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

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

The entity's investments except mutual funds are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

The following investments were held as of December 31, 2008:

| | |
|--|--------------------|
| CD - First National Bank of Pierre | \$25,000.00 |
| Money Market Account at Edward Jones, Inc. | <u>\$11,680.03</u> |
| Total | \$36,680.03 |

Custodial Credit Risk - Deposits -The risk that, in the event of a depository failure, Stanley County Law Enforcement (the Entity) deposits may not be returned to it. The Entity does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The Stanley County Law Enforcement (a component unit of Stanley 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.

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

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

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the

investment. The Entity's policy is to credit all income from investments to the General Fund.

The Entity is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2007, the Entity managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The Entity joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Entity pays an annual premium to the pool to provide coverage for automobiles, buildings, general liability, law enforcement and population liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's would be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay reinsurance for claims in excess of \$250,000 to the upper limit.

The Entity 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 for the past three years.

Workmen's Compensation:

The Entity joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Entity pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The Entity 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 for the past three years.

Unemployment Benefits:

The Entity provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

4. RETIREMENT PLAN

All 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's 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, 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% for any compensation exceeding the maximum taxable amount for social security for general employees only.

