STATE OF SOUTH DAKOTA. ANNUAL REPORT OF THE STATE AUDITOR TO THE GOVERNOR OF SOUTH DAKOTA FOR THE FISCAL YEAR ENDING JUNE 30TH, 1895

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ANNUAL REPORT

OF THE

STATE AUDITOR

TO THE

GOVERNOR OF SOUTH DAKOTA.

FOR THE

FISCAL YEAR ENDING JUNE 30th,

1895.

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LETTER OF TRANSMITTAL.

STATE OF SOUTH DAKOTA, AUDITOR'S OFFICE,
PIERRE, December 1st, 1895.

To His Excellency,

HON. CHARLES H. SHELDON,

Governor of the State of South Dakota:

DEAR SIR;—I have the honor to transmit herewith a report showing the fiscal transactions of the state for the year ending June 30th, 1894, as contemplated by an act of the last legislature providing for an annual instead of a biennial report by the state auditor.

This volume, divided into three parts, contains:

FIRST:—A statement of warrants issued during the past fiscal year together with statement showing receipts, expenditures and balances in various funds for the same period.

SECOND:—An abstract of the assessment for the year 1895 as equalized by the state board of assessment and equalization, and

THIRD:—Such tables and statements compiled from the department of insurance as are of interest to the public and the companies doing business in the state.

AUDITING ACCOUNTS.

In my report submitted last year, I recommended the advisability and necessity of reducing the number of funds in the general appropriation bill, and the present report shows conclusively that such action was necessary. The last legislature, in framing the general appropriation bill, took due notice of this needed change and reduced the number of funds in the aggregate more than fifty per cent. As a result, the new method is working admirably to the satisfaction, I believe, of all concerned.

Some additional legislation in regard to issuing warrants, I am inclined to think, would be of benefit in more ways than one, and in the report which will be issued next year, I shall try to make such recommendations as may be beneficial to the state as well as to the people who are directly interested.

ASSESSMENT AND EQUALIZATION.

If this volume were to find its way into the hands of a near at hand session of the legislature, it would be well to dwell at length upon the inadequate revenue laws and the powers conferred therein which govern our present revenue system. There are numerous changes which I believe could be made and result in great benefit. But inasmuch as the recommenda-

tions which may be made at this time cannot have legislative sanction or repudiation until after the time shall have elapsed in which another report shall issue from this office, I shall not treat the vexatious problem to any considerable extent, but shall simply make such comparisons as are of general interest at the present time.

On July 1st, 1894, there was uncollected and delinquent state tax to the amount of $371,653.46. On July 1st of the present year, the amount of state delinquent taxes was $355,362.38, as shown on page 166 of this report.

The tax extensions for 1892 amounted to $318,839.39; for 1893, $615,592.93; while the amount for 1894 was only $358,051.32, (see page 167), which latter levy is the last levy delinquent, as shown on page 166 of this report. It is evident that some different method of collection than the one in use at present should be had, as many of the counties which have large delinquent lists are situated in sections which have not suffered to any great extent from our common source of complaint, viz: drouth. A higher rate of tax sale certificates would no doubt help to remedy this matter.

Our state institutions for charities and corrections will in the near future demand much larger appropriations, and the general expenses of the state must of necessity increase in several directions, and while no doubt a reduction in some directions might be made, the gross increase which is bound to result will demand a larger amount of revenue than a 2-mill tax levy will meet.

The assessment of the state for the past four years has been as follows:—1892, $127,377,990; 1893, $136,032,840; 1894, $128,046,765; 1895, $121,751,151.

During this period the railroad, telegraph, telephone, express and sleeping car companies which are assessed by the state board, paid taxes on assessment as follows:—1892, $9,120,625; 1893, $9,164,496: 1894, $9,417,570; 1895, $9,418,613; so it will be seen at a glance that the decrease is wholly in other directions than that of corporation property.

While this state has suffered in common with the rest of the country on account of the general depression, it is evident from the above comparisons that some legislation is needed on the question of assessment which would secure to the state a proper listing of the property of its citizens, especially is this true in case of personal property, aside from live stock.

During the past year the state has suffered a great financial loss by reason of the failure of W. W. Taylor, state treasurer, to turn over the funds to his successor. Under our laws, the treasurer was custodian of the funds, and no person, not even his trusted deputy could tell what amount of money he had on hand. The books of his office and those in the office of the state auditor would show the amount he should have had, and while Mr. Taylor was treasurer all warrants presented were paid and no suspicion of shortage on his part was entertained in this office at least, until the time for his settlement arrived, when it was discovered that he had taken funds amounting to $367,020.59 as shown on page 176. The treasury for a time was bankrupt, but was soon replenished by the issuance of revenue warrants, so that the warrants of the state have been at par since payment was resumed. This defalcation at the present time, December 10, amounts to $239,468.30, the sum of $127,552.24 having been recovered in cash by legal process and by W. W. Taylor returning $100,000; The deficiency has also been greatly re-

duced by the turning over to the state of real estate and personal property. But to give the value of such property at this time is beyond our power.

Had the treasurer turned over the funds, there would have been $228,931.27 in the general, deficiency and maintenance of insane funds to apply on general expenses. Had these funds been forthcoming and applied to general fund expenses, there would still be outstanding $190,500 of revenue warrants and the cash on hand would be the same as at the present time. It can be plainly seen therefore, that with good management and a proper accounting for public funds by the state treasurer, the state cannot avoid the payment of useless interest on revenue warrants because of constitutional restrictions.

The amount of warrants issued on the general fund during the past fiscal year, not including revenue or funding warrants, has been $444,242.16 During the same period, the collections aside from cash on hand and the sale of revenue and funding warrants, were $318,123.86, (see page 168) in the general fund or $126,118.30 less than the amount of warrants issued. These figures speak for themselves and tell once more the story that the state cannot meet its obligations without deficiency levies, and inasmuch as the deficiency must exist before the levy can be made, the obligation of the state assumes, in part, a debt bearing form before the tax is even levied to meet it.

Of the $444,242.16 issued on the general fund during the year, $79,407.45 was on account of appropriations for the hospital for insane for the fiscal year. Nearly all this amount, $70,854.65, was collected by special tax. So that the general fund was only depleted to the amount of $8,552.80 on account of that institution. For the Soldiers' Home during the same period, there were warrants to the amount of $26,982.20 drawn on the general fund and during that time the U. S. Government paid into the state treasury $10,125.00 on account of aid, leaving a net deficit of $16,857.20 as a total cost to the state general fund. The two institutions above named made a total deficit of $25,410.00 out of the deficit of $126,118.30. On the other hand, the Secretary of State paid in fees amounting to $3,892.85, and the warrants drawn on account of his office aside from the salary of the secretary himself, amounted to $2,900, leaving the general fund $992.85 for a surplus above the expense of operating the office.

The state auditor's office paid the general fund from the insurance department fees and taxes, $24,795.27, and the warrants drawn to maintain the office, aside from the salary of the auditor, amounted to $6,563.67, leaving a surplus of $18,231.60. The surplus from the two offices named amounted to $19,224.45, leaving the gross deficiency for the fiscal year for conducting the affairs of state, aside from the institutions and offices named which contributed to the general fund the sums mentioned, $120,547.48. This deficiency will be met with such other deficiencies as may exist by a deficiency tax. But the absurdity of a state being compelled to do what no good business man would do in managing his private affairs; paying interest on deficiencies when his resources are ample to meet the outstanding obligations without extra expenditure, is apparent. And for that reason I trust that the matter of our state revenues and assessment will receive more careful study than mere partisan attacks and defenses.

The matter of taxing unorganized counties for expense incurred in assessing the same and for maintaining insane patients was referred to the last legislature, but no action was taken. The situation is as it was before, the state being a debtor for assessing some counties, the gross receipts to date being insufficient to meet the expense.

An amendment to the constitution providing for a levy of 3 mills annually would meet the necessary expenditures of the state government and keep our warrants at par without our being compelled to pledge revenues in advance and pay interest as we are now obliged to do, and while this change may not meet with popular approval, it is nevertheless an absolute necessity and must come sooner or later. This subject is one which might be treated at considerable length and with a great deal of benefit, and in the next report it will be given such consideration as I think it deserves at my hands.

INSURANCE.

At the last session of our legislature, laws were passed providing for the organization of county Mutual Insurance Companies. Full text of these laws may be had upon application to this office. The solidity and general effectiveness of these companies, which is of a mutual character, rests in the membership entirely. This office has no jurisdiction over them further than to file articles of incorporation together with a copy of by-laws, for such companies as organize under chapter 99 of 1895 Session Laws. Companies formed under chapter 100, simply file with the county auditor. General prosperity throughout the state will undoubtedly see numerous organizations under these laws.

The cash receipts for the fiscal year 1894 do not appear in this report in itemized form as heretofore, but will be given in the next annual report in order that comparisons of the two years business may be made. The total receipts by this office from insurance companies for year ending June 30, 1895, were $19,195.06 as compared to $14,457.20 for the previous year. The amount of taxes paid by companies direct to state treasurer was $5,456.86, making the total receipts from insurance companies $24,651.92 against $27,583.60 for the previous year.

Growth of business in this state is shown as follows:

1890	$21,162 70
1891	22,689 44
1892	23,934 84
1893	29,440 43
1894	27,583 60
1895	24,651 92

The ratio of losses paid to premiums received in this state for the last six years, (1889 to 1894 inclusive) has averaged less than 50 per cent.

Reports filed in 1895 give the following per centages to companies named;

Ætna, Hartford	28.7 per cent
British America, Toronto	91.9 "
Caledonian, Edinburgh	23.3 "
Commercial Union, London	65.8 "
Connecticut, Hartford	24.7 "
Continental, New York	66. "
Fire Association, Philadelphia	45.6 "
Fireman's Fund, San Francisco	64.8 "

German American, New York	50.7	"
German, Freeport	40.9	"
Hartford, Hartford	45.9	"
Home, New York	2.6	"
Insurance Company North America, Philadelphia	53.	"
Lancashire, Manchester	237.7	"
L. & L. & G., Liverpool	42.8	"
London Assurance, London	49.5	"
London & Lancashire, Liverpool	43.4	"
Manchester, England	60.4	"
Milwaukee Mechanics, Milwaukee	7.8	"
National, Hartford	85.3	"
Niagara, New York	47.	"
North British and Mercantile, London	27.7	"
Northern, London	44.4	"
Northwestern National, Milwaukee	31.1	"
Norwich Union, Norwich	60.8	"
Pennsylvania, Philadelphia	86.	"
Phenix, Brooklyn	30.9	"
Phœnix, Hartford	36.5	"
Phœnix, London	77.6	"
Queen, New York	18.8	"
Royal, Liverpool	36.9	"
Springfield F. & M., Springfield	67.4	"
St. Paul F. & M.	87.	"
State, Des Moines	21.6	"
Traders, Chicago	61.6	"
Western, Toronto	70.5	"
Average	53.2 per cent	

Respectfully submitted,

J. E. HIPPLE,

State Auditor.