

**BROWN COUNTY**

**AUDIT REPORT**

**For the Year Ended December 31, 2014**

BROWN COUNTY  
COUNTY OFFICIALS  
December 31, 2014

Board of Commissioners:

Duane Sutton  
Nancy Hansen  
Rachel Kippley  
Tom Fischbach  
Mike Wiese

Auditor:  
Maxine Fischer

Treasurer:  
Sheila Enderson

State's Attorney:  
Larry Lovrien

Register of Deeds:  
Carol Sherman

Sheriff:  
Mark Milbrandt



BROWN COUNTY  
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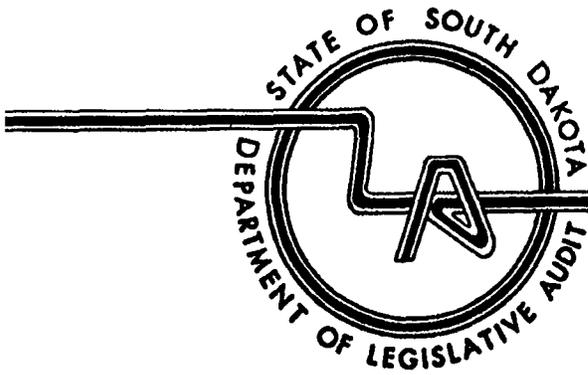
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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

County Commission  
Brown County  
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

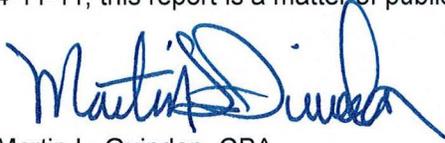
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

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

### **Purpose of this Report**

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

A handwritten signature in blue ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA  
Auditor General

December 8, 2015

BROWN COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

Finding No. 2013-001:

Internal accounting controls over financial reporting for the year ended December 31, 2013 were inadequate resulting in inaccurate information being presented to users of the report. This finding has been resolved.

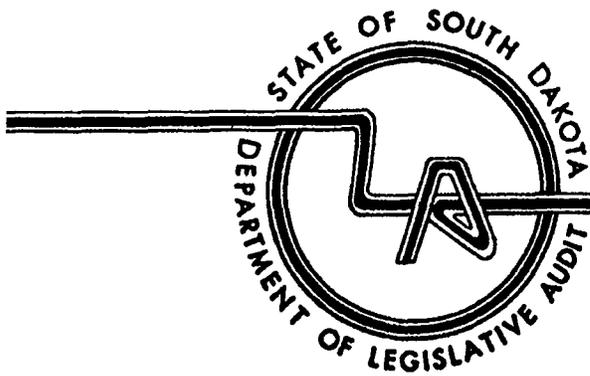
Finding No. 2013-002:

Internal controls over the purchase of technology equipment from the contractor providing information technology management services to the County were inadequate resulting in a duplicate and unsupported payment to the contractor. The duplicate payment has been repaid and no longer contracts for information technology services.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

There are no written current audit findings to report.



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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Brown County  
Aberdeen, South Dakota

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, on pages 38 through 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

  
Martin L. Guindon, CPA  
Auditor General

December 8, 2015

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 5,026,295.13	\$ 2,020,041.41	\$ 7,046,336.54
Investments	3,950,000.00	2,184,210.15	6,134,210.15
Accounts Receivable, Net	861,988.45	188,142.07	1,050,130.52
Inventories	938,481.30	59,630.73	998,112.03
Other Assets	205,527.15		205,527.15
Restricted Assets:			
Cash and Cash Equivalents		13,742.70	13,742.70
Investments		1,543,852.64	1,543,852.64
Capital Assets:			
Land, Improvements and Construction in Progress	2,839,104.96	478,078.38	3,317,183.34
Other Capital Assets, Net of Depreciation	54,074,849.66	4,944,127.61	59,018,977.27
<b>TOTAL ASSETS</b>	<b><u>\$ 67,896,246.65</u></b>	<b><u>\$ 11,431,825.69</u></b>	<b><u>\$ 79,328,072.34</u></b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 165,370.44	\$ 76,508.10	\$ 241,878.54
Other Current Liabilities	232,210.71		232,210.71
Unearned Revenue	26,174.26		26,174.26
Noncurrent Liabilities:			
Due Within One Year	861,998.67	30,971.63	892,970.30
Due in More than One Year	6,340,454.68	1,577,122.53	7,917,577.21
<b>TOTAL LIABILITIES</b>	<b><u>\$ 7,626,208.76</u></b>	<b><u>\$ 1,684,602.26</u></b>	<b><u>\$ 9,310,811.02</u></b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 56,913,954.62	\$ 5,422,205.99	\$ 62,336,160.61
Restricted For: (See Note 12)			
Road and Bridge Purposes	1,343,383.08		1,343,383.08
Other Purposes	456,409.39		456,409.39
Unrestricted	1,556,290.80	4,325,017.44	5,881,308.24
<b>TOTAL NET POSITION</b>	<b><u>\$ 60,270,037.89</u></b>	<b><u>\$ 9,747,223.43</u></b>	<b><u>\$ 70,017,261.32</u></b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 4,676,812.53	\$ 746,570.82	\$ 81,518.25	\$	\$ (3,848,723.46)	\$	\$ (3,848,723.46)
Public Safety	4,948,040.78	361,961.84	937,120.04		(3,648,958.90)		(3,648,958.90)
Public Works	7,953,764.20	200,097.01	3,224,382.72	2,063,654.77	(2,465,629.70)		(2,465,629.70)
Health and Welfare	580,166.90	95,678.48	65,547.36		(418,941.06)		(418,941.06)
Culture and Recreation	1,683,409.70	1,196,283.70	12,000.00		(475,126.00)		(475,126.00)
Conservation of Natural Resources	269,011.42	66,610.88	33,107.20		(169,293.34)		(169,293.34)
Urban and Economic Development	158,738.99	59,821.79	45,428.14		(53,489.06)		(53,489.06)
Intergovernmental Expenditures	38,868.16				(38,868.16)		(38,868.16)
**Depreciation Expense - Unallocated	16,961.19				(16,961.19)		(16,961.19)
*Interest on Long-term Debt	667,763.06				(667,763.06)		(667,763.06)
<b>Total Governmental Activities</b>	<b>20,993,536.93</b>	<b>2,727,024.52</b>	<b>4,399,103.71</b>	<b>2,063,654.77</b>	<b>(11,803,753.93)</b>	<b>0.00</b>	<b>(11,803,753.93)</b>
Business-Type Activities:							
Solid Waste	1,769,614.79	2,233,386.16		243,251.59		707,022.96	707,022.96
<b>Total Primary Government</b>	<b>\$ 22,763,151.72</b>	<b>\$ 4,960,410.68</b>	<b>\$ 4,399,103.71</b>	<b>\$ 2,306,906.36</b>	<b>(11,803,753.93)</b>	<b>707,022.96</b>	<b>(11,096,730.97)</b>
<b>General Revenues:</b>							
Taxes:							
					13,743,912.94		13,743,912.94
					777,363.05		777,363.05
					313,353.41		313,353.41
					18,215.50		18,215.50
					92,026.68	13,905.72	105,932.40
					10,938.82	32,718.00	43,656.82
					4,627.85	(4,627.85)	0.00
<b>Total General Revenues and Transfers</b>					<b>14,960,438.25</b>	<b>41,995.87</b>	<b>15,002,434.12</b>
<b>Change in Net Position</b>					<b>3,156,684.32</b>	<b>749,018.83</b>	<b>3,905,703.15</b>
<b>Net Position - Beginning</b>					<b>57,316,623.49</b>	<b>8,998,204.60</b>	<b>66,314,828.09</b>
<b>Adjustments:</b>							
Prior Period Adjustment (See Note 15)					(203,269.92)		(203,269.92)
<b>Adjusted Net Position - Beginning</b>					<b>57,113,353.57</b>	<b>8,998,204.60</b>	<b>66,111,558.17</b>
<b>NET POSITION - ENDING</b>					<b>\$ 60,270,037.89</b>	<b>\$ 9,747,223.43</b>	<b>\$ 70,017,261.32</b>

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

\*\* This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 7).

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

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

	General Fund	Road and Bridge Fund	Brown County TIF #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,885,116.68	\$ 1,328,117.41	\$ 856,377.25	\$ 956,683.79	\$ 5,026,295.13
Investments	3,526,756.73	423,243.27			3,950,000.00
Taxes Receivable--Delinquent	179,074.67				179,074.67
Accounts Receivable, Net	5,491.76	556.30		15.00	6,063.06
Due from Other Government	158,869.58	477,518.90		40,462.24	676,850.72
Inventory of Supplies	18,341.49	920,139.81			938,481.30
Deposits	205,527.15				205,527.15
<b>TOTAL ASSETS</b>	<b>\$ 5,979,178.06</b>	<b>\$ 3,149,575.69</b>	<b>\$ 856,377.25</b>	<b>\$ 997,161.03</b>	<b>\$ 10,982,292.03</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	\$ 97,864.94	\$ 64,404.75	\$	\$ 3,100.75	\$ 165,370.44
Accrued Wages Payable	143,611.75	34,802.59		23,556.34	201,970.68
Payable Withholding Payable	21,545.52	5,272.59		3,421.92	30,240.03
Unearned Revenue	10,473.46			15,700.80	26,174.26
<b>Total Liabilities</b>	<b>273,495.67</b>	<b>104,479.93</b>	<b>0.00</b>	<b>45,779.81</b>	<b>423,755.41</b>
Deferred Inflows of Resources:					
Unavailable Revenue--Property Taxes	179,074.67				179,074.67
Fund Balances: (See Note 1.1.)					
Nonspendable	223,868.64	920,139.81			1,144,008.45
Restricted	63,493.83	423,243.27	856,377.25	187,388.41	1,530,502.76
Assigned	3,316,177.41	1,701,712.68		763,992.81	5,781,882.90
Unassigned	1,923,067.84				1,923,067.84
<b>Total Fund Balances</b>	<b>5,526,607.72</b>	<b>3,045,095.76</b>	<b>856,377.25</b>	<b>951,381.22</b>	<b>10,379,461.95</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,979,178.06</b>	<b>\$ 3,149,575.69</b>	<b>\$ 856,377.25</b>	<b>\$ 997,161.03</b>	<b>\$ 10,982,292.03</b>

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

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

Total Fund Balances - Governmental Funds		\$ 10,379,461.95
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		56,913,954.62
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(7,202,453.35)
Accrued Leave	\$	704,087.75
TIF Bonds	\$	6,498,365.60
Assets, such as taxes receivable (delinquent), are not available to pay for current period expenditures and therefore are deferred in the funds.		179,074.67
Net Position of Governmental Activities		\$ 60,270,037.89

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

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Brown County TIF #1 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes:					
General Property Taxes--Current	\$ 12,492,645.68	\$	\$ 1,105,993.37	\$	\$ 13,598,639.05
General Property Taxes--Delinquent	96,049.37		1,021,832.70		1,117,882.07
Penalties and Interest	29,660.85				29,660.85
Telephone Tax (Outside)	3,126.74				3,126.74
Mobile Home Tax	2,206.93				2,206.93
Wheel Tax		777,363.05			777,363.05
Tax Deed Revenue	15,097.50				15,097.50
Licenses and Permits	77,142.79	6,106.30		8,100.00	91,349.09
Intergovernmental Revenue:					
Federal Grants	152,626.07	18,925.34		113,765.78	285,317.19
Federal Shared Revenue	18,009.50				18,009.50
Federal Payments in Lieu of Taxes	206.00				206.00
State Grants	49,107.20			28,937.27	78,044.47
State Shared Revenue:					
Bank Franchise	111,347.94				111,347.94
Motor Vehicle Licenses		3,008,519.09			3,008,519.09
Court Appointed Attorney/Public Defender	13,040.67				13,040.67
Prorate License Fees		166,892.01			166,892.01
Abused and Neglected Child Defense	3,757.06				3,757.06
63 3/4% Mobile Home/Manufactured Home		12,329.03			12,329.03
Telecommunications Gross Receipts Tax	198,039.78				198,039.78
Motor Vehicle 1/4%	10,324.83				10,324.83
Motor Fuel Tax		17,717.25			17,717.25
911 Remittances				452,498.18	452,498.18
Other Payments in Lieu of Taxes	3,965.69				3,965.69
Other Intergovernmental Revenue	24,359.16			291,072.91	315,432.07
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	64,336.27				64,336.27
Register of Deeds' Fees	436,983.50			23,231.86	460,215.36
Legal Services	105,507.01			2,550.00	108,057.01

Clerk of Courts Fees	51,743.00				51,743.00
Other Fees	25,961.01				25,961.01
Public Safety:					
Law Enforcement	115,296.13				115,296.13
Prisoner Care	134,020.60				134,020.60
Sobriety Testing				84,801.26	84,801.26
Other				12,000.00	12,000.00
Public Works:					
Other		3,698.95			3,698.95
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	85,028.48				85,028.48
Other	272.96				272.96
Culture and Recreation	1,041,248.57				1,041,248.57
Conservation of Natural Resources	66,610.88				66,610.88
Other Charges	17,468.85				17,468.85
Fines and Forfeits:					
Fines	352.30				352.30
Costs	25,145.55				25,145.55
Miscellaneous Revenue:					
Investment Earnings	16,222.64	2,515.14	72,509.21	779.69	92,026.68
Rent	154,868.31				154,868.31
Contributions and Donations	29,490.04				29,490.04
Refund of Prior Year's Expenditures		190,291.76			190,291.76
Other	8,999.22	918.65		1,020.95	10,938.82
<b>Total Revenues</b>	<u>15,680,269.08</u>	<u>4,205,276.57</u>	<u>2,200,335.28</u>	<u>1,018,757.90</u>	<u>23,104,638.83</u>

**Expenditures:**

General Government:

Legislative:

Board of County Commissioners	388,289.86				388,289.86
Elections	82,502.03				82,502.03
Judicial System	55,719.24				55,719.24

Financial Administration:

Auditor	352,563.43				352,563.43
Treasurer	507,795.40				507,795.40
Data Processing	368,438.97				368,438.97

Legal Services:

State's Attorney	655,297.14				655,297.14
Court Appointed Attorney	342,282.18				342,282.18
Abused and Neglected Child Defense	15,000.00				15,000.00
Other				14,293.91	14,293.91

Other Administration:

General Government Building	885,068.29				885,068.29
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**BROWN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**  
**(Continued)**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Brown County TIF #1 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Director of Equalization	517,198.50				517,198.50
Register of Deeds	307,797.51			11,335.29	319,132.80
Veterans Service Officer	127,038.90				127,038.90
Predatory Animal	10,374.57				10,374.57
Geographic Information System	85,622.67				85,622.67
Public Safety:					
Law Enforcement:					
Sheriff	1,381,946.93				1,381,946.93
County Jail	1,454,308.91			84,872.59	1,539,181.50
Coroner	25,490.92				25,490.92
Juvenile Detention	787,767.39				787,767.39
Protective and Emergency Services:					
Fire Protection	45,020.61				45,020.61
Emergency and Disaster Services				196,263.56	196,263.56
Communication Center				876,215.35	876,215.35
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		8,384,438.48			8,384,438.48
Health and Welfare:					
Economic Assistance:					
Support of Poor	340,229.19				340,229.19
Health Assistance:					
County Nurse	18,540.00				18,540.00
Ambulance	14,209.25				14,209.25
Social Services:					
Care of Aged	1,000.00				1,000.00
Domestic Abuse				12,354.71	12,354.71
Mental Health Services:					
Mentally Ill	124,740.33				124,740.33
Developmentally Disabled	8,040.00				8,040.00
Drug Abuse	22,699.20				22,699.20
Mental Health Centers	37,080.00				37,080.00

Culture and Recreation:					
Culture:					
Public Library	18,000.00				18,000.00
Historical Museum	323,218.90				323,218.90
Historical Sites	499.64				499.64
Recreation:					
Recreational Programs	5,000.00				5,000.00
Parks	93,178.09				93,178.09
Exhibition Building	419,435.07				419,435.07
County Fair	928,949.21				928,949.21
Other	4,500.00				4,500.00
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	63,452.60				63,452.60
Weed and Pest Control	188,285.07				188,285.07
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	63,965.37				63,965.37
Urban and Rural Development	70,729.90				70,729.90
Economic Development:					
Tourism, Industrial or Recreational Development	20,750.00				20,750.00
Intergovernmental Expenditures		38,868.16			38,868.16
Debt Service			904,605.66		904,605.66
Total Expenditures	<u>11,162,025.27</u>	<u>8,423,306.64</u>	<u>904,605.66</u>	<u>1,195,335.41</u>	<u>21,685,272.98</u>
Excess of Revenues Over (Under) Expenditures	<u>4,518,243.81</u>	<u>(4,218,030.07)</u>	<u>1,295,729.62</u>	<u>(176,577.51)</u>	<u>1,419,365.85</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	7,142.99	4,299,256.64		418,429.88	4,724,829.51
Transfers Out	(4,717,686.52)	(2,515.14)			(4,720,201.66)
Insurance Proceeds	81,820.58	652.71		197.92	82,671.21
Sale of County Property	11,423.80	176,305.85			187,729.65
Total Other Financing Sources (Uses)	<u>(4,617,299.15)</u>	<u>4,473,700.06</u>	<u>0.00</u>	<u>418,627.80</u>	<u>275,028.71</u>
Net Change in Fund Balance	(99,055.34)	255,669.99	1,295,729.62	242,050.29	1,694,394.56
Changes in Nonspendable	(6,113.68)	(607,731.05)			(613,844.73)
Fund Balance - Beginning	<u>5,631,776.74</u>	<u>3,397,156.82</u>	<u>(439,352.37)</u>	<u>709,330.93</u>	<u>9,298,912.12</u>
FUND BALANCE - ENDING	<u>\$ 5,526,607.72</u>	<u>\$ 3,045,095.76</u>	<u>\$ 856,377.25</u>	<u>\$ 951,381.22</u>	<u>\$ 10,379,461.95</u>

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 1,694,394.56

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 2,824,020.03

This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (1,803,899.66)

In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. (231,541.96)

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. 2,063,654.77

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position. 236,842.60

The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available." (1,022,700.20)

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. 9,758.91

Governmental funds reflect Inventory changes as Changes in Nonspendable Fund Balance, but the Statement of Activities reflects the change through expenditures. (613,844.73)

Change in Net Position of Governmental Activities \$ 3,156,684.32

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

**BROWN COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2014**

	<b>Enterprise Funds Solid Waste Fund</b>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,020,041.41
Investments	2,184,210.15
Accounts Receivable, Net	188,142.07
Inventory of Supplies	59,630.73
Total Current Assets	4,452,024.36
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	13,742.70
Restricted Investments	1,543,852.64
Capital Assets:	
Land	478,078.38
Buildings	966,117.03
Improvements Other Than Buildings	6,417,269.44
Machinery and Equipment	2,829,023.19
Less: Accumulated Depreciation	(5,268,282.05)
Total Noncurrent Assets	6,979,801.33
<b>TOTAL ASSETS</b>	<b>\$ 11,431,825.69</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 66,736.93
Accrued Wages Payable	8,485.60
Payroll Withholding Payable	1,285.57
Compensated Absences Payable -- Current	30,971.63
Total Current Liabilities	107,479.73
Noncurrent Liabilities:	
Accrued Leave Payable	19,527.19
Accrued Landfill Closure and Postclosure Care Costs	1,557,595.34
Total Noncurrent Liabilities	1,577,122.53
<b>TOTAL LIABILITIES</b>	<b>\$ 1,684,602.26</b>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 5,422,205.99
Unrestricted Net Position	4,325,017.44
<b>TOTAL NET POSITION</b>	<b>\$ 9,747,223.43</b>

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

**BROWN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2014**

	<b>Enterprise Funds</b>
	<b>Solid Waste</b>
	<b>Fund</b>
<b>Operating Revenues:</b>	
Charges for Goods and Services	\$ 1,683,405.83
Solid Waste Fee	488,773.00
Miscellaneous	61,207.33
Total Operating Revenues	2,233,386.16
<b>Operating Expenses:</b>	
Personal Services	353,083.96
Other Current Expense	1,124,194.54
Depreciation	292,336.29
Total Operating Expenses	1,769,614.79
Operating Income (Loss)	463,771.37
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	13,905.72
Rental Revenue	32,718.00
Total Nonoperating Revenues (Expenses)	46,623.72
Income (Loss) Before Capital Contributions and Transfers	510,395.09
Capital Contributions	243,251.59
Transfers Out	(4,627.85)
Change in Net Position	749,018.83
Net Position - Beginning	8,998,204.60
<b>NET POSITION - ENDING</b>	<b>\$ 9,747,223.43</b>

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

**BROWN COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014**

	<b>Enterprise Funds Solid Waste Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts from Customers	\$ 2,181,617.69
Cash Payments to Employees for Services	(349,584.34)
Cash Payments to Suppliers of Goods and Services	(1,172,022.96)
Net Cash Provided (Used) by Operating Activities	660,010.39
<b>Cash Flows from Noncapital Financing Activities:</b>	
Rental Revenue	32,718.00
Transfers Out	(4,627.85)
Net Cash Provided (Used) by Noncapital Financing Activities	28,090.15
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchase of Capital Assets	(1,362,956.34)
Capital Grant	243,251.59
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,119,704.75)
<b>Cash Flows from Investing Activities:</b>	
Purchase of Investment Securities	(3,728,062.79)
Proceeds from Sales and Maturities of Investments	3,087,079.38
Cash Received for Interest	13,905.72
Net Cash Provided (Used) by Investing Activities	(627,077.69)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,058,681.90)
Cash and Cash Equivalents at Beginning of Year	3,092,466.01
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,033,784.11</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ 463,771.37
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	292,336.29
Change in Assets and Liabilities:	
Receivables	(52,596.32)
Inventories	3,092.00
Accounts and Other Payables	(16,936.30)
Accrued Wages Payable	1,546.58
Accrued Leave Payable	1,953.04
Unearned Revenue	827.85
Closure Costs	(33,984.12)
Net Cash Provided (Used) by Operating Activities	<b>\$ 660,010.39</b>

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

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

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,193,364.64
<b>TOTAL ASSETS</b>	<u>\$ 1,193,364.64</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	\$ 439,313.83
Due to Other Governments	754,050.81
<b>TOTAL LIABILITIES</b>	<u>\$ 1,193,364.64</u>

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

BROWN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Brown 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the County (primary government). The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

The County has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. Brown County organized the Brown County Housing and Redevelopment Commission solely for abdicating its authority over the non-municipal housing projects within Brown County to the Aberdeen Housing Commission organized by the Municipality of Aberdeen. Therefore, this component unit's financial activity was not included on the County's annual report. The financial activity of this component unit is to be included as a component unit on the Municipality of Aberdeen's annual report.

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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

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

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

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

The remaining Special Revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Teen Court, State Grants, Richmond Youth Camp, 24/7 Sobriety, and Modernization and Preservation Relief. These 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.*

Brown County TIF#1 Debt Service Fund – to account for tax increment property taxes which may be used only for the payment of the debt principal, interest, and related costs of the Tax Incremental Bond Series 2011. The County has elected to report this as a major fund.

**Proprietary Funds:**

*Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.*

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Solid Waste Fund – financed primarily by user charges this fund accounts for the solid waste operation of the County as provided by SDCL 34A-6. This is a major fund.

### **Fiduciary Funds:**

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

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

c. **Measurement Focus and Basis of Accounting:**

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

Measurement Focus:

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days, plus any grant receivables where expenditures have been incurred.

Under the modified accrual basis of accounting, receivables maybe measurable but not available. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The revenues which are accrued December 31, 2014 are various grant reimbursements, state shared revenues, E911 surcharge, and court appointed attorney reimbursements.

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

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

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

e. Capital Assets:

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Financial Statements:*

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

The total December 31, 2014 balance of governmental activities capital assets includes approximately 75 percent for which the costs were determined by estimates of the original costs. The total December 31, 2014 balance of business-type capital assets are all valued at original cost.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	\$ 1.00	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 25,000.00	Straight-line	15-100 years
Buildings	\$ 25,000.00	Straight-line	13-225 years
Machinery and Equipment	\$ 5,000.00	Straight-line	5-60 years
Infrastructure**	\$ 25,000.00	Straight-line	17-125 years

\*\*Bridges are capitalized for structures greater than 20 feet, per SDCL 31-14. The composite/group method is used for roads (gravel roads and paved roads). For roads – the entire system including base, culverts, and gravel surface. For paved roads – new construction – definition of new construction being 2" overlay or greater for distance exceeding one mile.

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences, accrued landfill closure/postclosure, and the Tax Incremental Revenue Bond Series 2011.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the County considers all highly liquid investments as deposits including restricted assets with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

j. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Position:

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then use the unrestricted resources, as they are needed. However, an exception to this policy is that restricted Snow Removal resources in the Road and Bridge Fund shall only be for expenses on snow removal when the amount spent in a fixed year exceeds the cost for an average year's snow removal.

l. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as South Dakota Public Assurance Alliance.

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

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

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

**Major Special Revenue Fund**

Road and Bridge Fund (See Note 1.b.)

**Revenue Source**

Wheel Tax, Federal Grants, Motor Vehicle License, and Prorate License Fees

A schedule of fund balances is provided as follows:

**BROWN COUNTY  
 DESCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 December 31, 2014**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Brown County TIF #1 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>					
Nonspendable:					
Inventory	\$ 18,341.49	\$ 920,139.81	\$	\$	\$ 938,481.30
Deposit – South Dakota Public Assurance Alliance	205,527.15				205,527.15
Restricted For:					
Fire Protection Purposes	25,473.85				25,473.85
Centennial Village and County Fair Purposes	35,000.00				35,000.00
Donation Purposes	3,019.98				3,019.98
Snow Removal Purposes		423,243.27			423,243.27
Debt Service Purposes			856,377.25		856,377.25
Domestic Abuse Purposes				1,074.00	1,074.00
Richmond Youth Camp Purposes				21,916.96	21,916.96
24/7 Sobriety Purposes				71,603.87	71,603.87
Teen Court Purposes				48,636.92	48,636.92
Modernization and Preservation Relief Purposes				44,156.66	44,156.66
Assigned To:					
Applied to Next Year's Budget	2,666,177.41				2,666,177.41
Capital Outlay Accumulations	600,000.00				600,000.00
Fairgrounds Capital Improvements Purposes	50,000.00				50,000.00
Road and Bridges Purposes		1,701,712.68			1,701,712.68
Emergency Management Purposes				125,391.38	125,391.38
911 Service Purposes				631,601.43	631,601.43
Teen Court Purposes				7,000.00	7,000.00
Unassigned	<u>1,923,067.84</u>				<u>1,923,067.84</u>
<b>Total Fund Balances</b>	<u><u>\$ 5,526,607.72</u></u>	<u><u>\$ 3,045,095.76</u></u>	<u><u>\$ 856,377.25</u></u>	<u><u>\$ 951,381.22</u></u>	<u><u>\$ 10,379,461.95</u></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, except for restricted cash assets in the Solid Waste Fund. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

**Investments** – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for interest earned on specific certificates of deposits and financial assurance savings account of the Solid Waste Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

3. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 1,557,595.34	DENR required Closure/Postclosure Costs for Landfill

4. RECEIVABLES AND PAYABLES

Receivables and payables are aggregated on the government-wide financial statements; however, they are reported in detail on the fund financial statements. The County expects all receivables to be collected within one year.

5. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to an expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

6. 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.

## 7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,507,596.42	\$	\$	\$ 1,507,596.42
Construction in Progress	830,554.09	1,150,321.25	(649,366.80)	1,331,508.54
<b>Total Capital Assets not being Depreciated</b>	<b>2,338,150.51</b>	<b>1,150,321.25</b>	<b>(649,366.80)</b>	<b>2,839,104.96</b>
Capital Assets being Depreciated:				
Buildings	7,578,945.10	127,936.95		7,706,882.05
Infrastructure (Improvements Other Than Buildings)	59,759,351.13	3,266,982.29	(405,224.23)	62,621,109.19
Machinery and Equipment	8,750,574.59	806,383.43	(420,871.19)	9,136,086.83
<b>Total Capital Assets being Depreciated</b>	<b>76,088,870.82</b>	<b>4,201,302.67</b>	<b>(826,095.42)</b>	<b>79,464,078.07</b>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 78,427,021.33</b>	<b>\$ 5,351,623.92</b>	<b>\$ (1,475,462.22)</b>	<b>\$ 82,303,183.03</b>
Less Accumulated Depreciation for:				
Buildings	\$ (1,725,047.54)	\$ (84,973.73)	\$	\$ (1,810,021.27)
Infrastructure (Improvements Other Than Buildings)	(17,984,324.02)	(1,209,051.66)	351,245.34	(18,842,130.34)
Machinery and Equipment	(4,451,635.65)	(509,874.27)	224,433.12	(4,737,076.80)
<b>Total Accumulated Depreciation</b>	<b>(24,161,007.21)</b>	<b>(1,803,899.66)</b>	<b>575,678.46</b>	<b>(25,389,228.41)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>51,927,863.61</b>	<b>2,397,403.01</b>	<b>(250,416.96)</b>	<b>54,074,849.66</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 54,266,014.12</b>	<b>\$ 3,547,724.26</b>	<b>\$ (899,783.76)</b>	<b>\$ 56,913,954.62</b>

Depreciation expense was charged to functions as follows:

General Government	\$ 37,787.61
Public Safety	124,302.73
Public Works	1,539,271.13
Culture and Recreation	70,398.88
Conservation of Natural Resources	14,011.45
Urban and Economic Development	1,166.67
Depreciation Unallocated	16,961.19
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,803,899.66</b>

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 478,078.38	\$	\$	\$ 478,078.38
Construction in Progress	287,468.78		(287,468.78)	0.00
<b>Total Capital Assets not being Depreciated</b>	<b>765,547.16</b>	<b>0.00</b>	<b>(287,468.78)</b>	<b>478,078.38</b>
Capital Assets being Depreciated:				
Buildings	966,117.03			966,117.03
Infrastructure (Improvements Other Than Buildings)	5,041,222.21	1,376,047.23		6,417,269.44
Machinery and Equipment	2,829,023.19			2,829,023.19
<b>Total Capital Assets being Depreciated</b>	<b>8,836,362.43</b>	<b>1,376,047.23</b>	<b>0.00</b>	<b>10,212,409.66</b>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 9,601,909.59</b>	<b>\$ 1,376,047.23</b>	<b>\$ (287,468.78)</b>	<b>\$ 10,690,488.04</b>
Less Accumulated Depreciation for:				
Buildings	\$ (373,208.74)	\$ (43,797.81)	\$	\$ (417,006.55)
Infrastructure (Improvements Other Than Buildings)	(3,028,098.93)	(95,705.13)		(3,123,804.06)
Machinery and Equipment	(1,574,638.09)	(152,833.35)		(1,727,471.44)
<b>Total Accumulated Depreciation</b>	<b>(4,975,945.76)</b>	<b>(292,336.29)</b>	<b>0.00</b>	<b>(5,268,282.05)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>3,860,416.67</b>	<b>1,083,710.94</b>	<b>0.00</b>	<b>4,944,127.61</b>
<b>Business-Type Activity Capital Assets, Net</b>	<b>\$ 4,625,963.83</b>	<b>\$ 1,083,710.94</b>	<b>\$ (287,468.78)</b>	<b>\$ 5,422,205.99</b>
Depreciation expense was charged to functions as follows:				
Solid Waste				\$ 292,336.29

Construction Work in Progress at December 31, 2014 is composed of the following:

<u>Project Name</u>	<u>Expended thru 12/31/2014</u>
Governmental Activities:	
County Road 2.5	\$ 24,221.55
County Road 16.5	16,283.53
County Road 14W1	11,068.45
County Road 03A	324,518.31
Bridge BR204	952,130.73
Bridge BR319	3,285.97
<b>Total Governmental Activities</b>	<b>\$ 1,331,508.54</b>

With regard to the Bridge projects, the projects are handled by the State Department of Transportation. The State is responsible for 80% of the total costs and the County is responsible for 20%.

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2014	Additions	Deletions	Ending Balance 12/31/2014	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
Tax Incremental Revenue					
Bond Series 2011	\$ 6,845,470.20	\$	\$ (347,104.60)	\$ 6,498,365.60	\$ 261,333.00
Accrued Compensated Absences	713,846.66	590,906.76	(600,665.67)	704,087.75	600,665.67
<b>Total Governmental Activities</b>	<u>7,559,316.86</u>	<u>590,906.76</u>	<u>(947,770.27)</u>	<u>7,202,453.35</u>	<u>861,998.67</u>
<b>Business-Type Activities:</b>					
Accrued Landfill Closure/Postclosure	1,864,301.65		(306,706.31)	1,557,595.34	
Accrued Compensated Absences	48,545.78	32,924.67	(30,971.63)	50,498.82	30,971.63
<b>Total Business-Type Activities</b>	<u>1,912,847.43</u>	<u>32,924.67</u>	<u>(337,677.94)</u>	<u>1,608,094.16</u>	<u>30,971.63</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 9,472,164.29</u>	<u>\$ 623,831.43</u>	<u>\$ (1,285,448.21)</u>	<u>\$ 8,810,547.51</u>	<u>\$ 892,970.30</u>

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

Tax Incremental Revenue Bonds – Series 2011:

New Angus LLC Increment Financing – Interest Rate of 10 percent – Maturing 4/20/2027 – Payments made out of the Brown County TIF #1 Debt Service Fund. \$ 6,498,365.60

Compensated Absences:

Annual Leave 430,927.40  
 Sick Leave 323,659.17  
 Payment to be made by the fund that the payroll expenditures are charged.

Landfill Closure/Postclosure:  
 Paid out of Solid Waste Fund

1,557,595.34

Total Long-Term Liabilities

\$ 8,810,547.51

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences and landfill closure/postclosure are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2014

Year Ending December 31,	Principal	Interest	Total
2015	\$ 261,333.00	\$ 643,466.55	\$ 904,799.55
2016	288,285.60	616,679.97	904,965.57
2017	317,691.45	587,115.97	904,807.42
2018	350,367.25	554,570.87	904,938.12
2019	386,282.10	518,636.41	904,918.51
2020–2024	2,610,126.20	1,912,234.64	4,522,360.84
2025–2027	2,284,280.00	389,996.21	2,674,276.21
<b>TOTAL</b>	<b>\$ 6,498,365.60</b>	<b>\$ 5,222,700.62</b>	<b>\$ 11,721,066.22</b>

9. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there were one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$9,736,152.49.

10. OPERATING LEASES

The County is leasing two Canon Copiers. One lease, dated October 2010 (IR3245) is a 60-month lease, with payments of \$176.80 per month from the sheriff's department budget of the General Fund. Final lease payments are due in 2015. The second lease, dated September 2012 (IR4035), is a 60 month lease, with payments of \$254.11 per month from the jail budget of the General Fund. Final lease payments are in 2017.

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2014

Year Ending December 31,	Principal	Interest
2015	\$ 4,640.52	\$
2016	3,049.32	
2017	2,032.88	
<b>TOTAL</b>	<b>\$ 9,722.72</b>	<b>\$ 0.00</b>

11. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The landfill operation is handled as an Enterprise Fund by the County. The plan for the operation of the disposal site is based on Administrative Rules of the State of South Dakota (ARSD) 74:27:13. Plans for the operation and various contingencies have been prepared for and are available at the office of the county auditor.

The County is required to recognize the cost of closure and postclosure care as the landfill is used (landfill capacity used to date). The County is also required to take into account the possibilities of higher or lower costs due to inflation, changes in technology, or changes in regulations.

The estimated liability for landfill closure and postclosure care costs for Unit #1 was \$1,887,615.53 as of December 31, 2013. Unit #1 was closed in 2014 eliminating the closure portion of the liability. The amount held for the landfill postclosure care costs for Unit #1 was \$1,183,586 on December 31, 2014.

The County completed construction on Unit 2 in 2010 and began using Cell 1 in 2011. The total lifespan of Unit 2 is currently estimated at 108 years with an estimated total capacity of 5,723,189 tons. Construction of Unit 2 Cell 2 was completed in 2014, which was a continuation of Cell 1. When calculating the Unit 2 Cell 2 Closure/Postclosure costs for 2014, a capacity of 302,204 tons with a lifespan of 5.7 years used.

The estimated liability for landfill closure and postclosure costs for Unit #2 Cell 2 was \$374,009.34 on December 31, 2014 (grand total Unit 1 and Unit 2 was \$1,557,595.34). The County is in compliance with the funding requirements set forth for closure and postclosure.

Refuge deposited in Cell 2 of Unit 2 through December 31, 2014 was 172,650 tons. This amount represents usage of approximately 57 percent of Unit 2 Cell 2 capacity.

Financial assurances for corrective action are only required at facilities with known releases of contaminants. Brown County has not had any known releases of contaminants. The closure and postclosure requirements, based on the most recent assessment are:

	Unit #1	Unit #2
Closure	\$	\$ 1,833,877.00
Postclosure	1,183,586.00	4,157,960.00
Total	\$ 1,183,586.00	\$ 5,991,837.00

In addition, the County is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2014, restricted cash and investments of \$1,557,595.34 are presented on the Solid Waste Fund balance sheet as restricted assets for Unit 1 and Unit 2.

The County Commission has also earmarked \$187,512.73 of Unrestricted Net Positions to fund future closure and postclosure costs and \$240,000.00 to meet with any potential remedial costs.

12. RESTRICTED NET POSITION

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

**Major Funds:**

Road and Bridge Purposes	<u>\$ 1,343,383.08</u>
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**Other Purposes:**

SDPAA Purposes	205,527.15
Fire Protection Purposes	25,473.85
Centennial Village Purposes	35,000.00
Donation Purposes	3,019.98
Domestic Abuse Purposes	1,074.00
Richmond Youth Camp Purposes	21,916.96
24/7 Sobriety Purposes	71,603.87
Teen Court Purposes	48,636.92
Modernization and Preservation Relief Purposes	<u>44,156.66</u>

Total Other Purposes	<u>456,409.39</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 1,799,792.47</u></b>
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These balances are restricted due to federal grant and statutory requirements or donor restrictions.

13. BROWN COUNTY TIF #1 DEBT SERVICE FUND

The County is reporting Tax Incremental Financing Series 2011 as a Major Fund because of public interest in the fund's operation. Within the Governmental Activities on the Statement of Net Position, the restricted fund balance of the TIF #1 Debt Service Fund (\$856,377.25) is offset against the outstanding balance of the Tax Incremental Series 2011 Revenue Bonds (\$6,498,365.60) and reported as a reduction of the Governmental Activities – Unrestricted Net Position in the amount of \$5,641,988.35.

14. INTERFUND TRANSFERS

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

<b>Transfers From:</b>	<b>Transfers To:</b>			<b>Total</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	
Major Funds:				
General Fund	\$	\$ 4,299,256.64	\$ 418,429.88	\$ 4,717,686.52
Road and Bridge Fund	2,515.14			2,515.14
Solid Waste Fund	<u>4,627.85</u>			<u>4,627.85</u>
Totals	<u>\$ 7,142.99</u>	<u>\$ 4,299,256.64</u>	<u>\$ 418,429.88</u>	<u>\$ 4,724,829.51</u>

The County typically budgets transfers to the Road and Bridge Fund and the Other Governmental Funds to conduct the indispensable functions of the County. The County also transfers earnings on deposits and investments from the Road and Bridge Fund and Solid Waste Fund to the General Fund.

15. PRIOR PERIOD ADJUSTMENTS

County Road 20.4 and Bridge 180, in the amount of \$ 203,269.92, were incorrectly reported as Construction in Progress in 2013. The amounts should be reported as expenditures as the projects were maintenance only. The Statement of Activities – Beginning Net Position has been adjusted to reflect the correction.

16. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$425,835.48, \$403,566.23, and \$390,576.00, respectively, equal to the required contributions each year.

17. SIGNIFICANT CONTINGENCIES – LITIGATION

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

18. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

- a. General Liability,
- b. Automobile Liability,
- c. Wrongful Acts,
- d. Law Enforcement Liability,
- e. Automobile Physical Damage, and
- f. Property Building Coverage

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2014, the County has vested balance in the cumulative reserve fund of \$205,527.15.

The County carries a \$2,500 deductible for wrongful acts by officials; \$250 comprehensive and \$500 collision deductible for the automobile physical damage coverage; \$3,000 deductible for the law enforcement liability coverage; \$1,000 deductible for property and building coverage' and no deductible for the general and automobile liability coverage.

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

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and

sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 12,530,951.00	\$ 12,530,951.00	\$ 12,492,645.68	\$ (38,305.32)
General Property Taxes--Delinquent	80,290.00	80,290.00	96,049.37	15,759.37
Penalties and Interest	22,105.00	22,105.00	29,660.85	7,555.85
Telephone Tax (Outside)	5,000.00	5,000.00	3,126.74	(1,873.26)
Mobile Home Tax	2,507.50	2,507.50	2,206.93	(300.57)
Tax Deed Revenue	182.00	182.00	15,097.50	14,915.50
Licenses and Permits	60,200.00	60,200.00	77,142.79	16,942.79
Intergovernmental Revenue:				
Federal Grants	0.00	151,711.96	152,626.07	914.11
Federal Shared Revenue	14,405.00	14,405.00	18,009.50	3,604.50
Federal Payments in Lieu of Taxes	190.00	190.00	206.00	16.00
State Grants	0.00	49,107.20	49,107.20	0.00
State Shared Revenue:				
Bank Franchise	65,000.00	65,000.00	111,347.94	46,347.94
Court Appointed Attorney/Public Defender	15,500.00	15,500.00	13,040.67	(2,459.33)
Abused and Neglected Child Defense	4,000.00	4,000.00	3,757.06	(242.94)
Telecommunications Gross Receipts Tax	227,000.00	227,000.00	198,039.78	(28,960.22)
Motor Vehicle 1/4%	7,500.00	7,500.00	10,324.83	2,824.83
Other Payments in Lieu of Taxes	4,300.00	4,300.00	3,965.69	(334.31)
Other Intergovernmental Revenue	22,000.00	22,000.00	24,359.16	2,359.16
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	57,150.00	57,150.00	64,336.27	7,186.27
Register of Deeds' Fees	425,000.00	425,000.00	436,983.50	11,983.50
Legal Services	104,000.00	104,000.00	105,507.01	1,507.01
Clerk of Courts Fees	60,500.00	60,500.00	51,743.00	(8,757.00)
Other Fees	18,500.00	18,500.00	25,961.01	7,461.01
Public Safety:				
Law Enforcement	118,950.00	118,950.00	115,296.13	(3,653.87)
Prisoner Care	101,100.00	101,100.00	134,020.60	32,920.60
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	100,000.00	100,000.00	85,028.48	(14,971.52)
Other	0.00	0.00	272.96	272.96
Culture and Recreation	806,500.00	806,500.00	1,041,248.57	234,748.57
Conservation of Natural Resources	40,500.00	40,500.00	66,610.88	26,110.88
Other Charges	18,000.00	18,000.00	17,468.85	(531.15)
Fines and Forfeits:				
Fines	200.00	200.00	352.30	152.30
Costs	24,000.00	24,000.00	25,145.55	1,145.55
Miscellaneous Revenue:				
Investment Earnings	30,000.00	30,000.00	16,222.64	(13,777.36)
Rent	89,500.00	89,500.00	154,868.31	65,368.31
Contributions and Donations	0.00	0.00	29,490.04	29,490.04
Other	10,000.00	10,000.00	8,999.22	(1,000.78)
<b>Total Revenues</b>	<b>15,065,030.50</b>	<b>15,265,849.66</b>	<b>15,680,269.08</b>	<b>414,419.42</b>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	399,450.08	399,450.08	388,289.86	11,160.22
Contingency	250,000.00	250,000.00		
Amount Transferred		(249,915.36)		84.64
Elections	84,591.40	84,591.40	82,502.03	2,089.37
Judicial System	78,505.36	78,505.36	55,719.24	22,786.12
Financial Administration:				
Auditor	373,688.58	373,688.58	352,563.43	21,125.15
Treasurer	514,666.00	514,666.00	507,795.40	6,870.60
Data Processing	383,250.00	383,250.00	368,438.97	14,811.03
Legal Services:				
State's Attorney	620,858.75	671,578.84	655,297.14	16,281.70
Court Appointed Attorney	326,500.00	342,282.18	342,282.18	0.00
Abused and Neglected Child Defense	15,000.00	15,000.00	15,000.00	0.00
Other Administration:				
General Government Building	824,627.00	900,616.31	885,068.29	15,548.02
Director of Equalization	509,980.74	517,198.50	517,198.50	0.00
Register of Deeds	305,171.15	308,244.41	307,797.51	446.90
Veterans Service Officer	132,937.05	132,937.05	127,038.90	5,898.15
Predatory Animal	10,374.57	10,374.57	10,374.57	0.00
Geographic Information System	90,605.00	90,605.00	85,622.67	4,982.33
Public Safety:				
Law Enforcement:				
Sheriff	1,358,175.00	1,427,517.68	1,381,946.93	45,570.75
County Jail	1,441,989.00	1,454,308.91	1,454,308.91	0.00
Coroner	26,855.96	26,855.96	25,490.92	1,365.04
Juvenile Detention	822,734.00	822,734.00	787,767.39	34,966.61
Protective and Emergency Services:				
Fire Protection	45,000.00	45,020.61	45,020.61	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	680,000.00	680,000.00	340,229.19	339,770.81
Health Assistance:				
County Nurse	18,540.00	18,540.00	18,540.00	0.00
Ambulance	25,000.00	25,000.00	14,209.25	10,790.75
Social Services:				
Care of Aged	1,000.00	1,000.00	1,000.00	0.00
Mental Health Services:				
Mentally Ill	60,000.00	124,740.33	124,740.33	0.00
Developmentally Disabled	8,000.00	8,040.00	8,040.00	0.00
Drug Abuse	22,000.00	22,699.20	22,699.20	0.00
Mental Health Centers	37,080.00	37,080.00	37,080.00	0.00
Mental Illness Board	30,000.00	30,000.00	0.00	30,000.00
Culture and Recreation:				
Culture:				
Public Library	18,000.00	18,000.00	18,000.00	0.00
Historical Museum	354,685.00	354,685.00	323,218.90	31,466.10

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Historical Sites	500.00	500.00	499.64	0.36
Recreation:				
Recreational Programs	5,000.00	5,000.00	5,000.00	0.00
Parks	94,550.49	94,550.49	93,178.09	1,372.40
Exhibition Building	320,173.69	417,449.12	419,435.07	(1,985.95)
County Fair	883,952.41	931,161.72	928,949.21	2,212.51
Other	4,500.00	4,500.00	4,500.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	71,949.15	71,949.15	63,452.60	8,496.55
Weed and Pest Control	153,640.50	188,285.07	188,285.07	0.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	66,318.00	66,318.00	63,965.37	2,352.63
Urban and Rural Development	25,301.76	70,729.90	70,729.90	0.00
Economic Development:				
Tourism, Industrial or Recreational Development	20,750.00	20,750.00	20,750.00	0.00
<b>Total Expenditures</b>	<u>11,515,900.64</u>	<u>11,790,488.06</u>	<u>11,162,025.27</u>	<u>628,462.79</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>3,549,129.86</u>	<u>3,475,361.60</u>	<u>4,518,243.81</u>	<u>1,042,882.21</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	112,500.00	112,500.00	7,142.99	(105,357.01)
Transfers Out	(5,017,686.52)	(5,017,686.52)	(4,717,686.52)	300,000.00
Insurance Proceeds	0.00	63,768.26	81,820.58	18,052.32
Sale of County Property	14,000.00	14,000.00	11,423.80	(2,576.20)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,891,186.52)</u>	<u>(4,827,418.26)</u>	<u>(4,617,299.15)</u>	<u>210,119.11</u>
<b>Net Change in Fund Balance</b>	<u>(1,342,056.66)</u>	<u>(1,352,056.66)</u>	<u>(99,055.34)</u>	<u>1,253,001.32</u>
<b>Changes in Nonspendable</b>	<u>0.00</u>	<u>0.00</u>	<u>(6,113.68)</u>	<u>(6,113.68)</u>
<b>Fund Balance - Beginning</b>	<u>5,631,776.74</u>	<u>5,631,776.74</u>	<u>5,631,776.74</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,289,720.08</u>	<u>\$ 4,279,720.08</u>	<u>\$ 5,526,607.72</u>	<u>\$ 1,246,887.64</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 740,000.00	\$ 740,000.00	\$ 777,363.05	\$ 37,363.05
Licenses and Permits	9,000.00	9,000.00	6,106.30	(2,893.70)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	18,925.34	18,925.34
State Shared Revenue:				
Motor Vehicle Licenses	3,100,000.00	3,100,000.00	3,008,519.09	(91,480.91)
Prorate License Fees	150,000.00	150,000.00	166,892.01	16,892.01
63 3/4% Mobile Home/Manufactured Home	30,000.00	30,000.00	12,329.03	(17,670.97)
Motor Fuel Tax	17,900.00	17,900.00	17,717.25	(182.75)
Other Intergovernmental Revenue	7,000.00	7,000.00	0.00	(7,000.00)
Charges for Goods and Services:				
Public Works:				
Other	5,600.00	5,600.00	3,698.95	(1,901.05)
Miscellaneous Revenue:				
Investment Earnings	1,500.00	1,500.00	2,515.14	1,015.14
Rent	3,000.00	3,000.00	0.00	(3,000.00)
Refund of Prior Year's Expenditures	0.00	190,291.76	190,291.76	0.00
Other	500.00	500.00	918.65	418.65
<b>Total Revenues</b>	<b>4,064,500.00</b>	<b>4,254,791.76</b>	<b>4,205,276.57</b>	<b>(49,515.19)</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	8,338,256.64	8,528,548.40	8,384,438.48	144,109.92
Intergovernmental Expenditures	44,000.00	44,000.00	38,868.16	5,131.84
<b>Total Expenditures</b>	<b>8,382,256.64</b>	<b>8,572,548.40</b>	<b>8,423,306.64</b>	<b>149,241.76</b>
Excess of Revenues Over (Under) Expenditures	(4,317,756.64)	(4,317,756.64)	(4,218,030.07)	99,726.57
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,299,256.64	4,299,256.64	4,299,256.64	0.00
Transfers Out	(1,500.00)	(1,500.00)	(2,515.14)	(1,015.14)
Insurance Proceeds	0.00	0.00	652.71	652.71
Sale of County Property	16,000.00	16,000.00	176,305.85	160,305.85
<b>Total Other Financing Sources (Uses)</b>	<b>4,313,756.64</b>	<b>4,313,756.64</b>	<b>4,473,700.06</b>	<b>159,943.42</b>
Net Change in Fund Balance	(4,000.00)	(4,000.00)	255,669.99	259,669.99
Changes in Nonspendable	0.00	0.00	(607,731.05)	(607,731.05)
Fund Balance - Beginning	3,397,156.82	3,397,156.82	3,397,156.82	0.00
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,393,156.82</b>	<b>\$ 3,393,156.82</b>	<b>\$ 3,045,095.76</b>	<b>\$ (348,061.06)</b>

BROWN COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County Commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues, and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.
4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.
5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.