PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2014

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2014

Board of Commissioners:
Nancy Trautman
Don Holloway
Lyndell Petersen
Ron Buskerud
Ken Davis

Auditor:
Julie A. Pearson

Treasurer:
Janet Sayler

State's Attorney:
Mark Vargo

Register of Deeds:
Donna Mayer

Sheriff:
Kevin Thom

PENNINGTON COUNTY
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STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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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
Pennington County,
Rapid City, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington 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 September 18, 2015. Our report includes a reference to other auditors who audited the financial statements of Pennington County Housing and Redevelopment Commission, a discretely presented component unit of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin L. Guindon, CPA
Auditor General

September 18, 2015

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Pennington County
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Pennington County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

The County's basic financial statements include the operations of the Pennington County Housing Redevelopment Commission, a discretely presented component unit of the County, which expended $8,525,325 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014. Our audit, described above, did not include the operations of the Pennington County Housing and Redevelopment Commission because the Pennington County Housing and Redevelopment Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Pennington County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Martin L. Guindon, CPA
Auditor General

September 18, 2015

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

a. An unmodified opinion was issued on the financial statements of each opinion unit.

b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1.	Schools and Roads Cluster	
2.	Payment in Lieu of Taxes	CFDA # 15.226
3.	Help America Vote Act Requirements Payments	CFDA # 90.401

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County did qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington 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 did not audit the financial statements of the Pennington County Housing and Redevelopment Commission, which represent 100 percent of the assets, liabilities, net position, expenses, and revenues of the discretely presented component unit of the County. Those statements were audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pennington County Housing and Redevelopment Commission is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and the Schedule of Funding Progress on pages 44 through 48, and 50 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 require 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 18, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Martin L. Guindon, CPA
Auditor General

September 18, 2015

PENNINGTON COUNTY
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government Governmental Activities	Component Unit
ASSETS:		
Cash and Cash Equivalents	$ 30,686,809.49	$ 2,597,105.00
Investments	5,388,780.08	98,009.00
Accounts Receivable, Net	7,919,543.78	90,155.00
Inventories	1,441,589.48	40,529.00
Other Assets	521,482.22	65,271.00
Restricted Assets:		
Cash and Cash Equivalents	712.14	
Investments		6,133,537.00
Capital Assets:		
Land, Improvements and Construction in Progress	3,484,638.00	1,979,446.00
Other Capital Assets, Net of Depreciation	134,490,189.15	11,027,512.00
TOTAL ASSETS	$ 183,933,744.34	$ 22,031,564.00
LIABILITIES:		
Accounts Payable	$ 2,250,418.54	$ 264,283.00
Unearned Revenue	5,220,331.57	218,675.00
Noncurrent Liabilities:		
Due Within One Year	5,043,987.70	166,249.00
Due in More than One Year	51,634,981.10	4,403,699.00
TOTAL LIABILITIES	$ 64,149,718.91	$ 5,052,906.00
NET POSITION: (See Note 10)		
Net Investment in Capital Assets	$ 90,043,246.10	$ 8,668,227.00
Restricted For:		
Road and Bridge Purposes	2,570,138.59	
Accumulated Building Purposes	5,710,298.82	
Other Purposes	1,298,311.09	444,776.00
Unrestricted	20,162,030.83	7,865,655.00
TOTAL NET POSITION	$ 119,784,025.43	$ 16,978,658.00

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Component Unit
Primary Government:						
Governmental Activities:						
General Government	$ 16,836,590.03	$ 2,576,000.60	$ 735,982.02	$	$ (13,524,607.41)	$
Public Safety	31,313,333.10	12,283,932.59	2,287,362.31		(16,742,038.20)	
Public Works	9,837,582.56	233,590.13	6,634,142.29		(2,969,850.14)	
Health and Welfare	2,355,869.24	354,834.80	63,345.00		(1,937,689.44)	
Culture and Recreation	728,947.56				(728,947.56)	
Conservation of Natural Resources	828,358.18	296,220.06	176,825.14		(355,312.98)	
Urban and Economic Development	683,060.22	156,733.95	108,776.96		(417,549.31)	
*Interest on Long-Term Debt	3,057,390.45				(3,057,390.45)	
Total Primary Government	$ 65,641,131.34	$ 15,901,312.13	$ 10,006,433.72	$ 0.00	(39,733,385.49)	
Component Unit:						
Pennington County Housing	$ 11,878,358.00	$ 2,007,511.00	$ 8,351,004.00	$ 174,321.00		(1,345,522.00)
General Revenues:						
Taxes:						
Property Taxes					37,980,816.25	
State Shared Revenues					901,563.17	
Grants and Contributions not Restricted to Specific Programs					2,287,699.32	
Unrestricted Investment Earnings					25,473.75	(404,283.00)
Miscellaneous Revenue					37,671.40	171,863.00
Total General Revenues					41,233,223.89	(232,420.00)
Change in Net Position					1,499,838.40	(1,577,942.00)
Net Position - Beginning					118,284,187.03	18,556,600.00
NET POSITION - ENDING					$ 119,784,025.43	$ 16,978,658.00

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

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

PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	$ 11,150,560.12	$ 11,363,166.68	$ 5,942,816.39	$	$ 965,827.94	$ 29,422,371.13
Investments	2,572,453.90			2,816,326.18		5,388,780.08
Taxes Receivable--Delinquent	201,751.98	30,018.11	24,720.19		12,654.08	269,144.36
Accounts Receivable, Net	119,791.77	1,235.89			368.00	121,395.66
Notes Receivable	3,359.00					3,359.00
Due from Other Government	1,846,055.97	707,716.65	4,580,377.43		323,987.81	7,458,137.86
Inventory of Supplies		1,441,589.48				1,441,589.48
Deposits	521,482.22					521,482.22
Restricted Cash and Cash Equivalents			712.14			712.14
TOTAL ASSETS	$ 16,415,454.96	$ 13,543,726.81	$ 10,548,626.15	$ 2,816,326.18	$ 1,302,837.83	$ 44,626,971.93
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	$ 1,114,349.63	$ 229,370.01	$ 160,374.90	$ 176,229.92	$ 35,436.90	$ 1,715,761.36
Unearned Revenue	639,954.14		4,580,377.43			5,220,331.57
Total Liabilities	1,754,303.77	229,370.01	4,740,752.33	176,229.92	35,436.90	6,936,092.93
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes	201,751.98	30,018.11	24,720.19		12,654.08	269,144.36
Fund Balances: (See Note 1.m.)						
Nonspendable	521,482.22	1,441,589.48				1,963,071.70
Restricted		1,335,686.32	5,685,578.63	2,640,096.26	809,875.53	10,471,236.74
Assigned	10,771,138.00	10,507,062.89	97,575.00		444,871.32	21,820,647.21
Unassigned	3,166,778.99					3,166,778.99
Total Fund Balances	14,459,399.21	13,284,338.69	5,783,153.63	2,640,096.26	1,254,746.85	37,421,734.64
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 16,415,454.96	$ 13,543,726.81	$ 10,548,626.15	$ 2,816,326.18	$ 1,302,837.83	$ 44,626,971.93

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

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

Total Fund Balances - Governmental Funds		$ 37,421,734.64
Amounts reported for governmental activities in the Statement of Net Position are different because:		
	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	137,974,827.15
	Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(56,678,968.80)
	Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	269,144.36
	Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	797,288.08
Net Position of Governmental Activities		$ 119,784,025.43

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

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

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
General Property Taxes--Current	$ 30,255,941.48	$ 1,636,552.07	$ 3,956,856.06	$	$ 1,280,819.24	$ 37,130,168.85
General Property Taxes--Delinquent	179,543.38	19,229.96	21,899.79		9,502.04	230,175.17
Penalties and Interest	71,826.08	6,262.55	9,014.64		3,456.29	90,559.56
Telephone Tax (Outside)	5,332.89					5,332.89
Mobile Home Tax	73,753.94	7,422.20	9,586.46		3,680.42	94,443.02
Tax Deed Revenue	80,053.23	10,083.49	10,469.31		4,248.49	104,854.52
Other Taxes	373,534.09	813.54	48,830.48		6,326.35	429,504.46
Licenses and Permits	178,750.00	147,773.10			29,670.00	356,193.10
Intergovernmental Revenue:						
Federal Grants	829,795.98	37,305.35	773,570.70		416,011.82	2,056,683.85
Federal Shared Revenue	213,470.82	247,824.25			38,044.02	499,339.09
Federal Payments in Lieu of Taxes	1,495,299.00					1,495,299.00
State Grants	267,825.14					267,825.14
State Shared Revenue:						
Bank Franchise	353,418.70					353,418.70
Motor Vehicle Licenses		5,022,662.11				5,022,662.11
Liquor Tax Reversion	890.93					890.93
State Highway Fund (former 10% game)		29,256.47				29,256.47
Court Appointed Attorney/Public Defender	123,961.57					123,961.57
Prorate License Fees		305,376.60				305,376.60
Abused and Neglected Child Defense	12,546.96					12,546.96
63 3/4% Mobile Home/Manufactured Home		61,250.11				61,250.11
Secondary Road Motor Vehicle Remittances		886,611.43				886,611.43
Telecommunications Gross Receipts Tax	547,253.54					547,253.54
Motor Vehicle 1/4%	25,916.84					25,916.84
Motor Fuel Tax		43,855.97				43,855.97
911 Remittances					1,221,731.68	1,221,731.68
Other State Shared Revenue					69,251.13	69,251.13
Other Payments in Lieu of Taxes	16,651.90		2,177.72		271.28	19,100.90
Other Intergovernmental Revenue	168,288.03		290,058.47		73,423.95	531,770.45
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	249,934.86					249,934.86

Register of Deeds' Fees	1,186,451.56				55,115.86	1,241,567.42
Legal Services	99,435.91				10,138.64	109,574.55
Clerk of Courts Fees	136,367.23					136,367.23
Other Fees	672,815.82					672,815.82
Public Safety:						
Law Enforcement	846,562.58					846,562.58
Prisoner Care	6,297,726.63					6,297,726.63
Sobriety Testing					430,862.48	430,862.48
Other	2,938,182.68				1,327,648.71	4,265,831.39
Public Works:						
Road Maintenance Contract Charges		230,575.19				230,575.19
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	269,314.72					269,314.72
Veterans Service Officer	4,687.50					4,687.50
Mental Health Services	80,832.58					80,832.58
Urban and Economic Development	60,904.00					60,904.00
Conservation of Natural Resources	150,134.06					150,134.06
Other Charges	27,000.46					27,000.46
Fines and Forfeits:						
Fines	5,740.00				2,190.00	7,930.00
Costs	5,663.51					5,663.51
Forfeits	25.00					25.00
Miscellaneous Revenue:						
Investment Earnings	10,304.40	8,534.29	5,087.62	496.80	1,050.64	25,473.75
Rent	1,800.00					1,800.00
Special Assessments	7,539.95					7,539.95
Contributions and Donations	67,835.00					67,835.00
Refund of Prior Year's Expenditures	18,742.21				233.95	18,976.16
Other	10,463.09	1,327.84			8,232.15	20,023.08
Total Revenues	48,422,518.25	8,702,716.52	5,127,551.25	496.80	4,991,909.14	67,245,191.96
Expenditures:						
General Government:						
Legislative:						
Board of County Commissioners	976,298.10					976,298.10
Elections	427,660.31					427,660.31
Judicial System	276,158.05					276,158.05
Financial Administration:						
Auditor	466,706.54					466,706.54
Treasurer	923,856.70					923,856.70
Information and Technology Services	793,327.36					793,327.36
Legal Services:						
State's Attorney	2,432,280.57					2,432,280.57
Public Defender	1,956,154.95					1,956,154.95
Court Appointed Attorney	625,629.43					625,629.43
Abused and Neglected Child Defense	202,978.81					202,978.81
Other	616,489.84					616,489.84

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

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other Administration:						
General Government Building	3,502,443.76		287,029.94	17,021.21		3,806,494.91
Director of Equalization	1,362,931.64					1,362,931.64
Register of Deeds	427,264.11				38,029.00	465,293.11
Predatory Animal	3,338.84					3,338.84
Geographic Information System	100,000.00					100,000.00
Public Safety:						
Law Enforcement:						
Sheriff	6,916,418.43				53,079.45	6,969,497.88
County Jail	10,288,632.73					10,288,632.73
Coroner	138,457.15					138,457.15
County-Wide Law Enforcement	947,376.42					947,376.42
Juvenile Detention	3,946,852.36					3,946,852.36
Other Law Enforcement	3,477,357.49				368,271.44	3,845,628.93
Protective and Emergency Services:						
Fire Protection					246,996.54	246,996.54
Emergency and Disaster Services	79,179.67				511,358.06	590,537.73
Flood Control	38,300.00					38,300.00
Communication Center					2,993,267.89	2,993,267.89
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		7,108,082.26				7,108,082.26
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,526,638.04					1,526,638.04
Health Assistance:						
Health Services	193,348.00					193,348.00
Social Services:						
Domestic Abuse					41,998.64	41,998.64
Mental Health Services:						
Mentally Ill	587,642.71					587,642.71
Culture and Recreation:						
Culture:						
Public Library					472,540.00	472,540.00
Recreation:						
County Fair					178,295.00	178,295.00

Senior Center	19,446.00					19,446.00
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	65,590.26					65,590.26
Soil Conservation Districts	62,721.00					62,721.00
Weed and Pest Control	294,544.35					294,544.35
Grasshopper and Pest Control	377,845.31					377,845.31
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	374,850.52					374,850.52
Other	301,659.27					301,659.27
Economic Development:						
Tourism, Industrial or Recreational Development	10,000.00					10,000.00
Other	25,000.00					25,000.00
Debt Service	740,997.94		4,298,521.02		491,700.45	5,531,219.41
Capital Outlay	1,339,261.95	3,248,299.67		8,965,083.00	311,700.15	13,864,344.77
Total Expenditures	46,845,638.61	10,356,381.93	4,585,550.96	8,982,104.21	5,707,236.62	76,476,912.33
Excess of Revenues Over (Under) Expenditures	1,576,879.64	(1,653,665.41)	542,000.29	(8,981,607.41)	(715,327.48)	(9,231,720.37)
Other Financing Sources (Uses):						
Transfers In	89,260.69	2,108,973.00			613,807.00	2,812,040.69
Transfers Out	(2,722,780.00)	(8,534.29)			(80,726.40)	(2,812,040.69)
General Long-Term Debt Issued			3,460,000.00			3,460,000.00
Insurance Proceeds		22,000.00				22,000.00
Payments to Refunded Debt Escrow Agent			(3,393,255.12)			(3,393,255.12)
Total Other Financing Sources (Uses)	(2,633,519.31)	2,122,438.71	66,744.88	0.00	533,080.60	88,744.88
Net Change in Fund Balance	(1,056,639.67)	468,773.30	608,745.17	(8,981,607.41)	(182,246.88)	(9,142,975.49)
Changes in Nonspendable		263,354.15				263,354.15
Fund Balance - Beginning	15,516,038.88	12,552,211.24	5,174,408.46	11,621,703.67	1,436,993.73	46,301,355.98
FUND BALANCE - ENDING	$ 14,459,399.21	$ 13,284,338.69	$ 5,783,153.63	$ 2,640,096.26	$ 1,254,746.85	$ 37,421,734.64

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

PENNINGTON 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	$ (9,142,975.49)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $13,864,344.77 were more than depreciation expense of $4,959,315.52 in the current period.	8,905,029.25
In the Statement of Activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(1,073,017.30)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,762,084.08
Payment of refunding bond proceeds to escrow agency is an other financing use in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.	3,105,000.00
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."	(104,222.22)
Governmental funds reflect Inventory changes as Changes in Nonspendable Fund Balance, but the Statement of Activities reflects the change through expenditures.	263,354.15
Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures.	(7,696.43)
Governmental funds do not reflect the change in accrued OPEB, but the Statement of Activities reflects the change in accrued OPEB through expenditures.	(268,665.75)
Proceeds of bond principal is a revenue in the Governmental Funds, but increase the long-term liabilities in the Statement of Net Position.	(3,460,000.00)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	520,948.11
Change in Net Position of Governmental Activities	$ 1,499,838.40

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

PENNINGTON COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 1,264,438.36
Accounts Receivable, Net	67,506.90
TOTAL ASSETS	$ 1,331,945.26
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 534,657.18
TOTAL LIABILITIES	$ 534,657.18
NET POSITION:	
Unrestricted Net Position	$ 797,288.08
TOTAL NET POSITION	$ 797,288.08

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

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

	Internal Service Funds Health Care Trust
Operating Revenues:	
Charges for Goods and Services	$ 4,890,863.75
Stop Loss Insurance Claims and Rebates	423,143.08
Total Operating Revenues	5,314,006.83
Operating Expenses:	
Personal Services	1,057,949.34
Other Current Expense	126,788.39
Claims Paid Gross	3,609,301.08
Total Operating Expenses	4,794,038.81
Operating Income (Loss)	519,968.02
Nonoperating Revenues (Expenses):	
Investment Earnings	980.09
Change in Net Position	520,948.11
Net Position - Beginning	276,339.97
NET POSITION - ENDING	$ 797,288.08

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

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

	Internal Service Funds Health Care Trust
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	$ 4,890,863.75
Stop Loss Insurance Claims and Rebate Receipts	722,251.83
Cash Payments to Administrator	(1,184,737.73)
Claims Paid	(3,405,490.28)
Net Cash Provided (Used) by Operating Activities	1,022,887.57
Cash Flows from Investing Activities:	
Interest Earnings	980.09
Net Increase (Decrease) in Cash and Cash Equivalents	1,023,867.66
Cash and Cash Equivalents at Beginning of Year	240,570.70
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,264,438.36
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ 519,968.02
Change in Assets and Liabilities:	
Receivables	299,108.75
Accounts and Other Payables	203,810.80
Net Cash Provided (Used) by Operating Activities	$ 1,022,887.57

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

PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2014

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 5,624,924.43
TOTAL ASSETS	$ 5,624,924.43
LIABILITIES:	
Amounts Held for Others	$ 2,258,386.32
Due to Other Governments	3,366,538.11
TOTAL LIABILITIES	$ 5,624,924.43

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Pennington 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 Housing and Redevelopment Commission of Pennington County, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the County Commission's Chairperson with the approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2014 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and the Commission have occurred. Separately issued financial statements of the Commission may be obtained from: 1804 West Fulton Street, Rapid City, SD 57702-4358.

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 activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients

of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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.

Accumulated Building Fund – authorized by SDCL 7-25-1 to account for the accumulation of a special tax levy not to exceed ninety cents per thousand dollars of taxable valuation annually for the acquisition or construction of a courthouse, office, jail building, county extension buildings, grandstands and bleachers, highway maintenance buildings, or public library. This is a major fund.

The remaining special revenue funds are not considered major funds: Drug Seizure, 911 Service, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Library, County Fair, 24/7 Sobriety, and Modernization and

Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

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

TIF #2 and TIF #3 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. These are not major funds.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Courthouse Complex Expansion Capital Projects Fund – to account for financial resources to be used to implement the County's Master Plan for the construction of a parking ramp, a City/County evidence building, and energy plant, a new county administration building, courthouse remodel, highway shop, and other projects outlined in the master plan. This is a major fund.

Proprietary Funds:

Internal Service Funds – Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. The particular type of goods or services provided to other funds is for employee health care. Internal service funds are never considered to be major funds. The Health Care Trust Fund is the only internal service fund maintained by the County.

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 component unit 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 component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

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

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

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. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

> In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Health Care Trust Fund, so that expenses are reported only by the function to which they relate.

e. 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 primarily 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.

f. 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 are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	all capitalized	-------N/A------	-------N/A------
Improvements Other Than Buildings	$ 50,000	Straight-line	99 years
Buildings	$ 50,000	Straight-line	10-100 years
Machinery and Equipment	$ 5,000	Straight-line	5-15 years
Infrastructure	$ 50,000	Straight-line	20-40 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. 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 resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of certificates of participation, revenue bonds, financing (capital acquisition) leases, accrued OPEB liability, and compensated absences.

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.

h. 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.

i. 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.

j. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund essentially has access to the entire amount of its cash resources on demand. Accordingly, the Health Care Trust Fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. 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. Agency Funds have no fund equity.

l. Application of Net Position:

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

m. 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 of $1,441,589.48.
- Amount legally or contractually required to be maintained intact such as SDPAA deposit balance of $521,482.22.

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	**Revenue Source**
Road and Bridge Fund	Motor Vehicle Fees and Taxes
Accumulated Building Fund	Taxes and Intergovernmental Revenues

A schedule of fund balances is provided as follows:

PENNINGTON COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory of Supplies	$	$ 1,441,589.48	$	$	$	$ 1,441,589.48
South Dakota Public Assurance Alliance	521,482.22					521,482.22
Restricted For:						
Emergency and Disaster Purposes		299,260.69				299,260.69
Secondary Road Purposes		1,036,425.63				1,036,425.63
Accumulated Building Purposes			5,685,578.63			5,685,578.63
Courthouse Building Purposes				2,640,096.26		2,640,096.26
Library Purposes					79,392.53	79,392.53
Drug Seizure Purposes					17,519.63	17,519.63
County Fire Purposes					286,743.03	286,743.03
County Fair Purposes					43,246.00	43,246.00
Title III Purposes					67,556.36	67,556.36
Pandemic Flu Purposes					35,016.97	35,016.97
Hazardous Materials Purposes					7,132.02	7,132.02
24/7 Sobriety Purposes					229,057.76	229,057.76
Modernization and Preservation Relief Purposes					44,211.23	44,211.23
Assigned To:						
Applied to Next Year's Budget	9,520,833.00					9,520,833.00
Other Accumulation Purposes	1,250,305.00					1,250,305.00
Road and Bridge Purposes		10,408,395.24				10,408,395.24
Drainage Purposes		98,667.35				98,667.35
Accumulated Building Purposes			97,575.00			97,575.00
911 Service Purposes					223,201.17	223,201.17
Emergency Management Purposes					221,670.15	221,670.15
Unassigned	3,166,778.99					3,166,778.99
Total Fund Balances	$ 14,459,399.21	$ 13,284,338.39	$ 5,783,153.63	$ 2,640,096.26	$ 1,254,746.85	$ 37,421,734.34

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

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

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

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

As of December 31, 2014, the County had the following investments.

Investment	Credit Rating	Maturities	Fair Value
Government National Mortgage Association	AAA	2028	$ 19,515.29
Mutual Funds:			
US Government Money Market Fund	AAm		25,683.91
First American Government Obligation Fund	AAm		2,816,326.18
TOTAL INVESTMENTS			$ 2,861,525.38

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in First American Government Obligation Fund at 98.42%.

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.

Investment Type	Fair Value	Greater than 10 years
GNMA		$ 19,515.29
Other Investments:		
Mutual Funds	2,842,010.09	
Total	$ 2,861,525.38	

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for the 911 Service Fund, Accumulated Building Fund, Courthouse Complex Expansion Fund and Health Care Trust Fund which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated.

3. RECEIVABLES AND PAYABLES

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

4. INVENTORY

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

5. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the County.

6. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 3,484,638.00	$	$	$ 3,484,638.00
Construction in Progress	10,890,513.00	9,017,241.00	(19,907,754.00)	0.00
Total Capital Assets not being Depreciated	14,375,151.00	9,017,241.00	(19,907,754.00)	3,484,638.00
Capital Assets being Depreciated:				
Infrastructure (Improvements Other Than Buildings)	81,083,218.78	1,903,517.25	(1,548,253.31)	81,438,482.72
Buildings	79,909,526.00	20,412,474.00		100,322,000.00
Machinery and Equipment	24,032,699.08	2,504,933.52	(1,156,116.00)	25,381,516.60
Total Capital Assets being Depreciated	185,025,443.86	24,820,924.77	(2,704,369.31)	207,141,999.32
TOTAL CAPITAL ASSETS	$ 199,400,594.86	$ 33,838,165.77	$ (22,612,123.31)	$ 210,626,637.32
Less Accumulated Depreciation for:				
Infrastructure (Improvements Other Than Buildings)	$ (38,294,692.81)	$ (1,905,321.41)	$ 1,195,061.52	$ (39,004,952.70)
Buildings	(20,168,873.68)	(1,337,172.56)		(21,506,046.24)
Machinery and Equipment	(10,794,213.17)	(1,716,821.55)	370,223.49	(12,140,811.23)
Total Accumulated Depreciation	(69,257,779.66)	(4,959,315.52)	1,565,285.01	(72,651,810.17)
Total Capital Assets being Depreciated, Net	115,767,664.20	19,861,609.25	(1,139,084.30)	134,490,189.15
Governmental Activity Capital Assets, Net	$ 130,142,815.20	$ 28,878,850.25	$ (21,046,838.30)	$ 137,974,827.15

Depreciation expense was charged to functions as follows:

General Government	$ 414,858.75
Public Safety	1,663,501.97
Public Works	2,769,871.08
Health and Welfare	18,239.14
Culture and Recreation	59,656.36
Conservation of Natural Resources	26,132.19
Urban and Economic Development	7,056.03
Total Depreciation Expense-Governmental Activities	$ 4,959,315.52

7. CHANGES IN COMPONENT UNIT FIXED ASSETS

A summary of changes in component unit fixed assets for the year ended March 31, 2014 is as follows:

	Balance 3/31/2013	Additions	Deletions	Balance 3/31/2014
Land	$ 1,979,446.00	$	$	$ 1,979,446.00
Buildings	32,856,289.00	1,019,541.00	(1,070.00)	33,874,760.00
Furniture, Equipment and Machinery	3,533,326.00	130,904.00	(113,960.00)	3,550,270.00
Site Improvements	3,850,261.00			3,850,261.00
TOTAL	$ 42,219,322.00	$ 1,150,445.00	$ (115,030.00)	$ 43,254,737.00

A summary of changes in component unit accumulated depreciation for the year ended March 31, 2014 is as follows:

	Balance 3/31/2013	Additions	Deletions	Balance 3/31/2014
Buildings	$ 23,777,936.00	$ 1,052,608.00	$ (407.00)	$ 24,830,137.00
Furniture, Equipment and Machinery	2,251,175.00	188,401.00	(74,288.00)	2,365,288.00
Site Improvements	2,913,322.00	139,032.00		3,052,354.00
TOTAL	$ 28,942,433.00	$ 1,380,041.00	$ (74,695.00)	$ 30,247,779.00

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Long-Term Liabilities 1/1/2014	Additions	Deletions	Long-Term Liabilities 12/31/2014	Due Within One Year
Primary Government:					
Governmental Activities:					
Certificates of Participation:					
2014 Series A Matures 12/01/2023	$	$ 3,460,000.00	$ (30,000.00)	$ 3,430,000.00	$ 60,000.00
2011 Series A Matures 12/01/2023	7,635,000.00		(690,000.00)	6,945,000.00	700,000.00
2010 Series A Matures 12/01/2040	7,930,000.00			7,930,000.00	0.00
2010 Series B Matures 6/01/2037	27,435,000.00			27,435,000.00	0.00
2010 Series C Matures 12/01/2016	1,835,000.00		(600,000.00)	1,235,000.00	615,000.00
2009 COP Event Center Matures 12/01/2017	1,230,000.00		(295,000.00)	935,000.00	300,000.00
2008A Series Matures 12/1/2016	4,195,000.00		(3,455,000.00)	740,000.00	365,000.00
Honeywell Lease Matures 7/11/2016	1,315,150.91		(418,899.91)	896,251.00	438,091.00
Motorola Lease Matures 3/01/2018	1,266,037.00		(240,611.00)	1,025,426.00	249,986.00
Motorola Lease Matures 8/01/2018	617,659.00		(63,570.00)	554,089.00	65,261.00
Tax Increment Financing Matures 5/20/2016	150,425.05		(74,003.17)	76,421.88	55,597.29
Total Debt	53,609,271.96	3,460,000.00	(5,867,084.08)	51,202,187.88	2,848,935.29
Accrued Leave Liability at 12/31/2014	3,476,513.74	2,582,761.75	(2,575,065.32)	3,484,210.17	2,195,052.41
Accrued OPEB Liability at 12/31/2014	1,723,905.00	268,665.75		1,992,570.75	0.00
TOTAL PRIMARY GOVERNMENT	$ 58,809,690.70	$ 6,311,427.50	$ (8,442,149.40)	$ 56,678,968.80	$ 5,043,987.70
Component Unit	$ 3,442,711.00	$ 1,025,000.00	$ (128,979.00)	$ 4,338,731.00	$ 155,479.00

In 2014 the County issued $3,460,000.00 in Refunding Certificates of Participation Series 2014A with an average interest rate of 1.94 percent to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2008	Jail Annex	4.36%	$ 3,105,000.00

The entire proceeds of the refunding issue in the amount of $3,393,255.12 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's Government-wide Governmental Activities records.

The County refunded the debt to reduce its total debt service payments over the next nine years by $ 119,625.66 and to obtain an economic gain of $ 108,878.35.

Debt payable at December 31, 2014 is comprised of the following:

Certificates of Participation:	
2014 Series A Refunding Certificates of Participation – Interest Rates from .55 percent to 2.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 3,430,000.00
2011 Series A Refunding Certificates of Participation – Interest Rates from .55 percent to 3.1 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 6,945,000.00
2010 Series A Recovery Zone – Interest Rate 7.3 percent – Maturing 12/1/40 – Payable from Accumulated Building Fund	$ 7,930,000.00
2010 Series B Build America Bond – Interest Rates from 3.0 to 7.2 percent – Maturing 6/1/37 – Payable from Accumulated Building Fund	$ 27,435,000.00
2010 Series C Certificates of Participation – Interest Rates from 1.0 to 2.5 percent – Maturing 12/1/16 – Payable from Accumulated Building Fund	$ 1,235,000.00
2009 COP Series Event Center – Interest Rates from 1 percent to 3 percent – Maturing 12/1/17 – Payable from the County Fair Fund	$ 935,000.00
2008 Series A Certificates of Participation – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 740,000.00
Installment Contracts:	
Honeywell Lease – 4.53 Percent Interest, Final Maturity 7/11/16 – Payment made from County General Fund	$ 896,251.00
Motorola Lease – 1.68 Percent Interest, Final Maturity 3/1/18 – Payment made from Accumulated Building Fund	$ 1,025,426.00
Motorola Lease – 2.66 Percent Interest, Final Maturity 8/1/18 – Payment made from 911 Service Fund	$ 554,089.00
Tax Increment Financing:	
2009 Tax Increment Financing Bank Loan – Interest Rate of 8.5 percent – Final Maturity 5/20/16 – Payments to be made from TID #3 Fund	$ 76,421.88

Compensated Absences:

Accrued Leave Liability at December 31, 2014 – Payment will be made by the fund that the payroll expenditures are charged to.	$ 3,484,210.17
Accrued OPEB Liability at December 31, 2014	$ 1,992,570.75

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 Dec. 31,	Tax Incremental Financing		Certificates of Participation	
	Principal	Interest	Principal	Interest
2015	$ 55,597.29	$ 4,813.23	$ 2,040,000.00	$ 2,520,233.75
2016	20,824.59	894.87	2,090,000.00	2,475,528.75
2017			2,140,000.00	2,425,372.50
2018			2,190,000.00	2,373,040.00
2019			2,240,000.00	2,313,922.50
2020-2024			10,795,000.00	10,373,038.75
2025-2029			6,640,000.00	8,349,181.25
2030-2034			8,115,000.00	6,081,017.50
2035-2039			10,115,000.00	2,923,357.50
2040			2,285,000.00	125,560.00
TOTAL	$ 76,421.88	$ 5,708.10	$ 48,650,000.00	$ 39,960,252.50

Year Ending Dec. 31,	Installment Contracts		Total	
	Principal	Interest	Principal	Interest
2015	$ 753,337.78	$ 67,660.29	$ 2,848,935.07	$ 2,592,707.27
2016	871,030.61	41,654.35	2,981,855.20	2,518,077.97
2017	421,361.14	17,538.88	2,561,361.14	2,442,911.38
2018	430,036.47	8,863.55	2,620,036.47	2,381,903.55
2019			2,240,000.00	2,313,922.50
2020-2024			10,795,000.00	10,373,038.75
2025-2029			6,640,000.00	8,349,181.25
2030-2034			8,115,000.00	6,081,017.50
2035-2039			10,115,000.00	2,923,357.50
2040			2,285,000.00	125,560.00
TOTAL	$ 2,475,766.00	$ 135,717.07	$ 51,202,187.88	$ 40,101,677.67

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 two.

Entity	Balance 12/31/2014
Black Hills Works	$ 977,925.38
United Blood Services	26,175,000.00
Total	$ 27,152,925.38

10. RESTRICTED NET POSITION

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

Major Purposes:		
Road and Bridge Purposes	$ 2,570,138.59	
Accumulated Building Purposes	5,710,298.82	
Other Purposes:		
Library Purposes	85,255.14	
Drug Seizure Purposes	17,519.63	
County Fire Purposes	242,814.39	
County Fair Purposes	46,383.41	
Title III National Forest Purposes	67,556.36	
Pandemic Flu Purposes	35,016.97	
Hazardous Materials Purposes	7,132.02	
24/7 Sobriety Purposes	230,939.72	
Modernization and Preservation Relief Purposes	44,211.23	
Insurance Purposes	521,482.22	
Total Other Purposes	1,298,311.09	
Total Restricted Net Position		**$ 9,578,748.50**

These balances are restricted due to federal grant and statutory requirements.

11. INTERFUND TRANSFERS

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

	Transfers To:			
Transfers From:	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
Major Funds:				
General Fund	$	$ 2,108,973.00	$ 613,807.00	$ 2,722,780.00
Road and Bridge Fund	8,534.29			8,534.29
Other Governmental Funds	80,726.40			80,726.40
Total	$ 89,260.69	$ 2,108,973.00	$ 613,807.00	$ 2,812,040.69

The County typically budgets transfers to the Road and Bridge Fund, the Emergency Management Fund and the 911 Service Fund (Other Governmental Funds) to conduct the indispensable functions of the County. The County also uses transfers to transfer earnings on deposits from special revenue funds to the General Fund, where it is deemed appropriate. The County also budgets a transfer from the 911 Service Fund (Other Governmental Fund) to the General Fund for the Fund's share of the tower lease debt payment. The County also transferred money to the Fair Fund (Other Governmental Fund) from the General Fund for the shortage in the fund to cover debt service costs.

12. 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 $1,925,154.75, $1,931,017.97, and $1,869,180.91, respectively, equal to the required contributions each year.

13. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by the County. The Pennington County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16. Benefit provisions were established and may be amended by the Pennington County Health Care Trust Board and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the County are established and may be amended by the Pennington County Health Care Trust Board and the governing board. A benefited employee, who retires from the County on or after the age of 50 and with at least 10 years of consecutive service with the County, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 60% of the full active premium rates for either single, employee +1, or family coverage. (pay-as-you-go basis).

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

Annual Required Contribution (ARC)	$ 357,114.00
Interest on net OPEB obligation	67,668.00
Adjustment to annual required contribution	(92,316.00)
Annual OPEB Cost	332,466.00
Contributions made	(63,800.25)
Increase (Decrease) in net OPEB obligation	268,665.75
Net OPEB obligation – beginning of year	1,723,905.00
Net OPEB obligation – end of year	$ 1,992,570.75

The County's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/14	$ 332,466.00	19.19%	$ 1,992,570.75
12/31/13	$ 332,466.00	33.78%	$ 1,723,905.00
12/31/12	$ 422,363.00	(1.50%)	$ 1,503,025.00

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	$ 3,506,507.00
Actuarial Value of Benefit Assets	0.00
Unfunded Actuarial Accrued Liability	$ 3,506,507.00
Funded Ratio	0%
Covered Payroll	$ 27,002,855.00
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	13.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost trend rate of 5.0 for all years. Both rates include a 3.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

14. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2014, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

15. 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 life and dental 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.

The County has established a group health self-insurance fund to pay for medical claims of County employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to $60,000 and any administrative costs relative to the processing of claims. Medical claims exceeding $60,000 are covered through private re-insurance carriers. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2014, the County had Net Position in the amount of $797,288.08.

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: General Liability, Automobile Liability, Law Enforcement Liability, Officials Liability, and Automobile damage.

The agreement with the SDPAA provides that the above coverages will be provided to a $5,000,000 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 $521,482.22.

The County carries a $500 deductible for the automobile comprehensive and collision coverage, $4,000 deductible for law enforcement liability coverage, $2,500 deductible for general liability coverage, and $2,500 (other than employment related claims) and $5,000 (employment related claims) deductible for the officials 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
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 30,351,647.87	$ 30,351,647.87	$ 30,255,941.48	$ (95,706.39)
General Property Taxes--Delinquent	275,000.00	275,000.00	179,543.38	(95,456.62)
Penalties and Interest	78,000.00	78,000.00	71,826.08	(6,173.92)
Telephone Tax (Outside)	3,800.00	3,800.00	5,332.89	1,532.89
Mobile Home Tax	63,000.00	63,000.00	73,753.94	10,753.94
Tax Deed Revenue	0.00	0.00	80,053.23	80,053.23
Other Taxes	0.00	0.00	373,534.09	373,534.09
Licenses and Permits	263,750.00	263,750.00	178,750.00	(85,000.00)
Intergovernmental Revenue:				
Federal Grants	974,268.00	992,613.00	829,795.98	(162,817.02)
Federal Shared Revenue	0.00	213,471.00	213,470.82	(0.18)
Federal Payments in Lieu of Taxes	1,000,000.00	1,000,000.00	1,495,299.00	495,299.00
State Grants	6,300.00	274,300.00	267,825.14	(6,474.86)
State Shared Revenue:				
Bank Franchise	300,000.00	300,000.00	353,418.70	53,418.70
Liquor Tax Reversion	775.00	775.00	890.93	115.93
Court Appointed Attorney/Public Defender	120,000.00	120,000.00	123,961.57	3,961.57
Abused and Neglected Child Defense	15,000.00	15,000.00	12,546.96	(2,453.04)
Telecommunications Gross Receipts Tax	625,000.00	625,000.00	547,253.54	(77,746.46)
Motor Vehicle 1/4%	15,000.00	15,000.00	25,916.84	10,916.84
Other Payments in Lieu of Taxes	10,000.00	10,000.00	16,651.90	6,651.90
Other Intergovernmental Revenue	242,213.00	242,213.00	168,288.03	(73,924.97)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	155,500.00	155,500.00	249,934.86	94,434.86
Register of Deeds' Fees	1,163,000.00	1,163,000.00	1,186,451.56	23,451.56
Legal Services	24,500.00	24,500.00	99,435.91	74,935.91
Clerk of Courts Fees	162,800.00	162,800.00	136,367.23	(26,432.77)
Other Fees	466,055.00	466,055.00	672,815.82	206,760.82
Public Safety:				
Law Enforcement	844,478.00	844,478.00	846,562.58	2,084.58
Prisoner Care	6,970,022.00	6,970,022.00	6,297,726.63	(672,295.37)
Other	3,339,326.00	3,339,326.00	2,938,182.68	(401,143.32)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	204,813.00	204,813.00	269,314.72	64,501.72
Veterans Service Officer	4,687.00	4,687.00	4,687.50	0.50
Mental Health Services	90,000.00	90,000.00	80,832.58	(9,167.42)
Urban and Economic Development	70,500.00	70,500.00	60,904.00	(9,596.00)
Conservation of Natural Resources	87,000.00	102,000.00	150,134.06	48,134.06
Other Charges	33,950.00	33,950.00	27,000.46	(6,949.54)
Fines and Forfeits:				
Fines	1,500.00	1,500.00	5,740.00	4,240.00
Costs	20,000.00	20,000.00	5,663.51	(14,336.49)
Forfeits	0.00	0.00	25.00	25.00

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Miscellaneous Revenue:				
Investment Earnings	125,000.00	125,000.00	10,304.40	(114,695.60)
Rent	0.00	0.00	1,800.00	1,800.00
Special Assessments	0.00	0.00	7,539.95	7,539.95
Contributions and Donations	118,150.00	118,150.00	67,835.00	(50,315.00)
Refund of Prior Year's Expenditures	0.00	0.00	18,742.21	18,742.21
Other	25,000.00	25,000.00	10,463.09	(14,536.91)
Total Revenues	48,250,034.87	48,764,850.87	48,422,518.25	(342,332.62)
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	1,044,519.00	1,044,519.00	976,298.10	68,220.90
Contingency	100,000.00	100,000.00		
Amount Transferred		0.00		100,000.00
Elections	431,261.00	644,732.00	641,131.13	3,600.87
Judicial System	349,363.00	349,363.00	276,158.05	73,204.95
Financial Administration:				
Auditor	478,344.00	478,344.00	466,706.54	11,637.46
Treasurer	957,384.00	957,384.00	923,856.70	33,527.30
Information and Technology Services	969,293.00	969,293.00	877,554.12	91,738.88
Legal Services:				
State's Attorney	2,559,334.00	2,559,334.00	2,432,280.57	127,053.43
Public Defender	2,028,587.00	2,028,587.00	1,956,154.95	72,432.05
Court Appointed Attorney	336,183.00	682,271.00	625,629.43	56,641.57
Abused and Neglected Child Defense	224,672.00	224,672.00	202,978.81	21,693.19
Other	658,054.00	658,054.00	616,489.84	41,564.16
Other Administration:				
General Government Building	3,605,903.00	3,605,903.00	3,597,795.76	8,107.24
Director of Equalization	1,427,100.00	1,427,100.00	1,387,930.64	39,169.36
Register of Deeds	464,112.00	464,112.00	427,264.11	36,847.89
Predatory Animal	3,339.00	3,339.00	3,338.84	0.16
Geographic Information System	100,000.00	100,000.00	100,000.00	0.00
Public Safety:				
Law Enforcement:				
Sheriff	7,487,766.00	7,487,766.00	7,277,683.80	210,082.20
County Jail	10,221,611.00	10,912,611.00	10,848,580.73	64,030.27
Coroner	138,544.00	138,544.00	138,457.15	86.85
County-Wide Law Enforcement	954,178.00	954,178.00	947,376.42	6,801.58
Juvenile Detention	5,174,733.00	5,374,733.00	3,946,852.36	1,427,880.64
Other Law Enforcement	3,703,372.00	3,743,372.00	3,477,357.49	266,014.51
Protective and Emergency Services:				
Emergency and Disaster Services	129,700.00	129,700.00	79,179.67	50,520.33
Flood Control	38,300.00	38,300.00	38,300.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,899,775.00	2,023,932.61	1,526,638.04	497,294.57

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health Assistance:				
Health Services	193,348.00	193,348.00	193,348.00	0.00
Mental Health Services:				
Mentally Ill	979,566.00	979,566.00	587,642.71	391,923.29
Culture and Recreation:				
Recreation:				
Senior Center	19,446.00	19,446.00	19,446.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	76,590.00	76,590.00	65,590.26	10,999.74
Soil Conservation Districts	62,721.00	62,721.00	62,721.00	0.00
Weed and Pest Control	280,232.00	295,232.00	294,544.35	687.65
Grasshopper and Pest Control	120,697.00	558,255.75	377,845.31	180,410.44
Water Conservation:				
Drainage Commissions	80,000.00	80,000.00	0.00	80,000.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	388,255.00	405,755.00	374,850.52	30,904.48
Other	447,490.00	447,490.00	301,659.27	145,830.73
Economic Development:				
Tourism, Industrial or Recreational Development	10,000.00	10,000.00	10,000.00	0.00
Other	25,000.00	25,000.00	25,000.00	0.00
Debt Service	717,115.00	717,115.00	740,997.94	(23,882.94)
Total Expenditures	48,885,887.00	50,970,662.36	46,845,638.61	4,125,023.75
Excess of Revenues Over (Under) Expenditures	(635,852.13)	(2,205,811.49)	1,576,879.64	3,782,691.13
Other Financing Sources (Uses):				
Transfers In	80,000.00	80,000.00	89,260.69	9,260.69
Transfers Out	(2,900,527.00)	(2,900,527.00)	(2,722,780.00)	177,747.00
Total Other Financing Sources (Uses)	(2,820,527.00)	(2,820,527.00)	(2,633,519.31)	187,007.69
Net Change in Fund Balance	(3,456,379.13)	(5,026,338.49)	(1,056,639.67)	3,969,698.82
Fund Balance - Beginning	15,516,038.88	15,516,038.88	15,516,038.88	0.00
FUND BALANCE - ENDING	$ 12,059,659.75	$ 10,489,700.39	$ 14,459,399.21	$ 3,969,698.82

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 1,651,356.43	$ 1,651,356.43	$ 1,636,552.07	$ (14,804.36)
General Property Taxes--Delinquent	25,000.00	25,000.00	19,229.96	(5,770.04)
Penalties and Interest	6,600.00	6,600.00	6,262.55	(337.45)
Mobile Home Tax	6,600.00	6,600.00	7,422.20	822.20
Tax Deed Revenue	0.00	0.00	10,083.49	10,083.49
Other Taxes	0.00	0.00	813.54	813.54
Licenses and Permits	1,000.00	1,000.00	147,773.10	146,773.10
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	37,305.35	37,305.35
Federal Shared Revenue	10,000.00	10,000.00	247,824.25	237,824.25
State Shared Revenue:				
Motor Vehicle Licenses	4,948,000.00	4,948,000.00	5,022,662.11	74,662.11
State Highway Fund (former 10% game)	410,000.00	410,000.00	29,256.47	(380,743.53)
Prorate License Fees	0.00	0.00	305,376.60	305,376.60
63 3/4% Mobile Home/Manufactured Home	57,000.00	57,000.00	61,250.11	4,250.11
Secondary Road Motor Vehicle Remittances	1,026,000.00	1,026,000.00	886,611.43	(139,388.57)
Motor Fuel Tax	45,000.00	45,000.00	43,855.97	(1,144.03)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	179,500.00	179,500.00	230,575.19	51,075.19
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	8,534.29	8,534.29
Other	600.00	600.00	1,327.84	727.84
Total Revenues	8,366,656.43	8,366,656.43	8,702,716.52	336,060.09
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	12,073,734.00	12,073,734.00	10,356,381.93	1,717,352.07
Excess of Revenues Over (Under) Expenditures	(3,707,077.57)	(3,707,077.57)	(1,653,665.41)	2,053,412.16
Other Financing Sources (Uses):				
Transfers In	2,206,755.00	2,206,755.00	2,108,973.00	(97,782.00)
Transfers Out	0.00	0.00	(8,534.29)	(8,534.29)
Insurance Proceeds	0.00	0.00	22,000.00	22,000.00
Total Other Financing Sources (Uses)	2,206,755.00	2,206,755.00	2,122,438.71	(84,316.29)
Net Change in Fund Balance	(1,500,322.57)	(1,500,322.57)	468,773.30	1,969,095.87
Changes in Nonspendable	0.00	0.00	263,354.15	263,354.15
Fund Balance - Beginning	12,552,211.24	12,552,211.24	12,552,211.24	0.00
FUND BALANCE - ENDING	$ 11,051,888.67	$ 11,051,888.67	$ 13,284,338.69	$ 2,232,450.02

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ACCUMULATED BUILDING FUND
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 3,969,370.07	$ 3,969,370.07	$ 3,956,856.06	$ (12,514.01)
General Property Taxes--Delinquent	29,000.00	29,000.00	21,899.79	(7,100.21)
Penalties and Interest	8,500.00	8,500.00	9,014.64	514.64
Mobile Home Tax	8,000.00	8,000.00	9,586.46	1,586.46
Tax Deed Revenue	0.00	0.00	10,469.31	10,469.31
Other Taxes	0.00	0.00	48,830.48	48,830.48
Intergovernmental Revenue:				
Federal Grants	761,477.00	761,477.00	773,570.70	12,093.70
Other Payments in Lieu of Taxes	1,800.00	1,800.00	2,177.72	377.72
Other Intergovernmental Revenue	0.00	0.00	290,058.47	290,058.47
Miscellaneous Revenue:				
Investment Earnings	13,000.00	13,000.00	5,087.62	(7,912.38)
Total Revenues	4,791,147.07	4,791,147.07	5,127,551.25	336,404.18
Expenditures:				
General Government:				
Other Administration:				
General Government Building	300,000.00	300,000.00	287,029.94	12,970.06
Debt Service	4,261,655.00	7,730,965.00	4,298,521.02	3,432,443.98
Total Expenditures	4,561,655.00	8,030,965.00	4,585,550.96	3,445,414.04
Excess of Revenues Over (Under) Expenditures	229,492.07	(3,239,817.93)	542,000.29	3,781,818.22
Other Financing Sources (Uses):				
General Long-Term Debt Issued	0.00	0.00	3,460,000.00	3,460,000.00
Payments to Refunded Debt Escrow Agent	0.00	0.00	(3,393,255.12)	(3,393,255.12)
Total Other Financing Sources (Uses)	0.00	0.00	66,744.88	66,744.88
Net Change in Fund Balance	229,492.07	(3,239,817.93)	608,745.17	3,848,563.10
Fund Balance - Beginning	5,174,408.46	5,174,408.46	5,174,408.46	0.00
FUND BALANCE - ENDING	$ 5,403,900.53	$ 1,934,590.53	$ 5,783,153.63	$ 3,848,563.10

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

Note 1. Budgets and Budgetary Accounting:

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

1. Between the fifteenth and thirtieth days of July in each year the Board of County Commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.

4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.

5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF FUNDING PROGRESS - HEALTHCARE PLAN
December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (Unit Credit Cost Method) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2008	$	$ 3,217,353.00	$ 3,217,353.00	0.0%	$ 22,810,526.00	14.1%
December 31, 2010	$	$ 3,683,407.00	$ 3,683,407.00	0.0%	$ 26,192,806.00	14.1%
December 31, 2013	$	$ 3,506,507.00	$ 3,506,507.00	0.0%	$ 27,002,855.00	13.0%

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2014
US Department of Agriculture:			
Schools and Roads Cluster:			
Direct Federal Funding:			
Schools and Roads - Grants to Counties (Note 2) (Note 3)	10.666		$ 16,842.72
Indirect Federal Funding:			
SD State Auditor,			
Schools and Roads - Grants to States (Note 2) (Note 3)	10.665		461,963.06
Total for Schools and Roads Cluster			478,805.78
Child Nutrition Cluster:			
Indirect Federal Funding:			
SD Department of Education,			
School Breakfast Program (Note 2)	10.553		24,840.37
National School Lunch Program (Note 2)	10.555		49,478.72
Total for Child Nutrition Cluster			74,319.09
Other Programs:			
Indirect Federal Funding:			
SD Department of Agriculture,			
Cooperative Forestry Assistance	10.664		3,442.45
Total US Department of Agriculture			556,567.32
US Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster:			
Indirect Federal Funding:			
City of Rapid City,			
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		18,345.00
US Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (97-258) (Note 2) (Note 3)	15.226		1,495,299.00
US Department of Justice:			
Direct Federal Funding:			
Bureau of Justice Assistance,			
Bulletproof Vest Partnership Program	16.607		5,768.00
Office of Community Oriented Policing Services,			
Public Safety Partnership and Community Policing Grants	16.710		60,352.32
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Accountability Block Grants	16.523		60,079.30
Juvenile Justice and Delinquency Prevention-- Allocation to States	16.540		21,964.90
SD Department of Social Services,			
Crime Victim Assistance	16.575		41,468.00
Violence Against Women Formula Grants	16.588		101,453.98
Total US Department of Justice			291,086.50
US Department of Transportation:			
Highway Safety Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
State and Community Highway Safety	20.600		6,854.00
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,302.41
Total for Highway Safety Cluster			8,156.41
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608		117,690.84
SD Teen Court Association,			
Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608		18,635.71
Total Other Programs			136,326.55
Total US Department of Transportation			144,482.96

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2014
US General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 4)	39.003		6,780.71
US Environmental Protection Agency:			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources,			
Nonpoint Source Implementation Grants	66.460		108,776.96
US Elections Assistance Commission:			
Indirect Federal Funding:			
SD Secretary of State,			
Help America Vote Act Requirements Payments (Note 3)	90.401		213,470.82
US Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Health,			
Public Health Emergency Preparedness	93.069		3,620.63
SD Department of Social Services,			
Promoting Safe and Stable Families	93.556		27,311.25
Total US Department of Health and Human Services			30,931.88
US Executive Office of the President:			
Indirect Federal Funding:			
SD Attorney General,			
High Intensity Drug Trafficking Areas Program	95.001		113,262.36
US Department of Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		25,748.76
Emergency Management Performance Grants	97.042		159,591.06
Homeland Security Grant Program	97.067		97,608.71
Total US Department of Homeland Security			282,948.53
GRAND TOTAL (Note 5)			$ 3,261,952.04

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

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

Note 5: The amount only includes the federal expenditures of Pennington County, the primary government, and does not include the federal expenditures of Pennington County Housing and Redevelopment Commission, a discretely presented component unit of Pennington County.