

UNION COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2016

UNION COUNTY
COUNTY OFFICIALS
December 31, 2016

Board of Commissioners:

Milton Ustad
Marvin Schempp
Doyle Karpen
Rich Headid
Tom Kimmel

Auditor:
Carol Klumper

Treasurer:
Myron Hertel

State's Attorney:
Jerry Miller

Register of Deeds:
Jana Foltz

Sheriff:
Dan Limoges

UNION COUNTY
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UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				Primary Government Activities
Governmental Activities:				
General Government	\$ 2,058,031.48	\$ 519,214.06	\$ 14,893.69	\$ (1,523,923.73)
Public Safety	2,103,154.42	378,260.00	136,312.44	(1,588,581.98)
Public Works	4,532,394.56	48,777.78	1,766,777.90	(2,716,838.88)
Health and Welfare	116,596.54	6,590.56		(110,005.98)
Culture and Recreation	64,361.61	4,157.75		(60,203.86)
Conservation of Natural Resources	107,105.28	18,018.18	3,728.77	(85,358.33)
Urban and Economic Development	141,444.84			(141,444.84)
Intergovernmental	44,757.86			(44,757.86)
*Interest on Long-Term Debt	20,393.90			(20,393.90)
Total Primary Government	\$ 9,188,240.49	\$ 975,018.33	\$ 1,921,712.80	(6,291,509.36)
General Revenues:				
Taxes:				
Property Taxes				6,251,113.15
Wheel Tax				409,167.05
State Shared Revenues				184,427.09
Grants and Contributions not Restricted to Specific Programs				8,957.06
Unrestricted Investment Earnings				51,468.13
Miscellaneous Revenue				34,007.07
Total General Revenues				6,939,139.55
Change in Net Position				647,630.19
Net Position - Beginning				8,514,604.22
NET POSITION - ENDING				\$ 9,162,234.41

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

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

UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 1,913,731.48	\$ 490,567.12	\$ 17,099.73	\$ (1,406,064.63)
Public Safety	1,970,973.12	304,318.25	179,347.26	(1,487,307.61)
Public Works	3,733,193.54	55,840.03	2,026,218.98	(1,651,134.53)
Health and Welfare	111,071.77	8,572.78		(102,498.99)
Culture and Recreation	58,618.37	3,270.00		(55,348.37)
Conservation of Natural Resources	113,146.12	14,396.08	7,167.53	(91,582.51)
Urban and Economic Development	162,780.97			(162,780.97)
Intergovernmental	42,061.00			(42,061.00)
*Interest on Long-Term Debt	25,440.08			(25,440.08)
Total Primary Government	\$ 8,131,016.45	\$ 876,964.26	\$ 2,229,833.50	(5,024,218.69)
General Revenues:				
Taxes:				
Property Taxes				6,063,253.92
Wheel Tax				374,359.63
State Shared Revenues				123,957.04
Unrestricted Investment Earnings				42,404.49
Miscellaneous Revenue				60,305.31
Total General Revenues				6,664,280.39
Change in Net Position				1,640,061.70
Net Position - Beginning				6,874,542.52
NET POSITION - ENDING				\$ 8,514,604.22

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

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

UNION COUNTY
 BALANCE SHEET - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 December 31, 2016

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 6,357,282.88	\$ 810,583.11	\$ 378,985.71	\$ 7,546,851.70
Investments	1,437,690.61	177,692.10		1,615,382.71
TOTAL ASSETS	\$ 7,794,973.49	\$ 988,275.21	\$ 378,985.71	\$ 9,162,234.41
FUND BALANCES: (See Note 1.j.)				
Restricted	\$	\$ 119,988.00	\$ 232,513.72	\$ 352,501.72
Assigned	4,712,921.79	868,287.21	146,471.99	5,727,680.99
Unassigned	3,082,051.70			3,082,051.70
TOTAL FUND BALANCES	\$ 7,794,973.49	\$ 988,275.21	\$ 378,985.71	\$ 9,162,234.41

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

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,896,779.32	\$ 55,357.52	\$ 222,695.65	\$ 6,174,832.49
General Property Taxes--Delinquent	41,253.34	1,129.80	1,143.16	43,526.30
Penalties and Interest	11,154.63		371.15	11,525.78
Telephone Tax (Outside)	825.78			825.78
Mobile Home Tax	15,761.79	39.04	343.26	16,144.09
Wheel Tax		409,167.05		409,167.05
Tax Deed Revenue	4,108.45		150.26	4,258.71
Licenses and Permits	93,330.75		4,980.00	98,310.75
Intergovernmental Revenue:				
Federal Grants	24,766.96	76,879.46		101,646.42
Federal Payments in Lieu of Taxes	471.00			471.00
State Grants	6,787.00	239,034.70	1,500.36	247,322.06
State Shared Revenue:				
Bank Franchise	92,815.00		783.75	93,598.75
Motor Vehicle Licenses		1,364,170.86		1,364,170.86
Court Appointed Attorney/Public Defender	7,953.57			7,953.57
Prorate License Fees		57,913.54		57,913.54
63 3/4% Mobile Home		4,084.87		4,084.87
Secondary Road Remittances		18,649.66		18,649.66
Telecommunications Gross Receipts Tax	66,849.62			66,849.62
Motor Vehicle 1/4%	5,364.12			5,364.12
Motor Fuel Tax		6,044.81		6,044.81
911 Remittances			104,363.12	104,363.12
Liquor Tax Reversion (25%)	20,228.72			20,228.72
Other State Shared Revenue	7,478.77			7,478.77
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	61,498.17			61,498.17
Register of Deeds' Fees	231,001.50		14,733.96	245,735.46

Legal Services	49,871.87			51,171.87
Clerk of Courts Fees	15,252.05		1,300.00	15,252.05
Other Fees	33,094.26			33,094.26
Public Safety:				
Law Enforcement	179,275.41			179,275.41
Prisoner Care	136,386.74			136,386.74
Sobriety Testing			15,470.34	15,470.34
Public Works:				
Other		48,777.78		48,777.78
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	1,111.60			1,111.60
Health Assistance:				
County Nurse	204.00			204.00
Women, Infants and Children	4,315.42			4,315.42
Mental Health Services	959.54			959.54
Culture and Recreation	4,157.75			4,157.75
Conservation of Natural Resources	18,018.18			18,018.18
Fines and Forfeits:				
Costs	27,902.51		375.00	28,277.51
Forfeits	18,850.00			18,850.00
Miscellaneous Revenue:				
Investment Earnings	42,069.59	7,846.93	1,551.61	51,468.13
Rent	14,151.50			14,151.50
Contributions and Donations	8,957.06			8,957.06
Refund of Prior Year's Expenditures	6,796.07			6,796.07
Other	471.00			471.00
Total Revenues	7,150,273.04	2,289,096.02	369,761.62	9,809,130.68

Expenditures:

General Government:				
Legislative:				
Board of County Commissioners	195,741.44			195,741.44
Elections	54,888.15			54,888.15
Judicial System	14,032.17			14,032.17
Financial Administration:				
Auditor	176,789.85			176,789.85
Treasurer	263,654.97			263,654.97
Data Processing	42,997.66			42,997.66
Legal Services:				
State's Attorney	371,004.54			371,004.54

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016
(Continued)

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Public Defender	162,953.80			162,953.80
Court Appointed Attorney	11,550.71			11,550.71
Other Administration:				
General Government Building	317,921.35			317,921.35
Director of Equalization	269,091.12			269,091.12
Register of Deeds	146,292.01		10,537.15	156,829.16
Veterans Service Officer	18,906.20			18,906.20
Predatory Animal	1,670.36			1,670.36
Public Safety:				
Law Enforcement:				
Sheriff	727,133.02			727,133.02
County Jail	719,613.90			729,146.47
Coroner	10,836.72		9,532.57	10,836.72
Protective and Emergency Services:				
Fire Protection			55,727.31	55,727.31
Emergency and Disaster Services			49,344.98	49,344.98
Flood Control	5,773.14			5,773.14
Communication Center			420,192.78	420,192.78
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		4,456,986.92		4,456,986.92
Health and Welfare:				
Economic Assistance:				
Support of Poor	19,035.55			19,035.55
Health Assistance:				
County Nurse	19,281.68			19,281.68
Ambulance	20,000.00			20,000.00
Women, Infants and Children	9,285.01			9,285.01
Social Services:				
Care of Aged	4,500.00			4,500.00
Domestic Abuse			6,655.00	6,655.00

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,651,035.00	\$ 53,985.28	\$ 281,276.11	\$ 5,986,296.39
General Property Taxes--Delinquent	40,692.47	2,287.87	1,162.73	44,143.07
Penalties and Interest	11,891.17		408.35	12,299.52
Telephone Tax (Outside)	1,511.50			1,511.50
Mobile Home Tax	17,830.99	45.18	445.12	18,321.29
Wheel Tax		374,359.63		374,359.63
Tax Deed Revenue	670.15		12.00	682.15
Licenses and Permits	91,464.05		4,650.00	96,114.05
Intergovernmental Revenue:				
Federal Grants	3,977.48	92,373.18	7,875.00	104,225.66
Federal Payments in Lieu of Taxes	448.00			448.00
State Grants	1,267.53	573,904.46	2,655.22	577,827.21
State Shared Revenue:				
Bank Franchise	49,254.86		421.15	49,676.01
Motor Vehicle Licenses		1,266,832.66		1,266,832.66
Court Appointed Attorney/Public Defender	8,121.79			8,121.79
Prorate License Fees		56,064.03		56,064.03
63 3/4% Mobile Home		5,218.69		5,218.69
Secondary Road Motor Vehicle Remittances		16,852.80		16,852.80
Telecommunications Gross Receipts Tax	74,281.03			74,281.03
Motor Vehicle 1/4%	4,779.94			4,779.94
Motor Fuel Tax		6,048.16		6,048.16
911 Remittances			170,575.56	170,575.56
Other State Shared Revenue	12,839.00			12,839.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	30,795.42			30,795.42
Register of Deeds' Fees	227,887.00		14,485.30	242,372.30

Legal Services	58,760.51			59,585.51
Clerk of Courts Fees	15,099.60		825.00	15,099.60
Other Fees	36,523.89			36,523.89
Public Safety:				
Law Enforcement	154,920.90			154,920.90
Prisoner Care	116,021.86		10,028.00	116,021.86
Sobriety Testing				10,028.00
Public Works:				
Other		55,840.03		55,840.03
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	1,195.00			1,195.00
Health Assistance:				
County Nurse	785.00			785.00
Women, Infants and Children	5,692.78			5,692.78
Mental Health Services	900.00			900.00
Culture and Recreation	3,270.00			3,270.00
Conservation of Natural Resources	14,396.08			14,396.08
Fines and Forfeits:				
Costs	14,641.49		206.00	14,847.49
Forfeits	8,500.00			8,500.00
Miscellaneous Revenue:				
Investment Earnings	34,038.09	6,876.84	1,489.56	42,404.49
Rent	10,076.35			10,076.35
Refund of Prior Year's Expenditures	6,953.78			6,953.78
Total Revenues	<u>6,710,522.71</u>	<u>2,510,688.81</u>	<u>496,515.10</u>	<u>9,717,726.62</u>

Expenditures:

General Government:				
Legislative:				
Board of County Commissioners	167,253.17			167,253.17
Elections	8,724.93			8,724.93
Judicial System	13,777.13			13,777.13
Financial Administration:				
Auditor	168,248.39			168,248.39
Treasurer	245,215.47			245,215.47
Data Processing	76,283.99			76,283.99
Legal Services:				
State's Attorney	355,002.93			355,002.93
Public Defender	160,322.63			160,322.63

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015
(Continued)

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Court Appointed Attorney	25,522.20			25,522.20
Other Administration:				
General Government Building	275,091.54			275,091.54
Director of Equalization	254,640.55			254,640.55
Register of Deeds	144,162.01			144,162.01
Veterans Service Officer	17,816.18			17,816.18
Predatory Animal	1,670.36			1,670.36
Public Safety:				
Law Enforcement:				
Sheriff	664,035.13			664,035.13
County Jail	693,793.80		7,454.81	701,248.61
Coroner	7,849.04			7,849.04
Protective and Emergency Services:				
Fire Protection			54,099.12	54,099.12
Emergency and Disaster Services			59,753.94	59,753.94
Flood Control				5,182.73
Communication Center	5,182.73		373,804.55	373,804.55
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		3,680,475.71		3,680,475.71
Health and Welfare:				
Economic Assistance:				
Support of Poor	22,060.72			22,060.72
Health Assistance:				
County Nurse	18,927.92			18,927.92
Ambulance	20,000.00			20,000.00
Women, Infants and Children	9,096.11			9,096.11
Social Services:				
Care of Aged	4,500.00			4,500.00
Domestic Abuse			5,681.00	5,681.00

Mental Health Services:				
Mentally Ill	17,498.10			17,498.10
Mental Health Centers	11,173.00			11,173.00
Mental Illness Board	2,134.92			2,134.92
Culture and Recreation:				
Culture:				
Public Library	12,000.00			12,000.00
Historical Museum	2,000.00			2,000.00
Recreation:				
County Fair	44,618.37			44,618.37
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	31,552.05			31,552.05
Soil Conservation Districts	9,500.00			9,500.00
Weed and Pest Control	72,094.07			72,094.07
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	61,661.38			61,661.38
Economic Development:				
Tourism, Industrial or Recreational Development	370.00			370.00
Intergovernmental Expenditures		42,061.00		42,061.00
Debt Service		59,039.34		59,039.34
Total Expenditures	<u>3,623,778.82</u>	<u>3,781,576.05</u>	<u>224,868.16</u>	<u>8,131,016.45</u>
Excess of Revenues Over (Under) Expenditures	<u>3,086,743.89</u>	<u>(1,270,887.24)</u>	<u>(229,146.48)</u>	<u>1,586,710.17</u>
Other Financing Sources (Uses):				
Transfers In		1,808,000.00	312,330.00	2,120,330.00
Transfers Out	(2,120,330.00)			(2,120,330.00)
Sale of County Property	53,351.53			53,351.53
Total Other Financing Sources (Uses)	<u>(2,066,978.47)</u>	<u>1,808,000.00</u>	<u>312,330.00</u>	<u>53,351.53</u>
Net Change in Fund Balance	1,019,765.42	537,112.76	83,183.52	1,640,061.70
Fund Balance - Beginning	5,619,964.77	938,653.69	315,924.06	6,874,542.52
FUND BALANCE - ENDING	<u>\$ 6,639,730.19</u>	<u>\$ 1,475,766.45</u>	<u>\$ 399,107.58</u>	<u>\$ 8,514,604.22</u>

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

A schedule of fund balances is provided as follows:

**UNION COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted For:				
Snow Removal Purposes	\$	\$ 119,988.00		\$ 119,988.00
Debt Service Purposes			171,178.62	171,178.62
Fire Protection Purposes			305.60	305.60
24/7 Sobriety Purposes			14,723.13	14,723.13
Modernization and Preservation Relief Purposes			46,306.37	46,306.37
Assigned To:				
Applied to Next Year's Budget	1,141,485.00			1,141,485.00
Road and Bridge Purposes		868,287.21		868,287.21
Highway Building Purposes	1,108,258.64			1,108,258.64
Bridge Replacement Purposes	2,063,178.15			2,063,178.15
911 Service Purposes	400,000.00		459.14	400,459.14
Capital Project Purposes			76,845.24	76,845.24
Emergency Management Purposes			69,167.61	69,167.61
Unassigned	3,082,051.70			3,082,051.70
Total Fund Balances	\$ 7,794,973.49	\$ 988,275.21	\$ 378,985.71	\$ 9,162,234.41

for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Beresford had one active tax increment district that was dissolved in 2016. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Union County during the life of the tax increment district.

The portion of general property taxes levied for this tax increment district during the calendar year ended December 31, 2015 that was not available to Union County was \$13,912. As this tax increment district was dissolved in 2016, all taxes levied for calendar year ended December 31, 2016 were apportioned to the County and other taxing entities as required.

Municipality of North Sioux City:

The Municipality of North Sioux City has created a tax increment district under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of North Sioux City has one active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Union County during the life of the tax increment district.

The portion of general property taxes levied for this tax increment district that were not available to Union County, during the calendar year ended December 31, 2016 was \$5,593 and for calendar year ended December 31, 2015 was \$3,685.

7. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS 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 at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for

service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. 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 calendar years ended December 31, 2016, 2015, and 2014, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 149,050.49
2015	\$ 142,965.58
2014	\$ 140,755.25

Pension Liabilities (Assets):

At June 30, 2016, SDRS is 96.89% funded and accordingly has a net pension liability. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2016 and reported by the County as of December 31, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 13,962,295.49
Less proportionate share of total pension liability	<u>13,527,661.21</u>
Proportionate share of net pension liability (asset)	<u>\$ 434,634.28</u>

The net pension liability (asset) was measured as of June 30, 2016 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the County's proportion was .1286699%, which is a decrease of .0012791% from its proportion measured as of June 30, 2015.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the County's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 2,432,207.65	\$ 434,634.28	\$ (1,194,601.33)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2016, 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 Employers Mutual Casualty Company. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

9. 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, 2016, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The County purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The County has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the two years ended December 31, 2016, five claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$9,020.00. At December 31, 2016, one claim had been filed and was outstanding. It is estimated, based upon historical trends, that this claim will result in the future payment of unemployment benefits in the amount of \$4,263.59.

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,937,113.00	\$ 5,937,113.00	\$ 5,896,779.32	\$ (40,333.68)
General Property Taxes--Delinquent	50,000.00	50,000.00	41,253.34	(8,746.66)
Penalties and Interest	13,000.00	13,000.00	11,154.63	(1,845.37)
Telephone Tax (Outside)	1,500.00	1,500.00	825.78	(674.22)
Mobile Home Tax	18,500.00	18,500.00	15,761.79	(2,738.21)
Tax Deed Revenue	0.00	0.00	4,108.45	4,108.45
Licenses and Permits	74,500.00	74,500.00	93,330.75	18,830.75
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	24,766.96	24,766.96
Federal Payments in Lieu of Taxes	0.00	0.00	471.00	471.00
State Grants	0.00	0.00	6,787.00	6,787.00
State Shared Revenue:				
Bank Franchise	41,000.00	41,000.00	92,815.00	51,815.00
Court Appointed Attorney/Public Defender	9,000.00	9,000.00	7,953.57	(1,046.43)
Telecommunications Gross Receipts Tax	78,000.00	78,000.00	66,849.62	(11,150.38)
Motor Vehicle 1/4%	4,000.00	4,000.00	5,364.12	1,364.12
Liquor Tax Reversion (25%)	0.00	0.00	20,228.72	20,228.72
Other State Shared Revenue	8,950.00	8,950.00	7,478.77	(1,471.23)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	28,900.00	28,900.00	61,498.17	32,598.17
Register of Deeds' Fees	225,000.00	225,000.00	231,001.50	6,001.50
Legal Services	42,500.00	42,500.00	49,871.87	7,371.87
Clerk of Courts Fees	16,000.00	16,000.00	15,252.05	(747.95)
Other Fees	33,500.00	33,500.00	33,094.26	(405.74)
Public Safety:				
Law Enforcement	60,000.00	60,000.00	179,240.41	119,240.41
Prisoner Care	200,000.00	200,000.00	136,421.74	(63,578.26)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	2,000.00	2,000.00	1,111.60	(888.40)
Health Assistance:				
County Nurse	800.00	800.00	204.00	(596.00)
Women, Infants and Children	6,486.00	6,486.00	4,315.42	(2,170.58)
Mental Health Services	1,000.00	1,000.00	959.54	(40.46)
Culture and Recreation	10,000.00	10,000.00	4,157.75	(5,842.25)
Conservation of Natural Resources	41,000.00	41,000.00	18,018.18	(22,981.82)
Fines and Forfeits:				
Costs	25,000.00	25,000.00	27,902.51	2,902.51
Forfeits	7,000.00	7,000.00	18,850.00	11,850.00
Miscellaneous Revenue:				
Investment Earnings	35,000.00	35,000.00	42,069.59	7,069.59
Rent	8,940.00	8,940.00	14,151.50	5,211.50
Contributions and Donations	0.00	0.00	8,957.06	8,957.06
Refund of Prior Year's Expenditures	5,000.00	5,000.00	6,796.07	1,796.07
Other	0.00	0.00	471.00	471.00
Total Revenues	6,983,689.00	6,983,689.00	7,150,273.04	166,584.04
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	186,485.00	196,485.00	195,741.44	743.56
Contingency	605,219.00	605,219.00		
Amount Transferred		(241,400.00)		363,819.00
Elections	64,300.00	64,300.00	54,888.15	9,411.85
Judicial System	22,500.00	22,500.00	14,032.17	8,467.83
Financial Administration:				
Auditor	179,745.00	179,745.00	176,789.85	2,955.15
Treasurer	273,494.00	273,494.00	263,654.97	9,839.03
Data Processing	50,785.00	50,785.00	42,997.66	7,787.34
Legal Services:				
State's Attorney	375,265.00	376,515.00	371,004.54	5,510.46
Public Defender	164,639.00	164,639.00	162,953.80	1,685.20
Court Appointed Attorney	17,000.00	17,000.00	11,550.71	5,449.29
Abused and Neglected Child Defense	1,000.00	1,000.00	0.00	1,000.00
Other Administration:				
General Government Building	305,708.00	320,708.00	317,921.35	2,786.65

SUPPLEMENTARY INFORMATION
UNION COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2016

Indebtedness	Long-Term Debt January 1, 2015	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2016
Governmental Long-Term Debt:				
Bonds Payable	\$ 315,000.00	\$	\$ 210,000.00	\$ 105,000.00
Other Long-Term Debt Payable:				
Revenue Bonds	233,909.66		145,474.23	88,435.43
Financing (Capital Acquisition) Leases	117,070.00	236,000.00	128,125.47	224,944.53
Total	\$ 665,979.66	\$ 236,000.00	\$ 483,599.70	\$ 418,379.96

Note 1 - Long-Term Debt:

Debt payable at December 31, 2016 is comprised of the following:

General Obligation Bonds:

General Obligation Refunding Bonds - Series 2011, 2.02 Percent Interest, Maturity Date of December 2017, \$ 105,000.00
 Paid from Bond Redemption Fund

Revenue Bonds:

Tax Increment Revenue Bonds - Series 2011, 5.25 Percent Interest, Final Maturity Date of 2021, \$ 88,435.43
 Retired by the TIF #3 Debt Service Fund

Financing (Capital Acquisition) Leases:

Capital Lease - (2) 2007 104H Caterpillar Motorgraders, 2.85 Percent Interest, Final Maturity Date of May 2020, \$ 60,076.50
 Retired by the Road and Bridge Fund

Capital Lease - Wheel Loader, 2.85 Percent Interest, Final Maturity Date of May 2020, \$ 164,868.03
 Retired by the Road and Bridge Fund