

BROWN COUNTY

AUDIT REPORT

For the Year Ended December 31, 2013

BROWN COUNTY
COUNTY OFFICIALS
December 31, 2013

Board of Commissioners:

Duane Sutton
Nancy Hansen
Rachel Kippley
Tom Fischbach
Mike Wiese

Auditor:
Maxine Fischer

Treasurer:
Sheila Enderson

State's Attorney:
Larry Lovrien

Register of Deeds:
Carol Sherman

Sheriff:
Mark Milbrandt

BROWN COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Brown County
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2013, 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 23, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items No. 2013-001 and No. 2013-002 to be material weaknesses.

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*.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 23, 2014



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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
Brown County
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Brown 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, 2013. 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.

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, Brown 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, 2013.

Report on Internal Control Over Compliance

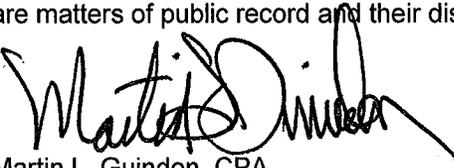
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types 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 23, 2014

BROWN COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Audit Findings:

The prior audit report contained no written federal audit findings.

Prior Other Audit Finding:

Finding No. 2012-01:

Internal accounting controls over financial reporting for the year ended December 31, 2012 were inadequate resulting in inaccurate information being presented to users of the report. This finding has not been resolved and is restated as current audit finding No. 2013-001.

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. Material weaknesses were disclosed by our audit of the financial statements for a lack of internal controls over financial reporting and lack of internal controls over the purchase of technology equipment as discussed in current audit findings No. 2013-001 and No. 2013-002.
- 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 award tested as a major program was:
 - Highway Planning and Construction Cluster
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Brown County did not qualify as a low-risk auditee.

Current Audit Findings:

Internal Control-Related Findings – Material Weaknesses:

Financial Reporting Errors

Finding No. 2013-001:

Internal accounting controls over financial reporting for the year ended December 31, 2013, were inadequate resulting in inaccurate information being presented to users of the report. This is the second consecutive audit report in which this finding has appeared.

Analysis:

We noted the following significant errors in the County's annual financial report for the year ended December 31, 2013:

- a. The Statement of Net Position – Governmental Activities – Negative Restricted Net Position for Debt Service Purposes totaling \$7,284,822.57 should have been reported as Unrestricted Net Position.
- b. The Statement of Net Position – Governmental Activities – Noncurrent Liabilities Due Within One Year was overstated by \$342,273.61 and Other Current Liabilities was understated by the same amount.
- c. The Statement of Net Position and Statement of Activities – Governmental Activities – Other Deferred Inflows of Resources was overstated by \$1,021,832.70 and General Revenue Property Taxes was understated by the same amount. Revenue was not accrued on the Statement of Activities using the accrual basis of accounting.
- d. The Statement of Net Position – Business-Type Activities – Due Within One Year was understated by \$178,318.62 and Due in More Than One Year was overstated by the same amount.
- e. The Balance Sheet – General Fund – Assigned Fund Balance was understated by \$400,000.00 and Unassigned Fund Balance was overstated by the same amount.
- f. The Balance Sheet – Other Governmental Funds – Restricted Fund Balance was overstated by \$207,446.82 and Unassigned Fund Balance was understated by the same amount.
- g. The Balance Sheet – Brown County TIF #1 Debt Service Fund – Negative Restricted Fund Balance in the amount of \$439,352.37 should have been reported as negative Unassigned Fund Balance.
- h. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – Depreciation Expense and Accumulated Depreciation was understated by \$393,946.18, which was the result of using cubic yards instead of cubic tons. This error was also noted on the Statement of Net Position and Statement of Activities – Business-Type Activities.
- i. The Statement of Net Position – Proprietary Funds – Restricted Net Position Landfill Closure and Postclosure Costs was overstated by \$1,864,301.65 and should have been reported as Unrestricted Net Position.
- j. The Statement of Cash Flows – Proprietary Funds – Numerous errors in reconciling Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities and properly

reporting Cash Flows from Investing Activities, Noncapital Financing Activities, and Capital and Related Financing Activities totaling \$1,066,268.80.

Other less significant errors were also noted in the County's annual financial report.

We were able to correct the material reporting errors and therefore have issued an unmodified auditor's opinion on the financial statements contained in this audit report. However, users of the annual financial reports received information of diminished reliability.

RECOMMENDATION:

1. We recommend the County strengthen internal accounting controls over financial reporting.

Management's Response:

Brown County agrees with Finding No. 2013-001 and will strive to comply with the recommendation.

Duplicate Payment

Finding No. 2013-002:

Internal controls over the purchase of technology equipment from the contractor providing information technology management services to the County were inadequate resulting in a duplicate and unsupported payment to the contractor.

Analysis:

During our testing of a sample of the County's expenditures, we tested Voucher #13232 from Sivertsen Technology (contractor), the contractor providing information technology management services to the County. The voucher contained an invoice for a new computer system installed in the Sheriff's office consisting of a Lenovo Q series mini desktop, wireless keyboard and mouse, hdmi cable, and shipping and handling for a total of \$465.98.

The invoice did not contain the serial number for the Lenovo computer that was installed so we obtained the serial number by inspecting the computer at the Sheriff's office. We subsequently determined that a computer with the same serial number had been purchased and installed at the landfill dumpster sites in the previous year.

We then requested additional information from the County and the contractor to determine why the County had paid for the same computer twice. The following is a summary of the information we were provided and the results of our follow-up on the information provided:

- The contractor informed us that he had previously installed two Lenovo computers for the County Landfill Department; however, it was later determined that these two computer were not adequate for the County's needs. The County paid the contractor \$907.96 for the two Lenovo computers.
- The contractor then informed us that he had replaced the two Lenovo computers with two Dell computers from the contractor's inventory. We were able to determine that the two Dell computers used to replace the Lenovo computers were actually computers that had been disposed of at the County landfill.
- We then asked the contractor to provide us evidence that he had purchased the two Dell computers to support his position that the Dell computers had come from his company's inventory. The contractor provided a cancelled check from his company to a third party in the amount of \$650 that contained "2 used Dell" in the memo field of the check to support that he had purchased the two Dell computers.

- We then questioned the third party identified on the contractor's check. The third party indicated that he had never sold Dell computers to the contractor, but had sold the contractor Mac Book computers. The third party then provided an image of the check from his deposit records and the memo field on that check image contained "Mac Book Pro 17." We then obtained directly from the third party's bank a copy of the contractor's check. The memo field of the check image provided by the bank also contained "Mac Book Pro 17."

As a result of our information gathering we conclude:

- that the two Dell computers installed by the contractor did not come from the contractor's inventory;
- that the County paid the contractor for two Lenovo computers in 2012 and one of the Lenovo computers was subsequently billed by the contractor to the County again in 2013; and,
- that the other Lenovo computer paid for by the County is not currently in service at the County.

RECOMMENDATION:

2. We recommend the County strengthen internal controls over the purchase of information technology equipment from its information technology management services contractor and determine whether the contractor should reimburse the County for the initial cost of the two Lenovo computers.

Management's Response:

As a result of an internal investigation by Brown County concerning the sale of two Lenovo computers to Brown County by Sivertsen Technology, the County has reached the following conclusions and taken the following actions:

- After Brown County purchased two Lenovo computers from Sivertsen Technology in 2011 for use in a surveillance system for the BC Dumpster site, it was determined the Lenovo units were unsuitable for that application. Two Dell computers, with capacity to handle the surveillance system, were substituted by Sivertsen Technology to replace the two Lenovo units. Sivertsen Technology took back the Lenovo computers and did not bill Brown County for the Dell computers that were substituted.
- These Dell computers are currently in use by Brown County for its dumpster site surveillance system. During this period, installing a surveillance system at the Dumpster Site was a top priority. In its haste to install the system, Brown County neglected to declare the two Lenovo units surplus property before the substitution was made by Sivertsen Technology.
- The Brown County Commission is committed to ensuring tax payer dollars are spent wisely and tracked appropriately. It views this incident as a serious deviation from that ongoing commitment. After Brown County officials were notified of the details surrounding this transaction, changes were immediately implemented to prevent similar problems in the future.
 1. Policy for declaring property as surplus was extensively reviewed. Additional steps were taken to more closely track and document all inventory in all departments.
 2. Given the contract between Brown County and Sivertsen Technology for Sivertsen Technology to provide information technology services and recommendations to the County, and given the close working relationship the County has with Sivertsen Technology, it was agreed between the parties that Brown County would make no future purchases of products or equipment from Sivertsen Technology.
 3. When purchasing any product or item having a serial number, each Department is now required to include that serial number on both its purchase invoice and its updated inventory list.

- Sivertsen Technology has reimbursed Brown County in the amount of \$907.96, the total paid by the County for the two Lenovo computers.

Brown County is currently operating under a contract with Sivertsen Technology to provide Information Technology services to the County. Sivertsen Technology and Brown County agree proper steps were not taken and the proper procedure was not followed regarding the above mentioned transactions.

Based on the recommendation contained in the September 23rd Audit Report, Brown County concludes it has taken timely and appropriate action regarding Finding No. 2013-002.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Brown County
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2013, 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 on pages 46 through 49 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* 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 23, 2014 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.

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

Martin L. Guindon, CPA
Auditor General

September 23, 2014

BROWN COUNTY
STATEMENT OF NET POSITION
December 31, 2013

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 3,621,307.33 | \$ 3,078,739.90 | \$ 6,700,047.23 |
| Investments | 3,950,000.00 | 1,236,503.84 | 5,186,503.84 |
| Accounts Receivable, Net | 1,908,136.16 | 135,545.75 | 2,043,681.91 |
| Inventories | 1,552,326.03 | 62,722.73 | 1,615,048.76 |
| Other Assets | 205,527.15 | | 205,527.15 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | | 13,726.11 | 13,726.11 |
| Investments | | 1,850,575.54 | 1,850,575.54 |
| Capital Assets: | | | |
| Land, Improvements and Construction in Progress | 2,338,150.51 | 765,547.16 | 3,103,697.67 |
| Other Capital Assets, Net of Depreciation | 51,927,863.61 | 3,860,416.67 | 55,788,280.28 |
| TOTAL ASSETS | \$ 65,503,310.79 | \$ 11,003,777.70 | \$ 76,507,088.49 |
| LIABILITIES: | | | |
| Accounts Payable | \$ 60,213.09 | \$ 83,673.23 | \$ 143,886.32 |
| Other Current Liabilities | 533,392.90 | 8,224.59 | 541,617.49 |
| Unearned Revenue | 33,764.45 | 827.85 | 34,592.30 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 961,250.14 | 203,826.61 | 1,165,076.75 |
| Due in More than One Year | 6,598,066.72 | 1,709,020.82 | 8,307,087.54 |
| TOTAL LIABILITIES | 8,186,687.30 | 2,005,573.10 | 10,192,260.40 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 54,266,014.12 | 4,625,963.83 | 58,891,977.95 |
| Restricted For: (See Note 12) | | | |
| Road and Bridge Purposes | 1,951,114.13 | | 1,951,114.13 |
| Other Purposes | 400,063.22 | | 400,063.22 |
| Unrestricted | 699,432.02 | 4,372,240.77 | 5,071,672.79 |
| TOTAL NET POSITION | \$ 57,316,623.49 | \$ 8,998,204.60 | \$ 66,314,828.09 |

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

BROWN COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|-------------------------|------------------------|------------------------------------|----------------------------------|---|--------------------------|-------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 4,173,918.81 | \$ 868,536.72 | \$ 348,578.99 | \$ | \$ (2,956,803.10) | \$ | \$ (2,956,803.10) |
| Public Safety | 4,782,039.59 | 348,622.07 | 1,002,771.26 | | (3,430,646.26) | | (3,430,646.26) |
| Public Works | 7,121,881.89 | 42,367.08 | 4,689,684.05 | 321,811.89 | (2,068,018.87) | | (2,068,018.87) |
| Health and Welfare | 666,960.98 | 166,624.12 | | | (500,336.86) | | (500,336.86) |
| Culture and Recreation | 1,567,492.76 | 987,680.96 | 12,000.00 | | (567,811.80) | | (567,811.80) |
| Conservation of Natural Resources | 239,767.19 | 53,681.76 | 6,663.61 | | (179,421.82) | | (179,421.82) |
| Urban and Economic Development | 344,421.55 | | | | (344,421.55) | | (344,421.55) |
| Intergovernmental Expenditures | 38,726.85 | | | | (38,726.85) | | (38,726.85) |
| **Depreciation Expense - Unallocated | 16,961.19 | | | | (16,961.19) | | (16,961.19) |
| *Interest on Long-term Debt | 689,773.61 | | | | (689,773.61) | | (689,773.61) |
| Total Governmental Activities | 19,641,944.42 | 2,467,512.71 | 6,059,697.91 | 321,811.89 | (10,792,921.91) | 0.00 | (10,792,921.91) |
| Business-Type Activities: | | | | | | | |
| Solid Waste | 2,349,279.96 | 2,200,580.31 | | 238,000.00 | | 89,300.35 | 89,300.35 |
| Total Primary Government | \$ 21,991,224.38 | \$ 4,668,093.02 | \$ 6,059,697.91 | \$ 559,811.89 | (10,792,921.91) | 89,300.35 | (10,703,621.56) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | 13,047,850.55 | | 13,047,850.55 |
| Wheel Tax | | | | | 774,537.10 | | 774,537.10 |
| State Shared Revenues | | | | | 428,797.33 | | 428,797.33 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 13,176.21 | | 13,176.21 |
| Unrestricted Investment Earnings | | | | | 21,893.50 | 16,737.48 | 38,630.98 |
| Miscellaneous Revenue | | | | | 11,542.80 | 131,604.42 | 143,147.22 |
| Transfers | | | | | 5,355.09 | (5,355.09) | 0.00 |
| Total General Revenues and Transfers | | | | | 14,303,152.58 | 142,986.81 | 14,446,139.39 |
| Change in Net Position | | | | | 3,510,230.67 | 232,287.16 | 3,742,517.83 |
| Net Position - Beginning | | | | | 53,806,392.82 | 8,765,917.44 | 62,572,310.26 |
| NET POSITION - ENDING | | | | | \$ 57,316,623.49 | \$ 8,998,204.60 | \$ 66,314,828.09 |

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

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

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

**BROWN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013**

| | General Fund | Road and Bridge Fund | Brown County TIF #1 Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------------|-------------------------|--|--------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 1,928,900.26 | \$ 1,013,099.19 | \$ 13,183.24 | \$ 666,124.64 | \$ 3,621,307.33 |
| Investments | 3,526,756.73 | 423,243.27 | | | 3,950,000.00 |
| Taxes Receivable--Delinquent | 178,919.39 | | 1,021,832.70 | | 1,200,752.09 |
| Accounts Receivable, Net | 7,549.14 | 650.00 | | | 8,199.14 |
| Due from Other Governments | 141,508.40 | 475,085.48 | | 82,591.05 | 699,184.93 |
| Inventory of Supplies | 24,455.17 | 1,527,870.86 | | | 1,552,326.03 |
| Deposits | 205,527.15 | | | | 205,527.15 |
| TOTAL ASSETS | \$ 6,013,616.24 | \$ 3,439,948.80 | \$ 1,035,015.94 | \$ 748,715.69 | \$ 11,237,296.67 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 49,382.60 | \$ 8,149.42 | \$ | \$ 2,681.07 | \$ 60,213.09 |
| Accrued Interest Payable | | | 342,273.61 | | 342,273.61 |
| Accrued Wages Payable | 118,168.50 | 33,451.66 | | 18,018.28 | 169,638.44 |
| Payroll Withholding Payable | 17,734.37 | 1,190.90 | | 2,555.58 | 21,480.85 |
| Unearned Revenue | 17,634.62 | | | 16,129.83 | 33,764.45 |
| Bonds Payable--Current | | | 110,262.00 | | 110,262.00 |
| Total Liabilities | 202,920.09 | 42,791.98 | 452,535.61 | 39,384.76 | 737,632.44 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue--Property Taxes | 178,919.41 | | 1,021,832.70 | | 1,200,752.11 |
| Fund Balances: (See Note 1. I.) | | | | | |
| Nonspendable | 229,982.32 | 1,527,870.86 | | | 1,757,853.18 |
| Restricted | 49,344.30 | 423,243.27 | | 145,191.77 | 617,779.34 |
| Assigned | 2,612,245.46 | 1,446,042.69 | | 564,139.16 | 4,622,427.31 |
| Unassigned | 2,740,204.66 | | (439,352.37) | | 2,300,852.29 |
| Total Fund Balances | 5,631,776.74 | 3,397,156.82 | (439,352.37) | 709,330.93 | 9,298,912.12 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 6,013,616.24 | \$ 3,439,948.80 | \$ 1,035,015.94 | \$ 748,715.69 | \$ 11,237,296.67 |

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

BROWN COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013

| | | | |
|--|----|--------------|----------------|
| Total Fund Balances - Governmental Funds | | \$ | 9,298,912.12 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | | | 54,266,014.12 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | (7,449,054.86) |
| Tax Incremental Revenue Bonds--Series 2011 | \$ | 6,735,208.20 | |
| Accrued Leave | \$ | 713,846.66 | |
| Assets, such as taxes receivable (delinquent), are not available to pay for current period expenditures and therefore are deferred in the funds. | | | 1,200,752.11 |
| Property Taxes | \$ | 178,919.39 | |
| TIF Taxes | \$ | 1,021,832.72 | |
| Net Position of Governmental Activities | | \$ | 57,316,623.49 |

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

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BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

| | General Fund | Road and Bridge Fund | Brown County TIF #1 Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-------------------------|--|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| General Property Taxes--Current | \$ 11,828,736.27 | \$ | \$ 48,746.07 | \$ | \$ 11,877,482.34 |
| General Property Taxes--Delinquent | 95,402.36 | | | | 95,402.36 |
| Penalties and Interest | 33,356.53 | | | | 33,356.53 |
| Mobile Home Tax | 2,431.20 | | | | 2,431.20 |
| Wheel Tax | | 774,537.10 | | | 774,537.10 |
| Tax Deed Revenue | 18,061.00 | | | | 18,061.00 |
| Licenses and Permits | 98,861.14 | 6,790.00 | | 7,770.00 | 113,421.14 |
| Intergovernmental Revenue: | | | | | |
| Federal Grants | 306,804.37 | 608,428.23 | | 145,053.38 | 1,060,285.98 |
| Federal Shared Revenue | 13,176.21 | | | | 13,176.21 |
| Federal Payments in Lieu of Taxes | 192.00 | | | | 192.00 |
| State Grants | 12,109.49 | 1,048,602.98 | | 17,747.00 | 1,078,459.47 |
| State Shared Revenue: | | | | | |
| Bank Franchise | 196,325.20 | | | | 196,325.20 |
| Motor Vehicle Licenses | | 2,820,246.72 | | | 2,820,246.72 |
| Court Appointed Attorney/Public Defender | 13,115.43 | | | | 13,115.43 |
| Prorate/Port of Entry Fees | | 165,280.45 | | | 165,280.45 |
| Abused and Neglected Child Defense | 2,831.05 | | | | 2,831.05 |
| 63 3/4% Mobile Home/Manufactured Home | | 24,031.11 | | | 24,031.11 |
| Telecommunications Gross Receipts Tax | 227,824.99 | | | | 227,824.99 |
| Motor Vehicle 1/4% | 9,345.24 | | | | 9,345.24 |
| Motor Fuel Tax | | 17,926.11 | | | 17,926.11 |
| 911 Remittances | | | | 467,657.90 | 467,657.90 |
| Other Payments in Lieu of Taxes | 4,647.14 | | | | 4,647.14 |
| Other Intergovernmental Revenue | 30,326.66 | 5,168.45 | | 364,831.34 | 400,326.45 |
| Charges for Goods and Services: | | | | | |
| General Government: | | | | | |
| Treasurer's Fees | 65,885.14 | | | | 65,885.14 |
| Register of Deeds' Fees | 470,440.00 | | | 29,331.42 | 499,771.42 |
| Legal Services | 105,527.43 | | | 3,050.00 | 108,577.43 |
| Clerk of Courts Fees | 51,667.29 | | | | 51,667.29 |

| | | | | | |
|-------------------------------------|----------------------|---------------------|------------------|---------------------|----------------------|
| Assessors Fees | 21,080.00 | | | | 21,080.00 |
| Geographic Information Systems Fees | 323.47 | | | | 323.47 |
| Other Fees | 825.79 | | | | 825.79 |
| Public Safety: | | | | | |
| Law Enforcement | 120,787.14 | | | | 120,787.14 |
| Prisoner Care | 97,390.10 | | | | 97,390.10 |
| Sobriety Testing | | | | 89,648.00 | 89,648.00 |
| Other | | | | 12,000.00 | 12,000.00 |
| Public Works: | | | | | |
| Road Maintenance Contract Charges | | 4,856.83 | | | 4,856.83 |
| Health and Welfare: | | | | | |
| Economic Assistance: | | | | | |
| Poor Lien Recoveries | 154,479.12 | | | | 154,479.12 |
| Veterans Service Officer | 4,375.00 | | | | 4,375.00 |
| Culture and Recreation | 874,385.63 | | | | 874,385.63 |
| Conservation of Natural Resources | 53,681.76 | | | | 53,681.76 |
| Other Charges | 15,782.88 | | | | 15,782.88 |
| Fines and Forfeits: | | | | | |
| Fines | 156.00 | | | | 156.00 |
| Costs | 25,328.83 | | | | 25,328.83 |
| Miscellaneous Revenue: | | | | | |
| Investment Earnings | 17,294.65 | 3,352.63 | 671.79 | 574.43 | 21,893.50 |
| Rent | 113,295.33 | 1,520.25 | | | 114,815.58 |
| Contributions and Donations | 9,069.16 | 29,200.00 | | 5.00 | 38,274.16 |
| Other | 9,765.10 | 111.96 | | 1,665.74 | 11,542.80 |
| Total Revenues | <u>15,105,086.10</u> | <u>5,510,052.82</u> | <u>49,417.86</u> | <u>1,139,334.21</u> | <u>21,803,890.99</u> |

Expenditures:

General Government:

Legislative:

| | | | | | |
|-------------------------------|------------|--|--|--|------------|
| Board of County Commissioners | 277,436.68 | | | | 277,436.68 |
|-------------------------------|------------|--|--|--|------------|

| | | | | | |
|-----------|-----------|--|--|--|-----------|
| Elections | 26,280.31 | | | | 26,280.31 |
|-----------|-----------|--|--|--|-----------|

| | | | | | |
|-----------------|-----------|--|--|--|-----------|
| Judicial System | 58,967.50 | | | | 58,967.50 |
|-----------------|-----------|--|--|--|-----------|

Financial Administration:

| | | | | | |
|---------|------------|--|--|--|------------|
| Auditor | 341,829.03 | | | | 341,829.03 |
|---------|------------|--|--|--|------------|

| | | | | | |
|-----------|------------|--|--|--|------------|
| Treasurer | 496,558.64 | | | | 496,558.64 |
|-----------|------------|--|--|--|------------|

| | | | | | |
|-----------------|------------|--|--|--|------------|
| Data Processing | 315,296.28 | | | | 315,296.28 |
|-----------------|------------|--|--|--|------------|

Legal Services:

| | | | | | |
|------------------|------------|--|--|--|------------|
| State's Attorney | 637,037.22 | | | | 637,037.22 |
|------------------|------------|--|--|--|------------|

| | | | | | |
|--------------------------|------------|--|--|--|------------|
| Court Appointed Attorney | 313,615.82 | | | | 313,615.82 |
|--------------------------|------------|--|--|--|------------|

| | | | | | |
|------------------------------------|-----------|--|--|--|-----------|
| Abused and Neglected Child Defense | 15,000.00 | | | | 15,000.00 |
|------------------------------------|-----------|--|--|--|-----------|

| | | | | | |
|-------|--|--|--|-----------|-----------|
| Other | | | | 19,224.26 | 19,224.26 |
|-------|--|--|--|-----------|-----------|

Other Administration:

| | | | | | |
|-----------------------------|------------|--|--|--|------------|
| General Government Building | 808,345.60 | | | | 808,345.60 |
|-----------------------------|------------|--|--|--|------------|

BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(Continued)

| | General Fund | Road and Bridge Fund | Brown County TIF #1 Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|-----------------|-------------------------|--|--------------------------------|--------------------------------|
| Director of Equalization | 493,740.34 | | | | 493,740.34 |
| Register of Deeds | 280,588.23 | | | 10,127.33 | 290,715.56 |
| Veterans Service Officer | 125,627.35 | | | | 125,627.35 |
| Predatory Animal | 10,374.57 | | | | 10,374.57 |
| Geographic Information System | 89,910.71 | | | | 89,910.71 |
| Public Safety: | | | | | |
| Law Enforcement: | | | | | |
| Sheriff | 1,302,518.16 | | | | 1,302,518.16 |
| County Jail | 1,376,192.11 | | | 77,745.31 | 1,453,937.42 |
| Coroner | 32,707.25 | | | | 32,707.25 |
| Juvenile Detention | 741,616.83 | | | | 741,616.83 |
| Protective and Emergency Services: | | | | | |
| Fire Protection | 16,964.92 | | | | 16,964.92 |
| Emergency and Disaster Services | | | | 221,902.64 | 221,902.64 |
| Communication Center | | | | 928,645.23 | 928,645.23 |
| Public Works: | | | | | |
| Highways and Bridges: | | | | | |
| Highways, Roads and Bridges | | 8,201,716.94 | | | 8,201,716.94 |
| Health and Welfare: | | | | | |
| Economic Assistance: | | | | | |
| Support of Poor | 384,068.25 | | | | 384,068.25 |
| Health Assistance: | | | | | |
| County Nurse | 18,540.00 | | | | 18,540.00 |
| Ambulance | 41,990.13 | | | | 41,990.13 |
| Social Services: | | | | | |
| Care of Aged | 1,000.00 | | | | 1,000.00 |
| Domestic Abuse | | | | 12,389.00 | 12,389.00 |
| Mental Health Services: | | | | | |
| Mentally Ill | 65,923.73 | | | | 65,923.73 |
| Developmentally Disabled | 4,800.00 | | | | 4,800.00 |
| Drug Abuse | 20,000.00 | | | | 20,000.00 |
| Mental Health Centers | 37,080.00 | | | | 37,080.00 |
| Mental Illness Board | 80,500.00 | | | | 80,500.00 |

Culture and Recreation:

| | | | | | |
|---|------------------------|------------------------|------------------------|----------------------|------------------------|
| Culture: | | | | | |
| Public Library | 18,000.00 | | | | 18,000.00 |
| Historical Museum | 323,139.08 | | | | 323,139.08 |
| Historical Sites | 457.48 | | | | 457.48 |
| Recreation: | | | | | |
| Recreational Programs | 5,000.00 | | | | 5,000.00 |
| Parks | 80,462.12 | | | | 80,462.12 |
| Exhibition Building | 286,005.12 | | | | 286,005.12 |
| County Fair | 824,244.51 | | | | 824,244.51 |
| Senior Center | 4,500.00 | | | | 4,500.00 |
| Conservation of Natural Resources: | | | | | |
| Soil Conservation: | | | | | |
| County Extension | 68,601.50 | | | | 68,601.50 |
| Weed and Pest Control | 157,997.33 | | | | 157,997.33 |
| Urban and Economic Development: | | | | | |
| Urban Development: | | | | | |
| Planning and Zoning | 62,415.17 | | | | 62,415.17 |
| Urban and Rural Development | 263,392.90 | | | | 263,392.90 |
| Economic Development: | | | | | |
| Tourism, Industrial or Recreational Development | 20,750.00 | | | | 20,750.00 |
| Intergovernmental Expenditures | | 38,726.85 | | | 38,726.85 |
| Debt Service | | | 904,565.41 | | 904,565.41 |
| Total Expenditures | <u>10,529,474.87</u> | <u>8,240,443.79</u> | <u>904,565.41</u> | <u>1,270,033.77</u> | <u>20,944,517.84</u> |
| Excess of Revenues Over (Under) Expenditures | <u>4,575,611.23</u> | <u>(2,730,390.97)</u> | <u>(855,147.55)</u> | <u>(130,699.56)</u> | <u>859,373.15</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | 8,707.72 | 3,000,000.00 | | 475,850.19 | 3,484,557.91 |
| Transfers Out | (3,475,850.19) | (3,352.63) | | | (3,479,202.82) |
| Insurance Proceeds | 38,541.96 | 5,596.40 | | 2,859.10 | 46,997.46 |
| Sale of County Property | 12,818.61 | 110,371.20 | | | 123,189.81 |
| Total Other Financing Sources (Uses) | <u>(3,415,781.90)</u> | <u>3,112,614.97</u> | <u>0.00</u> | <u>478,709.29</u> | <u>175,542.36</u> |
| Net Change in Fund Balance | 1,159,829.33 | 382,224.00 | (855,147.55) | 348,009.73 | 1,034,915.51 |
| Fund Balance - Beginning | <u>4,471,947.41</u> | <u>3,014,932.82</u> | <u>415,795.18</u> | <u>361,321.20</u> | <u>8,263,996.61</u> |
| FUND BALANCE - ENDING | <u>\$ 5,631,776.74</u> | <u>\$ 3,397,156.82</u> | <u>\$ (439,352.37)</u> | <u>\$ 709,330.93</u> | <u>\$ 9,298,912.12</u> |

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

BROWN COUNTY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2013

| | |
|--|-----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 1,034,915.51 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. | 2,797,707.32 |
| This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources. | (1,735,630.66) |
| In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. | (98,036.62) |
| The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. | 321,811.89 |
| Payment of principal on long-term debt (Tax Incremental Revenue Bonds - Series 2011) is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position. | 104,529.80 |
| Current liability and expenditure recognized in TIF #1 Debt Service Fund for principal payment owed in 2013 but not paid. The County did not receive enough tax revenue to make all the principal payments. | 110,262.00 |
| 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." | 1,021,117.12 |
| Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. | (46,445.69) |
| Change in Net Position of Governmental Activities | \$ 3,510,230.67 |

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

**BROWN COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013**

| | Enterprise Funds Solid Waste Fund |
|---|--|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 3,078,739.90 |
| Investments | 1,236,503.84 |
| Accounts Receivable, Net | 135,545.75 |
| Inventory of Supplies | 62,722.73 |
| Total Current Assets | 4,513,512.22 |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 13,726.11 |
| Restricted Investments | 1,850,575.54 |
| Capital Assets: | |
| Land | 478,078.38 |
| Buildings | 966,117.03 |
| Improvements Other Than Buildings | 5,041,222.21 |
| Machinery and Equipment | 2,829,023.19 |
| Construction Work in Progress | 287,468.78 |
| Less: Accumulated Depreciation | (4,975,945.76) |
| Total Noncurrent Assets | 6,490,265.48 |
| TOTAL ASSETS | \$ 11,003,777.70 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | \$ 83,673.23 |
| Accrued Wages Payable | 7,236.77 |
| Payroll Withholding Payable | 987.82 |
| Unearned Revenue | 827.85 |
| Compensated Absences Payable -- Current | 25,507.99 |
| Accrued Landfill Closure and Postclosure Care Costs -- Current | 178,318.62 |
| Total Current Liabilities | 296,552.28 |
| Noncurrent Liabilities: | |
| Accrued Leave Payable | 23,037.79 |
| Accrued Landfill Closure and Postclosure Care Costs | 1,685,983.03 |
| Total Noncurrent Liabilities | 1,709,020.82 |
| TOTAL LIABILITIES | 2,005,573.10 |
| NET POSITION: | |
| Net Investment in Capital Assets | 4,625,963.83 |
| Unrestricted Net Position | 4,372,240.77 |
| TOTAL NET POSITION | \$ 8,998,204.60 |

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

BROWN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

| | Enterprise Funds |
|--|-------------------------|
| | Solid Waste |
| | Fund |
| Operating Revenues: | |
| Charges for Goods and Services | \$ 1,651,853.89 |
| Solid Waste Fee | 497,060.00 |
| Miscellaneous | 51,666.42 |
| Total Operating Revenues | 2,200,580.31 |
| Operating Expenses: | |
| Personal Services | 324,554.81 |
| Other Current Expense | 1,040,735.90 |
| Depreciation | 983,989.25 |
| Total Operating Expenses | 2,349,279.96 |
| Operating Income (Loss) | (148,699.65) |
| Nonoperating Revenues (Expenses): | |
| Investment Earnings | 16,737.48 |
| Rental Revenue | 32,718.00 |
| Gain (Loss) on Disposition of Assets | 98,886.42 |
| Total Nonoperating Revenues (Expenses) | 148,341.90 |
| Income (Loss) Before Contributions and Transfers | (357.75) |
| Capital Contributions | 238,000.00 |
| Transfers Out | (5,355.09) |
| Change in Net Position | 232,287.16 |
| Net Position - Beginning | 8,765,917.44 |
| NET POSITION - ENDING | \$ 8,998,204.60 |

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

BROWN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

| | Enterprise Funds |
|---|-------------------------|
| | Solid Waste |
| | Fund |
| Cash Flows from Operating Activities: | |
| Cash Receipts from Customers | \$ 2,207,638.62 |
| Cash Payments to Employees for Services | (328,115.62) |
| Cash Payments to Suppliers of Goods and Services | (955,666.74) |
| | <u>923,856.26</u> |
| Net Cash Provided (Used) by Operating Activities | 923,856.26 |
| Cash Flows from Noncapital Financing Activities: | |
| Rental Revenue | 32,718.00 |
| Transfers Out | (5,355.09) |
| | <u>27,362.91</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | 27,362.91 |
| Cash Flows from Capital and Related Financing Activities: | |
| Proceeds from Sale of Capital Assets | 98,886.42 |
| Purchase of Capital Assets | (882,468.70) |
| Capital Grant | 238,000.00 |
| | <u>(545,582.28)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (545,582.28) |
| Cash Flows from Investing Activities: | |
| Purchase of Investment Securities | (3,087,079.38) |
| Proceeds from Sales and Maturities of Investments | 2,461,785.52 |
| Cash Received for Interest | 16,737.48 |
| | <u>(608,556.38)</u> |
| Net Cash Provided (Used) by Investing Activities | (608,556.38) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (202,919.49) |
| Cash and Cash Equivalents at Beginning of Year | <u>3,295,385.50</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 3,092,466.01 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating Income (Loss) | \$ (148,699.65) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation Expense | 983,989.25 |
| Change in Assets and Liabilities: | |
| Receivables | 6,230.46 |
| Inventories | (13,083.04) |
| Accounts and Other Payables | (37,982.40) |
| Accrued Wages Payable | 954.99 |
| Accrued Leave Payable | (4,515.80) |
| Deferred Inflow of Resources | 827.85 |
| Closure Costs | 136,134.60 |
| | <u>923,856.26</u> |
| Net Cash Provided (Used) by Operating Activities | \$ 923,856.26 |

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

**BROWN COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013**

| | Agency Funds |
|---------------------------|-------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 1,197,129.19 |
| TOTAL ASSETS | \$ 1,197,129.19 |
| LIABILITIES: | |
| Amounts Held for Others | \$ 451,395.44 |
| Due to Other Governments | 745,733.75 |
| TOTAL LIABILITIES | \$ 1,197,129.19 |

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

BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Brown County (County), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

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

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

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

Governmental Funds:

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

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

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

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

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

Proprietary Funds:

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

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

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

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually

when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

Under the modified accrual basis of accounting, receivables 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. The revenues which are accrued at December 31, 2013 are various grant reimbursements, state shared revenues, 911 surcharges, and court appointed attorney reimbursements.

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-wide Financial Statements:

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

betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2013 balance of governmental activities capital assets includes approximately 75 percent for which the costs were determined by estimates of the original costs. The total December 31, 2013 balance of business-type capital assets are all valued at original cost.

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

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

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-----------------------------------|-----------------------------|------------------------|--------------------------|
| Land and Land Rights | \$ 1 | -----N/A----- | -----N/A----- |
| Improvements Other Than Buildings | \$ 25,000 | Straight-line | 15-100 years |
| Buildings | \$ 25,000 | Straight-line | 13-225 years |
| Machinery and Equipment | \$ 5,000 | Straight-line | 5-60 years |
| Infrastructure** | \$ 25,000 | Straight-line | 17-125 years |

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities

primarily consist of compensated absences, accrued landfill closure/postclosure, and the Tax Incremental Revenue Bond Series 2011.

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position – All other net position that do not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

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

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

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

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

Major Special Revenue Fund

Road and Bridge Fund

Revenue Source

Wheel Tax, Federal Grants, Motor Vehicle Licenses, and Prorate/Port of Entry Fees

A schedule of fund balances is provided as follows:

**BROWN COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Brown County TIF #1 Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------------|-------------------------------------|--|---|---|
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ 24,455.17 | \$ 1,527,870.86 | \$ | \$ | \$ 1,552,326.03 |
| Deposit – South Dakota Public Assurance Alliance | 205,527.15 | | | | 205,527.15 |
| Restricted For: | | | | | |
| Fire Protection Purposes | 42,955.33 | | | | 42,955.33 |
| Donation Purposes | 6,388.97 | | | | 6,388.97 |
| Snow Removal Purposes | | 423,243.27 | | | 423,243.27 |
| Domestic Abuse Purposes | | | | 1,054.00 | 1,054.00 |
| Richmond Youth Camp Purposes | | | | 21,916.96 | 21,916.96 |
| 24/7 Sobriety Purposes | | | | 54,593.20 | 54,593.20 |
| Teen Court Purposes | | | | 35,367.52 | 35,367.52 |
| Modernization and Preservation Relief Purposes | | | | 32,260.09 | 32,260.09 |
| Assigned To: | | | | | |
| Applied to Next Year's Budget | 2,212,245.46 | | | | 2,212,245.46 |
| Capital Outlay Accumulations | 400,000.00 | | | | 400,000.00 |
| Road and Bridge Purposes | | 1,446,042.69 | | | 1,446,042.69 |
| Emergency Management Purposes | | | | 101,739.16 | 101,739.16 |
| 911 Service Purposes | | | | 462,400.00 | 462,400.00 |
| Unassigned | <u>2,740,204.66</u> | | <u>(439,352.37)</u> | | <u>2,300,852.29</u> |
| Total Fund Balances | <u><u>\$ 5,631,776.74</u></u> | <u><u>\$ 3,397,156.82</u></u> | <u><u>\$ (439,352.37)</u></u> | <u><u>\$ 709,330.93</u></u> | <u><u>\$ 9,298,912.12</u></u> |

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

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns, except for restricted cash assets in the Solid Waste Fund. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

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

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County’s policy is to credit all income from deposits and investments to the General Fund, except for interest earned on specific certificates of deposits and financial assurance savings account of the Solid Waste Fund, and interest earned by the 911 Service Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

3. RESTRICTED CASH AND INVESTMENTS

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

| | |
|----------------|--|
| Amount: | Purpose: |
| \$1,864,301.65 | DENR required closure/postclosure costs for the landfill |

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

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

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

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to an expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

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

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

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013 is as follows:

| | Balance 1/1/2013 | Increases | Decreases | Balance 12/31/2013 |
|--|-------------------------|------------------------|------------------------|-------------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 1,329,194.22 | \$ 178,617.72 | \$ (215.52) | \$ 1,507,596.42 |
| Construction in Progress | 674,576.25 | 193,073.80 | (37,095.96) | 830,554.09 |
| Total Capital Assets not being Depreciated | 2,003,770.47 | 371,691.52 | (37,311.48) | 2,338,150.51 |
| Capital Assets being Depreciated: | | | | |
| Buildings | 7,575,732.10 | 3,213.00 | | 7,578,945.10 |
| Infrastructure (Improvements Other Than Buildings) | 57,563,271.13 | 2,272,219.09 | (76,139.09) | 59,759,351.13 |
| Machinery and Equipment | 8,526,554.03 | 513,491.56 | (289,471.00) | 8,750,574.59 |
| Total Capital Assets being Depreciated | 73,665,557.26 | 2,788,923.65 | (365,610.09) | 76,088,870.82 |
| TOTAL CAPITAL ASSETS | \$ 75,669,327.73 | \$ 3,160,615.17 | \$ (402,921.57) | \$ 78,427,021.33 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ (1,645,191.29) | \$ (79,856.25) | | \$ (1,725,047.54) |
| Infrastructure (Improvements Other Than Buildings) | (16,916,021.11) | (1,138,015.88) | 69,712.97 | (17,984,324.02) |
| Machinery and Equipment | (4,127,953.14) | (517,758.53) | 194,076.02 | (4,451,635.65) |
| Total Accumulated Depreciation | (22,689,165.54) | (1,735,630.66) | 263,788.99 | (24,161,007.21) |
| Total Capital Assets being Depreciated, Net | 50,976,391.72 | 1,053,292.99 | (101,821.10) | 51,927,863.61 |
| Governmental Activity Capital Assets, Net | \$ 52,980,162.19 | \$ 1,424,984.51 | \$ (139,132.58) | \$ 54,266,014.12 |

Depreciation expense was charged to functions as follows:

| | |
|---|------------------------|
| General Government | \$ 39,763.03 |
| Public Safety | 125,165.63 |
| Public Works | 1,470,668.10 |
| Culture and Recreation | 69,216.75 |
| Conservation of Natural Resources | 12,689.29 |
| Urban and Economic Development | 1,166.67 |
| Depreciation Unallocated | 16,961.19 |
| Total Depreciation Expense-Governmental Activities | \$ 1,735,630.66 |

| | Balance 1/1/2013 | Increases | Decreases | Balance 12/31/2013 |
|--|------------------------|-----------------------|------------------------|------------------------|
| Business-Type Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 478,078.38 | \$ | \$ | \$ 478,078.38 |
| Construction in Progress | 15,486.43 | 287,468.78 | (15,486.43) | 287,468.78 |
| Total Capital Assets not being Depreciated | 493,564.81 | 287,468.78 | (15,486.43) | 765,547.16 |
| Capital Assets being Depreciated: | | | | |
| Buildings | 950,630.60 | 15,486.43 | | 966,117.03 |
| Infrastructure (Improvements Other Than Buildings) | 5,041,222.21 | | | 5,041,222.21 |
| Machinery and Equipment | 2,443,598.38 | 595,000.00 | (209,575.19) | 2,829,023.19 |
| Total Capital Assets being Depreciated | 8,435,451.19 | 610,486.43 | (209,575.19) | 8,836,362.43 |
| TOTAL CAPITAL ASSETS | \$ 8,929,016.00 | \$ 897,955.21 | \$ (225,061.62) | \$ 9,601,909.59 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ (329,410.76) | \$ (43,797.98) | \$ | \$ (373,208.74) |
| Infrastructure (Improvements Other Than Buildings) | (2,258,291.38) | (769,807.55) | | (3,028,098.93) |
| Machinery and Equipment | (1,613,829.56) | (170,383.72) | 209,575.19 | (1,574,638.09) |
| Total Accumulated Depreciation | (4,201,531.70) | (983,989.25) | 209,575.19 | (4,975,945.76) |
| Total Capital Assets being Depreciated, Net | 4,233,919.49 | (373,502.82) | 0.00 | 3,860,416.67 |
| Business-Type Activity Capital Assets, Net | \$ 4,727,484.30 | \$ (86,034.04) | \$ (15,486.43) | \$ 4,625,963.83 |
| Depreciation expense was charged to functions as follows: | | | | |
| Solid Waste | | | | \$ 983,989.25 |

Construction Work in Progress at December 31, 2013 is composed of the following:

| Project Name | Expended Thru 12/31/2013 |
|---------------------------------------|--------------------------------|
| Governmental Activities: | |
| County Road 20.4 | \$ 202,115.16 |
| County Road 23.2 | 171,157.89 |
| County Road 19A | 110,162.76 |
| County Road 9.7 | 52,096.21 |
| County Road 2.5 | 20,261.55 |
| County Road 16.5 | 6,511.34 |
| County Road 14W1 | 11,068.45 |
| Bridge BR238 | 110,732.66 |
| Bridge BR180 | 2,177.52 |
| Bridge BR204 | 142,459.70 |
| Bridge BR277 | 924.60 |
| Bridge BR319 | 886.25 |
| Total Governmental Activities | \$ 830,554.09 |
| Business-Type Activities: | |
| Unit 1 | \$ 272,738.78 |
| Unit 2 – Cell 2 | 14,730.00 |
| Total Business-Type Activities | \$ 287,468.78 |

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

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

| | Beginning Balance 1/1/2013 | Additions | Deletions | Ending Balance 12/31/2013 | Due Within One Year |
|---------------------------------------|----------------------------------|----------------------|------------------------|---------------------------------|------------------------|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Tax Incremental Revenue | | | | | |
| Bond Series 2011 | \$ 6,950,000.00 | \$ | \$ (104,529.80) | \$ 6,845,470.20 | \$ 347,104.60 |
| Accrued Compensated Absences | 667,400.97 | 660,591.23 | (614,145.54) | 713,846.66 | 614,145.54 |
| Total Governmental Activities | 7,617,400.97 | 660,591.23 | (718,675.34) | 7,559,316.86 | 961,250.14 |
| Business-Type Activities: | | | | | |
| Accrued Landfill Closure/Postclosure | 1,728,167.05 | 136,134.60 | | 1,864,301.65 | 178,318.62 |
| Accrued Compensated Absences | 53,061.58 | 24,801.13 | (24,806.55) | 48,545.78 | 25,507.99 |
| Total Business-Type Activities | 1,781,228.63 | 160,935.73 | (24,806.55) | 1,912,847.43 | 203,826.61 |
| TOTAL PRIMARY GOVERNMENT | \$ 9,398,629.60 | \$ 821,526.96 | \$ (743,481.89) | \$ 9,472,164.29 | \$ 1,165,076.75 |

Long-Term Liabilities payable at December 31, 2013 is comprised of the following:

Tax Incremental Revenue Bonds – Series 2011:

Northern Beef Plant Increment Financing – Interest Rate of 10 percent – Maturing 4/2027 – Payments made out of the Brown County TIF #1 Debt Service Fund \$ 6,845,470.20

Compensated Absences:

Annual Leave 420,025.89

Sick Leave 342,366.55

Payments to be made by the fund that the payroll expenditures are charged.

Landfill Closure/Postclosure:

Paid out of Solid Waste Fund 1,864,301.65

Total Long-Term Liabilities \$ 9,472,164.29

The annual requirements to amortize all debt outstanding as of December 31, 2013, except for compensated absences and landfill closure/postclosure, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2013

| Year Ending December 31, | Tax Increment Financing | | Total |
|-----------------------------|-------------------------|------------------------|-------------------------|
| | Principal | Interest | |
| 2014 | \$ 347,104.60 | \$ 1,010,036.67 | \$ 1,357,141.27 |
| 2015 | 261,333.00 | 643,466.55 | 904,799.55 |
| 2016 | 288,285.60 | 616,679.97 | 904,965.57 |
| 2017 | 317,691.45 | 587,115.97 | 904,807.42 |
| 2018 | 350,367.25 | 554,570.87 | 904,938.12 |
| 2019–2023 | 2,368,370.45 | 2,154,952.05 | 4,523,322.50 |
| 2024–2027 | 2,912,317.85 | 668,914.80 | 3,581,232.65 |
| TOTAL | \$ 6,845,470.20 | \$ 6,235,736.88 | \$ 13,081,207.08 |

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, 2013, there was one series of conduit bonds outstanding with an aggregate unpaid principal amount of \$9,980,137.83.

10. OPERATING LEASES

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

The following are the minimum payments on existing operating leases:

| Year | General Fund Total |
|--------------|-----------------------|
| 2014 | \$ 5,170.92 |
| 2015 | 5,170.92 |
| 2016 | 3,049.32 |
| 2017 | 2,032.88 |
| TOTAL | \$ 15,424.04 |

11. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The County is required to recognize the cost of closure and postclosure care as the landfill is used (landfill capacity used to date). The County is also required to take into account the possibilities of higher or lower costs due to inflation, changes in technology, or changes in regulations. The estimated liability for landfill closure and postclosure care costs for Unit 1 was \$1,887,615.53 as of December 31, 2011. However, in 2012 it was determined that no more waste would be placed in Unit 1, which lowered the actual life expectancy to 19 years. Use of Unit 1 began in October 1993. Refuge deposited at Unit 1 through December 31, 2012, was 723,147 tons based on information supplied by Landfill Manager Mike Scott on December 31, 2012. The December amount represents usage of 100 percent of total Unit 1 capacity. On December 31, 2013, the amount held in the closure/postclosure for Unit 1 was \$1,787,744.00. The Unit 1 closure bid was awarded to B&B Contracting in 2013 in the amount of \$405,642.25 plus engineering costs.

The County completed construction on Unit 2 in 2010 and began using it in 2011. The total lifespan of Unit 2 is currently estimated at 143 years with an estimated total capacity of 6,963,912 tons. When calculating the Unit 2 (Cell 1) Closure/Postclosure costs for 2013, a capacity of 362,104 tons with a lifespan of 5 years was used.

The estimated liability for landfill closure and postclosure care costs for Unit 2 (Cell 1) was \$76,557.65 on December 31, 2013 (grand total Unit 1 and Unit 2 (Cell 1) is \$1,864,301.65). The County is in compliance with the funding requirements set forth for closure and postclosure.

Refuge deposited in Cell 1 of Unit 2 through December 31, 2013, was 120,547 tons. This amount represents usage of approximately 33 percent of capacity in Cell 1 of Unit 2.

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

| | Unit 1 | Unit 2 |
|--------------|---------------------|---------------------|
| Closure | \$ 604,158 | \$ 1,833,877 |
| Postclosure | 1,183,586 | 4,157,960 |
| Total | \$ 1,787,744 | \$ 5,991,837 |

In addition, the County is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2013, restricted cash and investments of \$1,864,301.65 are presented on the Solid Waste Fund balance sheet as restricted assets for Unit 1 and Unit 2.

The County Commissioners have also earmarked \$187,512.73 of Unrestricted Net Position to fund future closure and postclosure costs and \$240,000.00 to meet any potential remedial costs.

12. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2013, was as follows:

Major Purposes:

| | |
|--------------------------|------------------------|
| Road and Bridge Purposes | <u>\$ 1,951,114.13</u> |
|--------------------------|------------------------|

Other Purposes:

| | |
|--|-------------------|
| Domestic Abuse Purposes | 1,054.00 |
| Fire Protection Purposes | 42,955.33 |
| Teen Court Purposes | 35,367.52 |
| 24/7 Sobriety Purposes | 54,593.20 |
| Richmond Youth Camp Purposes | 21,916.96 |
| Modernization and Preservation Relief Purposes | 32,260.09 |
| Donation Purposes | 6,388.97 |
| SDPAA Purposes | <u>205,527.15</u> |

| | |
|----------------------|-------------------|
| Total Other Purposes | <u>400,063.22</u> |
|----------------------|-------------------|

| | |
|--------------------------------------|-------------------------------|
| Total Restricted Net Position | <u>\$ 2,351,177.35</u> |
|--------------------------------------|-------------------------------|

These balances are restricted due to federal grant and statutory requirements, or donor restrictions.

13. BROWN COUNTY TIF #1 DEBT SERVICE FUND

The Brown County TIF #1 Debt Service Fund is a major fund. The deficit fund balance for \$439,352.37 is the result of Northern Beef Packers being delinquent on their property taxes. There was not enough property tax revenue in 2013 to make the second half principal and interest payment on the Tax Incremental Revenue Bond Series 2011. Bond principal and interest payments due but not paid in 2013 totaled \$452,535.61, and is reported as a current liability in the Fund. Also see Note 17 Subsequent Events.

14. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2013, were as follows:

| Transfers From: | Transfers To: | | | Total |
|------------------------|----------------------|-----------------------------|---------------------------------|------------------------|
| | General Fund | Road and Bridge Fund | Other Governmental Funds | |
| Major Funds: | | | | |
| General Fund | \$ | \$ 3,000,000.00 | \$ 475,850.19 | \$ 3,475,850.19 |
| Road and Bridge Fund | 3,352.63 | | | 3,352.63 |
| Solid Waste Fund | 5,355.09 | | | 5,355.09 |
| Total | \$ 8,707.72 | \$ 3,000,000.00 | \$ 475,850.19 | \$ 3,484,557.91 |

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

15. 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, 2013, 2012, and 2011 were \$403,566.23, \$390,576.00, and \$407,232.34, respectively, equal to the required contributions each year.

16. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2013, the County was not involved in any litigation.

17. SUBSEQUENT EVENTS

1. Brown County was awarded a \$346,400.00 Solid Waste Management Program Grant on March 28, 2014, to assist the County with the construction of Unit 2 Cell 2.
2. Northern Beef Packers filed Chapter 11 Bankruptcy in 2013 and the County Treasurer's records showed Northern Beef Plant owed delinquent property taxes, penalty and interest on December 31, 2013, of which approximately \$452,535.61 was related to the payment of the

Tax Increment obligation (principal and interest). This Brown County TIF #1 Debt Service Fund current liability caused the fund to report a negative (\$439,352.37) fund balance. The County has no legal obligation to pay Tax Increment Financing payments. On March 31, 2014, the new owner, White Oak Global Advisors, LLC, renamed the plant New Angus, LLC and paid delinquent property taxes, penalty and interest in the amount of \$1,090,574.25. \$452,535.61 of this amount was disbursed to the Bond Holders in April 2014.

18. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2013, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

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

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

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

As of December 31, 2013, the County has vested balance in the cumulative reserve fund of \$205,527.15. The County is fully vested in the SDPAA.

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

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|--|-------------------------|------------------|-----------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive (Negative)</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| General Property Taxes--Current | \$ 11,847,384.00 | \$ 11,847,384.00 | \$ 11,828,736.27 | \$ (18,647.73) |
| General Property Taxes--Delinquent | 65,000.00 | 65,000.00 | 95,402.36 | 30,402.36 |
| Penalties and Interest | 19,000.00 | 19,000.00 | 33,356.53 | 14,356.53 |
| Telephone Tax (Outside) | 11,500.00 | 11,500.00 | 0.00 | (11,500.00) |
| Mobile Home Tax | 2,500.00 | 2,500.00 | 2,431.20 | (68.80) |
| Tax Deed Revenue | 180.00 | 180.00 | 18,061.00 | 17,881.00 |
| Licenses and Permits | 60,300.00 | 60,300.00 | 98,861.14 | 38,561.14 |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 30,000.00 | 331,354.09 | 306,804.37 | (24,549.72) |
| Federal Shared Revenue | 14,250.00 | 14,250.00 | 13,176.21 | (1,073.79) |
| Federal Payments in Lieu of Taxes | 190.00 | 190.00 | 192.00 | 2.00 |
| State Grants | 0.00 | 0.00 | 12,109.49 | 12,109.49 |
| State Shared Revenue: | | | | |
| Bank Franchise | 55,000.00 | 55,000.00 | 196,325.20 | 141,325.20 |
| Court Appointed Attorney/Public Defender | 15,500.00 | 15,500.00 | 13,115.43 | (2,384.57) |
| Abused and Neglected Child Defense | 5,000.00 | 5,000.00 | 2,831.05 | (2,168.95) |
| Telecommunications Gross Receipts Tax | 225,000.00 | 225,000.00 | 227,824.99 | 2,824.99 |
| Motor Vehicle 1/4% | 7,000.00 | 7,000.00 | 9,345.24 | 2,345.24 |
| Other Payments in Lieu of Taxes | 3,500.00 | 3,500.00 | 4,647.14 | 1,147.14 |
| Other Intergovernmental Revenue | 18,000.00 | 25,781.49 | 30,326.66 | 4,545.17 |
| Charges for Goods and Services: | | | | |
| General Government: | | | | |
| Treasurer's Fees | 58,800.00 | 58,800.00 | 65,885.14 | 7,085.14 |
| Register of Deeds' Fees | 365,000.00 | 365,000.00 | 470,440.00 | 105,440.00 |
| Legal Services | 108,000.00 | 108,000.00 | 105,527.43 | (2,472.57) |
| Clerk of Courts Fees | 61,000.00 | 61,000.00 | 51,667.29 | (9,332.71) |
| Assessors Fees | 17,300.00 | 17,300.00 | 21,080.00 | 3,780.00 |
| GIS Fees | 5,500.00 | 5,500.00 | 323.47 | (5,176.53) |
| Other Fees | 320.00 | 320.00 | 825.79 | 505.79 |
| Public Safety: | | | | |
| Law Enforcement | 113,450.00 | 113,450.00 | 120,787.14 | 7,337.14 |
| Prisoner Care | 123,600.00 | 123,600.00 | 97,390.10 | (26,209.90) |
| Health and Welfare: | | | | |
| Economic Assistance: | | | | |
| Poor Lien Recoveries | 90,000.00 | 90,000.00 | 154,479.12 | 64,479.12 |
| Veterans Service Officer | 4,375.00 | 4,375.00 | 4,375.00 | 0.00 |
| Culture and Recreation | 821,000.00 | 883,651.00 | 874,385.63 | (9,265.37) |
| Conservation of Natural Resources | 40,000.00 | 40,000.00 | 53,681.76 | 13,681.76 |
| Other Charges | 18,000.00 | 18,000.00 | 15,782.88 | (2,217.12) |
| Fines and Forfeits: | | | | |
| Fines | 200.00 | 200.00 | 156.00 | (44.00) |
| Costs | 28,000.00 | 28,000.00 | 25,328.83 | (2,671.17) |
| Forfeits | 3,000.00 | 3,000.00 | 0.00 | (3,000.00) |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 60,000.00 | 60,000.00 | 17,294.65 | (42,705.35) |
| Rent | 84,637.50 | 84,637.50 | 113,295.33 | 28,657.83 |
| Contributions and Donations | 0.00 | 0.00 | 9,069.16 | 9,069.16 |

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013
(Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with |
|-------------------------------------|----------------------|----------------------|----------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Refund of Prior Year's Expenditures | 18,000.00 | 18,000.00 | 0.00 | (18,000.00) |
| Other | 10,000.00 | 10,000.00 | 9,765.10 | (234.90) |
| Total Revenues | 14,409,486.50 | 14,781,273.08 | 15,105,086.10 | 323,813.02 |
| Expenditures: | | | | |
| General Government: | | | | |
| Legislative: | | | | |
| Board of County Commissioners | 288,065.64 | 288,065.64 | 277,436.68 | 10,628.96 |
| Contingency | 250,000.00 | 250,000.00 | | |
| Amount Transferred | | (187,190.13) | | 62,809.87 |
| Elections | 17,199.62 | 26,280.31 | 26,280.31 | 0.00 |
| Judicial System | 75,271.00 | 75,271.00 | 58,967.50 | 16,303.50 |
| Financial Administration: | | | | |
| Auditor | 363,280.43 | 363,280.43 | 341,829.03 | 21,451.40 |
| Treasurer | 499,741.00 | 499,741.00 | 496,558.64 | 3,182.36 |
| Data Processing | 365,000.00 | 365,000.00 | 315,296.28 | 49,703.72 |
| Legal Services: | | | | |
| State's Attorney | 599,337.57 | 639,337.57 | 637,037.22 | 2,300.35 |
| Court Appointed Attorney | 320,000.00 | 320,000.00 | 313,615.82 | 6,384.18 |
| Abused and Neglected Child Defense | 15,000.00 | 15,000.00 | 15,000.00 | 0.00 |
| Other Administration: | | | | |
| General Government Building | 765,314.00 | 825,314.00 | 808,345.60 | 16,968.40 |
| Director of Equalization | 479,749.16 | 493,749.16 | 493,740.34 | 8.82 |
| Register of Deeds | 274,462.96 | 280,662.96 | 280,588.23 | 74.73 |
| Veterans Service Officer | 125,000.00 | 126,000.00 | 125,627.35 | 372.65 |
| Predatory Animal | 10,374.57 | 10,374.57 | 10,374.57 | 0.00 |
| Geographic Information System | 88,951.00 | 90,151.00 | 89,910.71 | 240.29 |
| Public Safety: | | | | |
| Law Enforcement: | | | | |
| Sheriff | 1,299,504.00 | 1,321,817.74 | 1,302,518.16 | 19,299.58 |
| County Jail | 1,418,754.00 | 1,418,754.00 | 1,376,192.11 | 42,561.89 |
| Coroner | 24,939.75 | 32,939.75 | 32,707.25 | 232.50 |
| Juvenile Detention | 794,807.00 | 794,807.00 | 741,616.83 | 53,190.17 |
| Protective and Emergency Services: | | | | |
| Fire Protection | 17,000.00 | 17,000.00 | 16,964.92 | 35.08 |
| Health and Welfare: | | | | |
| Economic Assistance: | | | | |
| Support of Poor | 680,000.00 | 680,000.00 | 384,068.25 | 295,931.75 |
| Health Assistance: | | | | |
| County Nurse | 26,780.00 | 26,780.00 | 18,540.00 | 8,240.00 |
| Ambulance | 25,000.00 | 41,990.13 | 41,990.13 | 0.00 |
| Social Services: | | | | |
| Care of Aged | 1,000.00 | 1,000.00 | 1,000.00 | 0.00 |
| Mental Health Services: | | | | |
| Mentally Ill | 30,000.00 | 67,000.00 | 65,923.73 | 1,076.27 |
| Developmentally Disabled | 2,000.00 | 4,800.00 | 4,800.00 | 0.00 |
| Drug Abuse | 20,000.00 | 20,000.00 | 20,000.00 | 0.00 |
| Mental Health Centers | 37,080.00 | 37,080.00 | 37,080.00 | 0.00 |
| Mental Illness Board | 80,500.00 | 80,500.00 | 80,500.00 | 0.00 |

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013
(Continued)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|---|-------------------------|------------------------|------------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive (Negative)</u> |
| Culture and Recreation: | | | | |
| Culture: | | | | |
| Public Library | 18,000.00 | 18,000.00 | 18,000.00 | 0.00 |
| Historical Museum | 326,367.35 | 326,637.65 | 323,139.08 | 3,498.57 |
| Historical Sites | 500.00 | 500.00 | 457.48 | 42.52 |
| Recreation: | | | | |
| Recreational Programs | 5,000.00 | 5,000.00 | 5,000.00 | 0.00 |
| Parks | 94,550.49 | 94,550.49 | 80,462.12 | 14,088.37 |
| Exhibition Building | 308,145.94 | 308,145.94 | 286,005.12 | 22,140.82 |
| County Fair | 840,800.44 | 908,451.44 | 824,244.51 | 84,206.93 |
| Senior Center | 4,500.00 | 4,500.00 | 4,500.00 | 0.00 |
| Conservation of Natural Resources: | | | | |
| Soil Conservation: | | | | |
| County Extension | 71,487.02 | 71,487.02 | 68,601.50 | 2,885.52 |
| Weed and Pest Control | 199,520.57 | 199,520.57 | 157,997.33 | 41,523.24 |
| Urban and Economic Development: | | | | |
| Urban Development: | | | | |
| Planning and Zoning | 97,166.00 | 97,166.00 | 62,415.17 | 34,750.83 |
| Urban and Rural Development | 24,931.64 | 263,392.90 | 263,392.90 | 0.00 |
| Economic Development: | | | | |
| Tourism, Industrial or Recreational Development | 20,750.00 | 20,750.00 | 20,750.00 | 0.00 |
| Total Expenditures | <u>11,005,831.15</u> | <u>11,343,608.14</u> | <u>10,529,474.87</u> | <u>814,133.27</u> |
| Excess of Revenues Over (Under) Expenditures | <u>3,403,655.35</u> | <u>3,437,664.94</u> | <u>4,575,611.23</u> | <u>1,137,946.29</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 16,125.00 | 16,125.00 | 8,707.72 | (7,417.28) |
| Transfers Out | (3,979,972.48) | (3,979,972.48) | (3,475,850.19) | 504,122.29 |
| Insurance Proceeds | 30,000.00 | 30,000.00 | 38,541.96 | 8,541.96 |
| Sale of County Property | 5,000.00 | 5,000.00 | 12,818.61 | 7,818.61 |
| Total Other Financing Sources (Uses) | <u>(3,928,847.48)</u> | <u>(3,928,847.48)</u> | <u>(3,415,781.90)</u> | <u>513,065.58</u> |
| Net Change in Fund Balance | (525,192.13) | (491,182.54) | 1,159,829.33 | 1,651,011.87 |
| Fund Balance - Beginning | 4,471,947.41 | 4,471,947.41 | 4,471,947.41 | 0.00 |
| FUND BALANCE - ENDING | <u>\$ 3,946,755.28</u> | <u>\$ 3,980,764.87</u> | <u>\$ 5,631,776.74</u> | <u>\$ 1,651,011.87</u> |

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------------|------------------------|------------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Taxes: | | | | |
| Wheel Tax | \$ 740,000.00 | \$ 740,000.00 | \$ 774,537.10 | \$ 34,537.10 |
| Licenses and Permits | 9,500.00 | 9,500.00 | 6,790.00 | (2,710.00) |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 0.00 | 608,428.23 | 608,428.23 |
| State Grants | 350,000.00 | 350,000.00 | 1,048,602.98 | 698,602.98 |
| State Shared Revenue: | | | | |
| Motor Vehicle Licenses | 2,000,000.00 | 2,000,000.00 | 2,820,246.72 | 820,246.72 |
| Prorate/Port of Entry Fees | 150,000.00 | 150,000.00 | 165,280.45 | 15,280.45 |
| 63 3/4% Mobile Home/Manufactured Home | 16,000.00 | 16,000.00 | 24,031.11 | 8,031.11 |
| Motor Fuel Tax | 430,225.00 | 430,225.00 | 17,926.11 | (412,298.89) |
| Other Intergovernmental Revenue | 0.00 | 0.00 | 5,168.45 | 5,168.45 |
| Charges for Goods and Services: | | | | |
| Public Works: | | | | |
| Road Maintenance Contract Charges | 5,700.00 | 5,700.00 | 4,856.83 | (843.17) |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 6,000.00 | 6,000.00 | 3,352.63 | (2,647.37) |
| Rent | 3,000.00 | 3,000.00 | 1,520.25 | (1,479.75) |
| Contributions and Donations | 0.00 | 0.00 | 29,200.00 | 29,200.00 |
| Other | 500.00 | 500.00 | 111.96 | (388.04) |
| Total Revenues | 3,710,925.00 | 3,710,925.00 | 5,510,052.82 | 1,799,127.82 |
| Expenditures: | | | | |
| Public Works: | | | | |
| Highways and Bridges: | | | | |
| Highways, Roads and Bridges | 8,641,047.29 | 8,641,047.29 | 8,201,716.94 | 439,330.35 |
| Intergovernmental Expenditures | 40,000.00 | 40,000.00 | 38,726.85 | 1,273.15 |
| Total Expenditures | 8,681,047.29 | 8,681,047.29 | 8,240,443.79 | 440,603.50 |
| Excess of Revenues Over (Under) Expenditures | (4,970,122.29) | (4,970,122.29) | (2,730,390.97) | 2,239,731.32 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 4,104,122.29 | 4,104,122.29 | 3,000,000.00 | (1,104,122.29) |
| Transfers Out | 0.00 | 0.00 | (3,352.63) | (3,352.63) |
| Insurance Proceeds | 0.00 | 0.00 | 5,596.40 | 5,596.40 |
| Sale of County Property | 16,000.00 | 16,000.00 | 110,371.20 | 94,371.20 |
| Total Other Financing Sources (Uses) | 4,120,122.29 | 4,120,122.29 | 3,112,614.97 | (1,007,507.32) |
| Net Change in Fund Balance | (850,000.00) | (850,000.00) | 382,224.00 | 1,232,224.00 |
| Fund Balance - Beginning | 3,014,932.82 | 3,014,932.82 | 3,014,932.82 | 0.00 |
| FUND BALANCE - ENDING | \$ 2,164,932.82 | \$ 2,164,932.82 | \$ 3,397,156.82 | \$ 1,232,224.00 |

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

Note 1. Budgets and Budgetary Accounting:

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

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

BROWN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures 2013 |
|---|------------------------|--|----------------------|
| US Department of Housing and Urban Development: CDBG - State-Administered CDBG Cluster: Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | | \$ <u>137,761.78</u> |
| US Department of Interior: Direct Federal Funding: Bureau of Land Management, Payments in Lieu of Taxes (Note 2) | 15.226 | | 192.00 |
| Distribution of Receipts to State and Local Governments (Note 2) | 15.227 | | <u>13,176.21</u> |
| Total US Department of Interior | | | <u>13,368.21</u> |
| US Department of Justice: Direct Federal Funding: Bullet Proof Vest Partnership Program | 16.607 | | 1,001.80 |
| Indirect Federal Funding: SD Department of Corrections, Juvenile Accountability Block Grants | 16.523 | | 6,489.60 |
| SD Department of Social Services, Stop Violence Against Women Act | 16.588 | | 39,278.89 |
| SD Teen Court Administration, Enforcing Underage Drinking Laws Program | 16.727 | | <u>6,875.00</u> |
| Total US Department of Justice | | | <u>53,645.29</u> |
| US Department of Transportation: Highway Planning and Construction Cluster: Indirect Federal Funding: SD Department of Transportation, Highway Planning and Construction (Note 3) | 20.205 | | <u>627,353.57</u> |
| Highway Safety Cluster: Indirect Federal Funding: SD Department of Public Safety, State and Community Highway Safety | 20.600 | | 30,263.78 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | | <u>569.00</u> |
| Total Highway Safety Cluster | | | <u>30,832.78</u> |
| Total US Department of Transportation | | | <u>658,186.35</u> |
| US General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5) | 39.003 | | <u>7,673.31</u> |

BROWN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013
(Continued)

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures 2013 |
|---|------------------------|--|----------------------|
| US Elections Assistance Commission: | | | |
| Indirect Federal Funding: | | | |
| SD Secretary of State, Help America Vote Act Requirements Payments | 90.401 | | 62.00 |
| US Department of Homeland Security: | | | |
| Indirect Federal Funding: | | | |
| SD Department of Public Safety, Office of Emergency Management, Emergency Management Performance Grants | 97.042 | | 73,563.24 |
| Homeland Security Grant Program (Note 4) | 97.067 | | 67,710.99 |
| Total US Department of Homeland Security | | | 141,274.23 |
| GRAND TOTAL | | | \$ 1,011,971.17 |

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: Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|---------------------------------|------------------------|--|
| Homeland Security Grant Program | 97.067 | \$ 46,595.00 |

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.