

**BROWN COUNTY**

**AUDIT REPORT**

**For the Year Ended December 31, 2017**

BROWN COUNTY  
COUNTY OFFICIALS  
December 31, 2017

Board of Commissioners:  
Rachel Kippley, Chair  
Doug Fjeldheim, Vice Chair  
Tom Fischbach  
Nancy Hansen  
Duane Sutton

Auditor:  
Maxine Fischer

Treasurer:  
Sheila Enderson

State's Attorney:  
Chris White

Register of Deeds:  
Carol Sherman

Sheriff:  
Mark Milbrandt

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For the Year Ended December 31, 2017:

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427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595

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 modified cash basis of accounting 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, 2017, 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 November 13, 2018.

***Internal Control Over Financial Reporting***

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

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

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

## ***Compliance and Other Matters***

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

## ***Purpose of this Report***

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

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with the first name "Martin" and last name "Guindon" clearly distinguishable.

Martin L. Guindon, CPA  
Auditor General

November 13, 2018

BROWN COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

The prior audit report contained no written audit findings.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

There are no written current audit findings to report.



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595

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 modified cash basis of accounting 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, 2017, 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 the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for 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 on a modified cash basis of accounting of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### ***Basis of Accounting***

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are 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 basic financial statements or to the basic 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 November 13, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 effectiveness of the County's 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 stylized with a large, looped "M" and a cursive "Guindon".

Martin L. Guindon, CPA  
Auditor General

November 13, 2018

**BROWN COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2017**

|                                           | Primary Government         |                             |                         |
|-------------------------------------------|----------------------------|-----------------------------|-------------------------|
|                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                   |
| <b>ASSETS:</b>                            |                            |                             |                         |
| Cash and Cash Equivalents                 | \$ 2,344,868.12            | \$ 4,172,490.15             | \$ 6,517,358.27         |
| Investments                               | 3,450,000.00               | 1,395,330.12                | 4,845,330.12            |
| Restricted Assets:                        |                            |                             |                         |
| Restricted Investments                    |                            | 1,264,918.00                | 1,264,918.00            |
| <b>TOTAL ASSETS</b>                       | <b>\$ 5,794,868.12</b>     | <b>\$ 6,832,738.27</b>      | <b>\$ 12,627,606.39</b> |
| <b>NET POSITION:</b>                      |                            |                             |                         |
| Restricted For: (See Note 8)              |                            |                             |                         |
| Road and Bridge Purposes                  | \$ 423,243.27              | \$                          | \$ 423,243.27           |
| Debt Service Purposes                     | 2,468.59                   |                             | 2,468.59                |
| Other Purposes                            | 260,761.47                 |                             | 260,761.47              |
| Landfill Closure and Postclosure Purposes |                            | 1,264,918.00                | 1,264,918.00            |
| Unrestricted                              | 5,108,394.79               | 5,567,820.27                | 10,676,215.06           |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 5,794,868.12</b>     | <b>\$ 6,832,738.27</b>      | <b>\$ 12,627,606.39</b> |

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

**BROWN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2017

| 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                                |                          |                   |
|                                                                                                                                                                 |                                                              |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total             |
| Primary Government:                                                                                                                                             |                                                              |                      |                                    |                                  |                                                   |                          |                   |
| Governmental Activities:                                                                                                                                        |                                                              |                      |                                    |                                  |                                                   |                          |                   |
| General Government                                                                                                                                              | \$ 6,222,836.55                                              | \$ 797,812.38        | \$ 181,850.68                      | \$                               | \$ (5,243,173.49)                                 | \$                       | \$ (5,243,173.49) |
| Public Safety                                                                                                                                                   | 5,884,803.57                                                 | 574,832.50           | 785,316.19                         |                                  | (4,524,654.88)                                    |                          | (4,524,654.88)    |
| Public Works                                                                                                                                                    | 9,329,066.91                                                 | 40,974.09            | 3,572,634.67                       | 412,713.42                       | (5,302,744.73)                                    |                          | (5,302,744.73)    |
| Health and Welfare                                                                                                                                              | 449,929.93                                                   | 127,136.18           | 1,850.49                           |                                  | (320,943.26)                                      |                          | (320,943.26)      |
| Culture and Recreation                                                                                                                                          | 1,979,863.67                                                 | 1,301,035.23         | 12,000.00                          |                                  | (666,828.44)                                      |                          | (666,828.44)      |
| Conservation of Natural Resources                                                                                                                               | 288,134.22                                                   | 50,285.19            | 24,285.00                          |                                  | (213,564.03)                                      |                          | (213,564.03)      |
| Urban and Economic Development                                                                                                                                  | 533,448.91                                                   | 30,018.52            | 91,629.21                          |                                  | (411,801.18)                                      |                          | (411,801.18)      |
| Intergovernmental                                                                                                                                               | 40,091.71                                                    |                      |                                    |                                  | (40,091.71)                                       |                          | (40,091.71)       |
| *Interest on Long-Term Debt                                                                                                                                     | 587,115.97                                                   |                      |                                    |                                  | (587,115.97)                                      |                          | (587,115.97)      |
| Total Governmental Activities                                                                                                                                   | 25,315,291.44                                                | 2,922,094.09         | 4,669,566.24                       | 412,713.42                       | (17,310,917.69)                                   | 0.00                     | (17,310,917.69)   |
| Business-type Activities:                                                                                                                                       |                                                              |                      |                                    |                                  |                                                   |                          |                   |
| Solid Waste                                                                                                                                                     | 1,437,833.45                                                 | 2,479,804.68         | 53,042.57                          |                                  |                                                   | 1,095,013.80             | 1,095,013.80      |
| Total Primary Government                                                                                                                                        | \$ 26,753,124.89                                             | \$ 5,401,898.77      | \$ 4,722,608.81                    | \$ 412,713.42                    | (17,310,917.69)                                   | 1,095,013.80             | (16,215,903.89)   |
| General Revenues:                                                                                                                                               |                                                              |                      |                                    |                                  |                                                   |                          |                   |
| * The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | Taxes:                                                       |                      |                                    |                                  |                                                   |                          |                   |
|                                                                                                                                                                 | Property Taxes                                               |                      |                                    |                                  | 14,158,733.75                                     |                          | 14,158,733.75     |
|                                                                                                                                                                 | Wheel Tax                                                    |                      |                                    |                                  | 801,833.78                                        |                          | 801,833.78        |
|                                                                                                                                                                 | State Shared Revenues                                        |                      |                                    |                                  | 428,648.44                                        |                          | 428,648.44        |
|                                                                                                                                                                 | Grants and Contributions not Restricted to Specific Programs |                      |                                    |                                  | 20,479.05                                         |                          | 20,479.05         |
|                                                                                                                                                                 | Unrestricted Investment Earnings                             |                      |                                    |                                  | 21,645.19                                         | 14,696.14                | 36,341.33         |
|                                                                                                                                                                 | Miscellaneous Revenue                                        |                      |                                    |                                  | 72,099.29                                         | 46,525.02                | 118,624.31        |
|                                                                                                                                                                 | Transfers                                                    |                      |                                    |                                  | 6,705.16                                          | (6,705.16)               | 0.00              |
|                                                                                                                                                                 | Total General Revenues and Transfers                         |                      |                                    |                                  | 15,510,144.66                                     | 54,516.00                | 15,564,660.66     |
|                                                                                                                                                                 | Change in Net Position                                       |                      |                                    |                                  | (1,800,773.03)                                    | 1,149,529.80             | (651,243.23)      |
| Net Position - Beginning                                                                                                                                        |                                                              |                      |                                    | 7,595,641.15                     | 5,683,208.47                                      | 13,278,849.62            |                   |
| NET POSITION - ENDING                                                                                                                                           |                                                              |                      |                                    | \$ 5,794,868.12                  | \$ 6,832,738.27                                   | \$ 12,627,606.39         |                   |

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

**BROWN COUNTY  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2017**

|                                       | <b>General<br/>Fund</b>       | <b>Road and Bridge<br/>Fund</b> | <b>Brown County<br/>TIF #1<br/>Debt Service<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------|-------------------------------|---------------------------------|----------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                        |                               |                                 |                                                          |                                         |                                         |
| Cash and Cash Equivalents             | \$ 1,387,673.55               | \$ 227,112.30                   | \$ 2,468.59                                              | \$ 727,613.68                           | \$ 2,344,868.12                         |
| Investments                           | 3,026,756.73                  | 423,243.27                      |                                                          |                                         | 3,450,000.00                            |
| <b>TOTAL ASSETS</b>                   | <b><u>\$ 4,414,430.28</u></b> | <b><u>\$ 650,355.57</u></b>     | <b><u>\$ 2,468.59</u></b>                                | <b><u>\$ 727,613.68</u></b>             | <b><u>\$ 5,794,868.12</u></b>           |
| <b>FUND BALANCES:</b> (See Note 1.k.) |                               |                                 |                                                          |                                         |                                         |
| Restricted                            | \$ 41,403.77                  | \$ 423,243.27                   | \$ 2,468.59                                              | \$ 219,357.70                           | \$ 686,473.33                           |
| Assigned                              | 3,726,294.02                  | 227,112.30                      |                                                          | 508,255.98                              | 4,461,662.30                            |
| Unassigned                            | 646,732.49                    |                                 |                                                          |                                         | 646,732.49                              |
| <b>TOTAL FUND BALANCES</b>            | <b><u>\$ 4,414,430.28</u></b> | <b><u>\$ 650,355.57</u></b>     | <b><u>\$ 2,468.59</u></b>                                | <b><u>\$ 727,613.68</u></b>             | <b><u>\$ 5,794,868.12</u></b>           |

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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

|                                          | General<br>Fund  | Road and Bridge<br>Fund | Brown County<br>TIF #1<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------|------------------|-------------------------|------------------------------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                         |                  |                         |                                                |                                |                                |
| Taxes:                                   |                  |                         |                                                |                                |                                |
| General Property Taxes--Current          | \$ 13,419,958.12 | \$                      | \$ 592,699.53                                  | \$                             | \$ 14,012,657.65               |
| General Property Taxes--Delinquent       | 97,014.38        |                         |                                                |                                | 97,014.38                      |
| Penalties and Interest                   | 34,100.53        |                         | 2,468.58                                       |                                | 36,569.11                      |
| Telephone Tax (Outside)                  | 1,535.08         |                         |                                                |                                | 1,535.08                       |
| Mobile Home Tax                          | 5,051.08         |                         |                                                |                                | 5,051.08                       |
| Wheel Tax                                |                  | 801,833.78              |                                                |                                | 801,833.78                     |
| Tax Deed Revenue                         | 5,906.45         |                         |                                                |                                | 5,906.45                       |
| Licenses and Permits                     | 52,981.52        | 10,835.00               |                                                | 8,250.00                       | 72,066.52                      |
| Intergovernmental Revenue:               |                  |                         |                                                |                                |                                |
| Federal Grants                           | 145,960.85       |                         |                                                | 181,577.83                     | 327,538.68                     |
| Federal Shared Revenue                   | 20,267.05        |                         |                                                |                                | 20,267.05                      |
| Federal Payments in Lieu of Taxes        | 212.00           |                         |                                                |                                | 212.00                         |
| State Grants                             | 43,800.43        | 412,713.42              |                                                | 10,903.49                      | 467,417.34                     |
| State Shared Revenue:                    |                  |                         |                                                |                                |                                |
| Bank Franchise                           | 171,797.55       |                         |                                                |                                | 171,797.55                     |
| Motor Vehicle Licenses                   |                  | 3,375,759.39            |                                                |                                | 3,375,759.39                   |
| Court Appointed Attorney/Public Defender | 26,639.92        |                         |                                                |                                | 26,639.92                      |
| Prorate License Fees                     |                  | 163,303.28              |                                                |                                | 163,303.28                     |
| Abused and Neglected Child Defense       | 6,692.50         |                         |                                                |                                | 6,692.50                       |
| 63 3/4% Mobile Home                      |                  | 15,893.70               |                                                |                                | 15,893.70                      |
| Telecommunications Gross Receipts Tax    | 114,849.95       |                         |                                                |                                | 114,849.95                     |
| Motor Vehicle 1/4%                       | 12,547.36        |                         |                                                |                                | 12,547.36                      |
| Motor Fuel Tax                           |                  | 17,678.30               |                                                |                                | 17,678.30                      |
| 911 Remittances                          |                  |                         |                                                | 432,923.20                     | 432,923.20                     |
| Liquor Tax Reversion (25%)               | 137,238.76       |                         |                                                |                                | 137,238.76                     |
| Other Payments in Lieu of Taxes          | 4,762.18         |                         |                                                |                                | 4,762.18                       |
| Other Intergovernmental Revenue          | 24,538.30        |                         |                                                | 211,347.69                     | 235,885.99                     |
| Charges for Goods and Services:          |                  |                         |                                                |                                |                                |
| General Government:                      |                  |                         |                                                |                                |                                |
| Treasurer's Fees                         | 162,912.58       |                         |                                                |                                | 162,912.58                     |
| Register of Deeds' Fees                  | 370,969.00       |                         |                                                | 23,837.45                      | 394,806.45                     |

|                                   |               |              |            |            |               |
|-----------------------------------|---------------|--------------|------------|------------|---------------|
| Legal Services                    | 122,683.59    |              |            | 3,075.00   | 125,758.59    |
| Clerk of Courts Fees              | 55,395.70     |              |            |            | 55,395.70     |
| Other Fees                        | 23,393.47     |              |            |            | 23,393.47     |
| Public Safety:                    |               |              |            |            |               |
| Law Enforcement                   | 179,773.77    |              |            |            | 179,773.77    |
| Prisoner Care                     | 217,838.80    |              |            |            | 217,838.80    |
| Sobriety Testing                  |               |              |            | 74,139.00  | 74,139.00     |
| Public Works:                     |               |              |            |            |               |
| Other                             |               | 30,139.09    |            |            | 30,139.09     |
| Health and Welfare:               |               |              |            |            |               |
| Economic Assistance:              |               |              |            |            |               |
| Poor Lien Recoveries              | 116,086.18    |              |            |            | 116,086.18    |
| Veterans Service Officer          | 4,375.00      |              |            |            | 4,375.00      |
| Other                             | 50.00         |              |            |            | 50.00         |
| Culture and Recreation            | 1,165,420.74  |              |            |            | 1,165,420.74  |
| Conservation of Natural Resources | 50,285.19     |              |            |            | 50,285.19     |
| Other Charges                     | 18,195.59     |              |            |            | 18,195.59     |
| Fines and Forfeits:               |               |              |            |            |               |
| Fines                             | 432.25        |              |            |            | 432.25        |
| Costs                             | 44,815.18     |              |            |            | 44,815.18     |
| Forfeits                          | 50,595.50     |              |            |            | 50,595.50     |
| Miscellaneous Revenue:            |               |              |            |            |               |
| Investment Earnings               | 15,263.28     | 2,793.82     | 279.38     | 3,308.71   | 21,645.19     |
| Rent                              | 135,614.49    |              |            |            | 135,614.49    |
| Contributions and Donations       | 7,211.41      |              |            | 7,500.00   | 14,711.41     |
| Other                             | 5,136.68      | 6,394.03     | 9,519.99   | 566.36     | 21,617.06     |
| Total Revenues                    | 17,072,302.41 | 4,837,343.81 | 604,967.48 | 957,428.73 | 23,472,042.43 |

**Expenditures:**

## General Government:

## Legislative:

Board of County Commissioners

308,465.33

308,465.33

Elections

28,790.46

28,790.46

Judicial System

77,444.97

77,444.97

## Financial Administration:

Auditor

300,667.23

300,667.23

Treasurer

515,770.35

515,770.35

## Legal Services:

State's Attorney

877,134.90

877,134.90

Court Appointed Attorney

757,526.34

757,526.34

Abused and Neglected Child Defense

108,327.17

108,327.17

Teen Court

22,035.96

22,035.96

## Other:

General Government Building

1,550,520.94

1,550,520.94

**BROWN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**  
**(Continued)**

|                                    | General<br>Fund | Road and Bridge<br>Fund | Brown County<br>TIF #1<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------|-----------------|-------------------------|------------------------------------------------|--------------------------------|--------------------------------|
| Director of Equalization           | 569,867.03      |                         |                                                |                                | 569,867.03                     |
| Register of Deeds                  | 346,223.89      |                         |                                                | 16,712.91                      | 362,936.80                     |
| Veterans Service Officer           | 148,202.35      |                         |                                                |                                | 148,202.35                     |
| Predatory Animal                   | 3,915.61        |                         |                                                |                                | 3,915.61                       |
| Geographic Information System      | 93,267.26       |                         |                                                |                                | 93,267.26                      |
| Information Technology             | 404,362.49      |                         |                                                |                                | 404,362.49                     |
| Human Resources                    | 112,500.44      |                         |                                                |                                | 112,500.44                     |
| Public Safety:                     |                 |                         |                                                |                                |                                |
| Law Enforcement:                   |                 |                         |                                                |                                |                                |
| Sheriff                            | 1,506,876.70    |                         |                                                |                                | 1,506,876.70                   |
| County Jail                        | 2,079,591.69    |                         |                                                | 101,305.59                     | 2,180,897.28                   |
| Coroner                            | 29,089.38       |                         |                                                |                                | 29,089.38                      |
| Juvenile Detention                 | 889,725.47      |                         |                                                |                                | 889,725.47                     |
| Protective and Emergency Services: |                 |                         |                                                |                                |                                |
| Fire Protection                    | 17,000.00       |                         |                                                |                                | 17,000.00                      |
| Emergency and Disaster Services    |                 |                         |                                                | 302,837.65                     | 302,837.65                     |
| Communication Center               |                 |                         |                                                | 963,996.38                     | 963,996.38                     |
| Public Works:                      |                 |                         |                                                |                                |                                |
| Highways and Bridges:              |                 |                         |                                                |                                |                                |
| Highways, Roads and Bridges        |                 | 9,346,088.13            |                                                |                                | 9,346,088.13                   |
| Health and Welfare:                |                 |                         |                                                |                                |                                |
| Economic Assistance:               |                 |                         |                                                |                                |                                |
| Support of Poor                    | 144,500.85      |                         |                                                |                                | 144,500.85                     |
| Health Assistance:                 |                 |                         |                                                |                                |                                |
| County Nurse                       | 18,540.00       |                         |                                                |                                | 18,540.00                      |
| Ambulance                          | 5,874.90        |                         |                                                |                                | 5,874.90                       |
| Social Services:                   |                 |                         |                                                |                                |                                |
| Care of Aged                       | 1,500.00        |                         |                                                |                                | 1,500.00                       |
| Domestic Abuse                     |                 |                         |                                                | 13,247.13                      | 13,247.13                      |
| Mental Health Services:            |                 |                         |                                                |                                |                                |
| Mentally Ill                       | 180,505.07      |                         |                                                |                                | 180,505.07                     |
| Developmentally Disabled           | 12,300.00       |                         |                                                |                                | 12,300.00                      |
| Drug Abuse                         | 26,271.68       |                         |                                                |                                | 26,271.68                      |



|                                                 |                        |                       |                     |                      |                        |
|-------------------------------------------------|------------------------|-----------------------|---------------------|----------------------|------------------------|
| Mental Health Centers                           | 37,080.00              |                       |                     |                      | 37,080.00              |
| Mental Illness Board                            | 10,110.30              |                       |                     |                      | 10,110.30              |
| Culture and Recreation:                         |                        |                       |                     |                      |                        |
| Culture:                                        |                        |                       |                     |                      |                        |
| Public Library                                  | 16,000.00              |                       |                     |                      | 16,000.00              |
| Historical Museum                               | 390,491.30             |                       |                     |                      | 390,491.30             |
| Recreation:                                     |                        |                       |                     |                      |                        |
| Recreational Programs                           | 5,000.00               |                       |                     |                      | 5,000.00               |
| Parks                                           | 94,970.02              |                       |                     |                      | 94,970.02              |
| Exhibition Building                             | 373,507.57             |                       |                     |                      | 373,507.57             |
| County Fair                                     | 1,098,049.47           |                       |                     |                      | 1,098,049.47           |
| Other                                           | 3,500.00               |                       |                     |                      | 3,500.00               |
| Conservation of Natural Resources:              |                        |                       |                     |                      |                        |
| Soil Conservation:                              |                        |                       |                     |                      |                        |
| County Extension                                | 60,628.54              |                       |                     |                      | 60,628.54              |
| Weed and Pest Control                           | 227,505.68             |                       |                     |                      | 227,505.68             |
| Urban and Economic Development:                 |                        |                       |                     |                      |                        |
| Urban Development:                              |                        |                       |                     |                      |                        |
| Planning and Zoning                             | 76,929.07              |                       |                     |                      | 76,929.07              |
| Urban and Rural Development                     | 115,578.39             |                       |                     |                      | 115,578.39             |
| Other                                           | 2,500.00               |                       |                     |                      | 2,500.00               |
| Economic Development:                           |                        |                       |                     |                      |                        |
| Tourism, Industrial or Recreational Development | 20,750.00              |                       |                     |                      | 20,750.00              |
| Intergovernmental Expenditures                  |                        | 40,091.71             |                     |                      | 40,091.71              |
| Debt Service                                    |                        |                       | 904,807.42          |                      | 904,807.42             |
| Total Expenditures                              | <u>13,647,362.84</u>   | <u>9,386,179.84</u>   | <u>904,807.42</u>   | <u>1,420,135.62</u>  | <u>25,358,485.72</u>   |
| Excess of Revenues Over (Under) Expenditures    | <u>3,424,939.57</u>    | <u>(4,548,836.03)</u> | <u>(299,839.94)</u> | <u>(462,706.89)</u>  | <u>(1,886,443.29)</u>  |
| <b>Other Financing Sources (Uses):</b>          |                        |                       |                     |                      |                        |
| Transfers In                                    | 7,543.30               | 4,202,820.61          |                     | 363,751.24           | 4,574,115.15           |
| Transfers Out                                   | (4,566,571.85)         |                       | (279.38)            | (558.76)             | (4,567,409.99)         |
| Insurance Proceeds                              | 26,173.06              | 17,021.22             |                     |                      | 43,194.28              |
| Sale of County Property                         | 7,966.30               | 27,804.52             |                     |                      | 35,770.82              |
| Total Other Financing Sources (Uses)            | <u>(4,524,889.19)</u>  | <u>4,247,646.35</u>   | <u>(279.38)</u>     | <u>363,192.48</u>    | <u>85,670.26</u>       |
| Net Change in Fund Balance                      | (1,099,949.62)         | (301,189.68)          | (300,119.32)        | (99,514.41)          | (1,800,773.03)         |
| Fund Balance - Beginning                        | <u>5,514,379.90</u>    | <u>951,545.25</u>     | <u>302,587.91</u>   | <u>827,128.09</u>    | <u>7,595,641.15</u>    |
| FUND BALANCE - ENDING                           | <u>\$ 4,414,430.28</u> | <u>\$ 650,355.57</u>  | <u>\$ 2,468.59</u>  | <u>\$ 727,613.68</u> | <u>\$ 5,794,868.12</u> |

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

**BROWN COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

|                                                 | <u>Enterprise Fund</u><br><u>Solid Waste</u><br><u>Fund</u> |
|-------------------------------------------------|-------------------------------------------------------------|
| <b>ASSETS:</b>                                  |                                                             |
| Current Assets:                                 |                                                             |
| Cash and Cash Equivalents                       | \$ 4,172,490.15                                             |
| Investments                                     | <u>1,395,330.12</u>                                         |
| Total Current Assets                            | 5,567,820.27                                                |
| Noncurrent Assets:                              |                                                             |
| Restricted Investments                          | <u>1,264,918.00</u>                                         |
| <b>TOTAL ASSETS</b>                             | <u><u>\$ 6,832,738.27</u></u>                               |
| <b>NET POSITION:</b>                            |                                                             |
| Restricted For:                                 |                                                             |
| Landfill Closure and Postclosure Costs Purposes | \$ 1,264,918.00                                             |
| Unrestricted                                    | <u>5,567,820.27</u>                                         |
| <b>TOTAL NET POSITION</b>                       | <u><u>\$ 6,832,738.27</u></u>                               |

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

**BROWN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

|                                          | <u><b>Enterprise Fund</b></u><br><u><b>Solid Waste</b></u><br><u><b>Fund</b></u> |
|------------------------------------------|----------------------------------------------------------------------------------|
| <b>Operating Revenues:</b>               |                                                                                  |
| Charges for Goods and Services           | \$ 1,962,349.37                                                                  |
| Solid Waste Fee                          | 517,455.31                                                                       |
| Miscellaneous                            | <u>46,525.02</u>                                                                 |
| Total Operating Revenues                 | <u>2,526,329.70</u>                                                              |
| <b>Operating Expenses:</b>               |                                                                                  |
| Personal Services                        | 445,667.81                                                                       |
| Other Current Expense                    | <u>992,165.64</u>                                                                |
| Total Operating Expenses                 | <u>1,437,833.45</u>                                                              |
| Operating Income (Loss)                  | <u>1,088,496.25</u>                                                              |
| <b>Nonoperating Revenues (Expenses):</b> |                                                                                  |
| Operating Grants                         | 53,042.57                                                                        |
| Investment Earnings                      | <u>14,696.14</u>                                                                 |
| Total Nonoperating Revenues (Expenses)   | <u>67,738.71</u>                                                                 |
| Income (Loss) Before Transfers           | 1,156,234.96                                                                     |
| Transfers Out                            | <u>(6,705.16)</u>                                                                |
| Change in Net Position                   | 1,149,529.80                                                                     |
| Net Position - Beginning                 | <u>5,683,208.47</u>                                                              |
| NET POSITION - ENDING                    | <u><u>\$ 6,832,738.27</u></u>                                                    |

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

**BROWN COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2017**

|                                      | <u><b>Agency<br/>Funds</b></u> |
|--------------------------------------|--------------------------------|
| <b>ASSETS:</b>                       |                                |
| Cash and Cash Equivalents            | <u>\$ 2,693,948.85</u>         |
| <b>TOTAL ASSETS</b>                  | <u><u>\$ 2,693,948.85</u></u>  |
| <b>NET POSITION:</b>                 |                                |
| Net Position Held in Agency Capacity | <u>\$ 2,693,948.85</u>         |
| <b>TOTAL NET POSITION</b>            | <u><u>\$ 2,693,948.85</u></u>  |

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

BROWN COUNTY  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

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

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

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

#### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

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

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

#### **Governmental Funds:**

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

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

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, 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, Richmond Youth Camp, 24/7 Sobriety, State Grants, and Modernization and Preservation Relief. These are reported on the fund financial statements as “Other Governmental funds”.

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

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

## **Proprietary Funds:**

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

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

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

## **Fiduciary Funds:**

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

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

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

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

The County's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

#### *Measurement Focus:*

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 within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, applied within the limitations of the modified cash basis of accounting.

*Basis of Accounting:*

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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 South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

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.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities (both governmental and business-type activities) and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating



those assets where appropriate so any capital assets owned by the County and the related depreciation are not reported on the financial statements of the County.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases, and Compensated Absences.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities (both governmental and business-type activities) and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the County. The County does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

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 as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

*Government-wide Financial Statements:*

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

1. 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.

2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

j. Application of Net Position:

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

k. 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 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 Government *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, Motor Vehicle Licenses, Prorate License Fees, and Motor Fuel Tax

A schedule of fund balances is provided as follows:

**BROWN COUNTY  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

|                                                | <b>General<br/>Fund</b> | <b>Road and<br/>Bridge<br/>Fund</b> | <b>Brown County<br/>TIF #1<br/>Debt Service<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------------------|-------------------------|-------------------------------------|----------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Fund Balances:</b>                          |                         |                                     |                                                          |                                         |                                         |
| Restricted for:                                |                         |                                     |                                                          |                                         |                                         |
| Centennial Village and County Fair Purposes    | \$ 35,000.00            | \$                                  | \$                                                       | \$                                      | \$ 35,000.00                            |
| Donation Purposes                              | 6,403.77                |                                     |                                                          |                                         | 6,403.77                                |
| Snow Removal Purposes                          |                         | 423,243.27                          |                                                          |                                         | 423,243.27                              |
| Debt Services Purposes                         |                         |                                     | 2,468.59                                                 |                                         | 2,468.59                                |
| Point of Dispensing (POD) Purposes             |                         |                                     |                                                          | 2,961.81                                | 2,961.81                                |
| Domestic Abuse Purposes                        |                         |                                     |                                                          | 854.36                                  | 854.36                                  |
| Richmond Youth Camp Purposes                   |                         |                                     |                                                          | 21,916.96                               | 21,916.96                               |
| 24/7 Sobriety Purposes                         |                         |                                     |                                                          | 37,115.57                               | 37,115.57                               |
| Teen Court Purposes                            |                         |                                     |                                                          | 45,119.54                               | 45,119.54                               |
| Modernization and Preservation Relief Purposes |                         |                                     |                                                          | 99,889.46                               | 99,889.46                               |
| Emergency Management Purposes                  |                         |                                     |                                                          | 11,500.00                               | 11,500.00                               |
| Assigned to:                                   |                         |                                     |                                                          |                                         |                                         |
| Applied to Next Year's Budget                  | 3,643,264.19            |                                     |                                                          |                                         | 3,643,264.19                            |
| Fairgrounds Capital Improvement Purposes       | 71,475.48               |                                     |                                                          |                                         | 71,475.48                               |
| Centennial Village Purposes                    | 11,554.35               |                                     |                                                          |                                         | 11,554.35                               |
| Road and Bridge Purposes                       |                         | 227,112.30                          |                                                          |                                         | 227,112.30                              |
| Emergency Management Purposes                  |                         |                                     |                                                          | 102,776.82                              | 102,776.82                              |
| 911 Service Purposes                           |                         |                                     |                                                          | 398,479.16                              | 398,479.16                              |
| Teen Court Purposes                            |                         |                                     |                                                          | 7,000.00                                | 7,000.00                                |
| Unassigned                                     | 646,732.49              |                                     |                                                          |                                         | 646,732.49                              |
| <b>Total Fund Balances</b>                     | <b>\$ 4,414,430.28</b>  | <b>\$ 650,355.57</b>                | <b>\$ 2,468.59</b>                                       | <b>\$ 727,613.68</b>                    | <b>\$ 5,794,868.12</b>                  |

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

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

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

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

As of December 31, 2017, the investments reported in the financial statements consist of only certificates of deposit.

**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 investments to the fund making the investment.

## 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:                                                 |
| \$ 1,264,918.00 | DENR required Closure/Postclosure Costs for the Landfill |

## 4. 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.

#### 5. 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, 2017, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$8,914,195.89.

#### 6. OPERATING LEASES

The County is leasing a Kyocera/3501i Copier for 60 months, with payments of \$132.35 per month from the Sheriff Department Budget of the General Fund. Final lease payments are in 2020.

The following are the minimum payments on existing operating leases:

| Year Ending<br>Dec. 31, | General<br>Fund    |
|-------------------------|--------------------|
| 2018                    | \$ 1,588.20        |
| 2019                    | 1,588.20           |
| 2020                    | 1,058.80           |
| Total                   | <u>\$ 4,235.20</u> |

#### 7. LANDFILLS

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 County is in compliance with the funding requirements set forth for closure and postclosure.

Unit #1 was closed in 2014 eliminating the closure portion of the liability. The estimated liability (financial assurance) for the landfill closure costs for Unit #1 was \$1,073,304.00. The amount held for landfill postclosure care costs for Unit #1 was \$1,073,304.00 on December 31, 2017.

The County completed construction on Unit 2 in 2010 and began using Cell 1 in 2011. The total lifespan of Unit 2 is currently estimated at 86.4 years with an estimated total capacity of 5,538,092 tons. Construction of Unit 2 Cells 2 was completed in 2014, which was a continuation of Cell 1. When calculating the Unit 2 Cells 1 and 2 Closure/Postclosure costs for 2017, a capacity of 496,674 tons with a lifespan of 8.3 years was used.

Refuge deposited in Cells 1 and 2 of Unit 2 through December 31, 2017 was 350,694 tons. This amount represents usage of approximately 71 percent of Unit 2 Cell 2 capacity.

The estimated liability for landfill closure and postclosure costs for Unit #2, based on the most recent assessment and landfill capacity used to date information, was \$191,614.00 on December 31, 2017. The amount held for landfill closure and postclosure was \$191,614 (grand total Unit 1 and Unit 2 was \$1,264,918.00). The County's (based on landfill capacity used to date) currently overfunded and would not at the present time be required to put additional funds aside.

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

|             | Unit #1                | Unit #2              |
|-------------|------------------------|----------------------|
| Closure     | \$                     | \$ 48,793.00         |
| Postclosure | 1,073,304.00           | 142,821.00           |
| Total       | <u>\$ 1,073,304.00</u> | <u>\$ 191,614.00</u> |

The County has \$1,264,918.00 set aside in an account for closure and postclosure costs, as required by ARSD 74:27:16:05, for financial assurance as of December 31, 2017. In compliance with ARSD 74:27:16:05, the State of South Dakota Department of Environment and Natural Resources is listed on the account.

Due to the County changing the basis of accounting to the modified cash basis of accounting (see Note 1.c.), the financial statements do not reflect this liability. However, the County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt, along with related notes, which includes details of the Accrued Landfill Closure and Postclosure Care Cost.

The county commissioners have also earmarked \$240,000.00 to meet any potential remedial costs.

## 8. RESTRICTED NET POSITION – GOVERNMENTAL ACTIVITIES

Restricted Net Position for the year ended December 31, 2017 was as follows:

### Major Purposes:

|                          |                 |
|--------------------------|-----------------|
| Road and Bridge Purposes | \$ 423,243.27   |
| Debt Service Purposes    | <u>2,468.59</u> |

### Other Purposes:

|                                                |                  |
|------------------------------------------------|------------------|
| Centennial Village and County Fair Purposes    | 35,000.00        |
| Donation Purposes                              | 6,403.77         |
| Domestic Abuse Purposes                        | 854.36           |
| Point of Distribution (POD) Purposes           | 2,961.81         |
| Teen Court Purposes                            | 45,119.54        |
| 24/7 Sobriety Purposes                         | 37,115.57        |
| Richmond Youth Camp Purposes                   | 21,916.96        |
| Modernization and Preservation Relief Purposes | 99,889.46        |
| Emergency Management Purposes                  | <u>11,500.00</u> |

|                      |                   |
|----------------------|-------------------|
| Total Other Purposes | <u>260,761.47</u> |
|----------------------|-------------------|

**Total Restricted Net Position** \$ 686,473.33

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

## 9. BROWN COUNTY TIF #1 DEBT SERVICE FUND

The County is reporting Tax Incremental Financing Series 2011 as a Major Fund because of public interest in the fund's operation. Within the Governmental Activities on the Statement of Net Position the restricted fund balance of the TIF #1 Debt Service Fund is \$2,468.59, which represents funds held in escrow to offset any shortfall between property taxes assessed and revenue bond payments. As of December 31, 2017, \$5,631,055.55 in Tax Incremental Series 2011 Revenue Bonds remains outstanding.

## 10. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017 were as follows:

| <b>Transfers From:</b>                     | <b>Transfer To:</b> |                             |                                 | <b>Total</b>           |
|--------------------------------------------|---------------------|-----------------------------|---------------------------------|------------------------|
|                                            | <b>General Fund</b> | <b>Road and Bridge Fund</b> | <b>Other Governmental Funds</b> |                        |
| Major Funds:                               |                     |                             |                                 |                        |
| General Fund                               | \$                  | \$ 4,202,820.61             | \$ 363,751.24                   | \$ 4,566,571.85        |
| TIF #1 Debt Service Fund                   | 279.38              |                             |                                 | 279.38                 |
| Other Governmental Funds:                  |                     |                             |                                 |                        |
| Emergency Management Fund                  | 279.38              |                             |                                 | 279.38                 |
| Modernization and Preservation Relief Fund | 279.38              |                             |                                 | 279.38                 |
| Major Proprietary Funds:                   |                     |                             |                                 |                        |
| Solid Waste Fund                           | 6,705.16            |                             |                                 | 6,705.16               |
| <b>Total</b>                               | <b>\$ 7,543.30</b>  | <b>\$ 4,202,820.61</b>      | <b>\$ 363,751.24</b>            | <b>\$ 4,574,115.15</b> |

The County typically budgets transfers to the Road and Bridge Fund, 911 Service Fund, and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County. Transfers to the General Fund were for interest earnings.

## 11. TAX ABATEMENTS

### Brown County:

In 2006, the County created the Brown County Tax Increment District No. 1 under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

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

In 2011, the County entered into a development agreement with Northern Beef Packers Limited Partnership. The County agreed to issue Tax Increment Revenue Bonds and award the bond proceeds to the developer as a discretionary grant to assist in funding the costs of the project.

In 2012, the County issued the Brown County Tax Increment Revenue Bonds, Series 2011 in the amount of \$6,950,000. The positive tax increments received from the district are allocated to pay the principal and interest on the bonds until they are paid off or 20 years whichever is earlier.

The amount of general property taxes collected from the tax increment district during the calendar year ended December 31, 2017 was \$592,699.53. Based on the percentage of Brown County's property tax levy in relation to the total levy, the amount of general property taxes not available to Brown County was estimated to be \$117,176.70.

*Municipality of Aberdeen:*

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

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

The Municipality of Aberdeen has fourteen (14) active tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Brown County during the life of the tax increment district.

The amount of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2017 was \$1,708,747.96. Based on the percentage of Brown County's property tax levy in relation to the total levy, the amount of general property taxes not available to Brown County was estimated to be \$269,811.30.

## 12. PENSION PLAN

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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



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

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

#### **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the calendar years ended December 31, 2017, 2016, and 2015, equal to the required contributions each year, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2017        | \$ 505,465.82 |
| 2016        | \$ 471,985.73 |
| 2015        | \$ 447,220.99 |

#### **Pension Asset:**

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2017 are as follows:

|                                                                          |                       |
|--------------------------------------------------------------------------|-----------------------|
| Proportionate share of total pension liability                           | \$ 46,854,370.34      |
| Less proportionate share of net position restricted for pension benefits | <u>46,890,916.07</u>  |
| Proportionate share of net pension liability (asset)                     | <u>\$ (36,545.73)</u> |

The net pension asset was measured as of June 30, 2017 and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the County's proportion was .4027032%, which is an increase of .0031153% from its proportion measured as of June 30, 2016.

**Actuarial Assumptions:**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |                                                          |
|------------------|----------------------------------------------------------|
| Inflation        | 2.25 percent                                             |
| Salary Increases | Graded by years of service, from 6.50% at entry to 3.00% |
| Discount Rate    | 6.50% net of plan investment expense                     |

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|-----------------------------------------------|
| Global Equity      | 58.0%                    | 4.8%                                          |
| Fixed Income       | 30.0%                    | 1.8%                                          |
| Real Estate        | 10.0%                    | 4.6%                                          |
| Cash               | 2.0%                     | 0.7%                                          |
| Total              | 100%                     |                                               |

**Discount Rate:**

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

|                                                                   | <u>1%<br/>Decrease</u> | <u>Current<br/>Discount<br/>Rate</u> | <u>1%<br/>Increase</u> |
|-------------------------------------------------------------------|------------------------|--------------------------------------|------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 6,693,344.18        | \$ (36,545.73)                       | \$ (5,516,864.68)      |

**Pension Plan Fiduciary Net Position:**

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

**13. SIGNIFICANT CONTINGENCIES – LITIGATION**

At December 31, 2017, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

**14. SUBSEQUENT EVENTS**

As of November 13, 2008, the County was involved in a several taxpayer-initiated litigations related to over taxation of agriculture property in portions of Brown County. At this time no determination can be made as to the outcome of the litigation.

**15. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2017, 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 \$1,000,000.00 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, 2017, the County has vested balance in the cumulative reserve fund of \$205,527.15.

The County, as a member of the South Dakota Public Assurance Alliance carries General Liability Coverage - no deductible, Maximum coverage \$1,000,000; Vehicle Coverage: Auto Liability – no deductible, Automobile physical damage coverage - \$250 deductible comprehensive, \$500 deductible Collision; Property and Building Coverage: Buildings - \$1,000 deductible, Computers - \$1,000 deductible, Boiler and Equipment breakdown - \$1,000 deductible, Cyber Liability - \$10,000 deductible; Enhanced Crime Coverage – 0 deductible; Law Enforcement – professional liability coverage - \$3,000 deductible.

#### 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.

During the year ended December 31, 2017, no claims were filed for unemployment benefits. At December 31, 2017, one claim had been filed and was outstanding. It is estimated, based upon historical trends, that this claim will result in the future payment of unemployment benefits in the amount of approximately \$2,340.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

**SUPPLEMENTARY INFORMATION**  
**BROWN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

|                                          | <b>Budgeted Amounts</b> |                      | <b>Actual Amounts</b> | <b>Variance with</b>       |
|------------------------------------------|-------------------------|----------------------|-----------------------|----------------------------|
|                                          | <b>Original</b>         | <b>Final</b>         |                       | <b>Final Budget</b>        |
|                                          |                         |                      |                       | <b>Positive (Negative)</b> |
| <b>Revenues:</b>                         |                         |                      |                       |                            |
| Taxes:                                   |                         |                      |                       |                            |
| General Property Taxes--Current          | \$ 13,596,295.00        | \$ 13,620,884.22     | \$ 13,419,958.12      | \$ (200,926.10)            |
| General Property Taxes--Delinquent       | 95,000.00               | 95,000.00            | 97,014.38             | 2,014.38                   |
| Penalties and Interest                   | 26,000.00               | 26,000.00            | 34,100.53             | 8,100.53                   |
| Telephone Tax (Outside)                  | 3,000.00                | 3,000.00             | 1,535.08              | (1,464.92)                 |
| Mobile Home Tax                          | 100.00                  | 100.00               | 5,051.08              | 4,951.08                   |
| Tax Deed Revenue                         | 50.00                   | 50.00                | 5,906.45              | 5,856.45                   |
| Licenses and Permits                     | 57,600.00               | 57,600.00            | 52,981.52             | (4,618.48)                 |
| Intergovernmental Revenue:               |                         |                      |                       |                            |
| Federal Grants                           | 50,000.00               | 155,770.98           | 145,960.85            | (9,810.13)                 |
| Federal Shared Revenue                   | 15,000.00               | 15,000.00            | 20,267.05             | 5,267.05                   |
| Federal Payments in Lieu of Taxes        | 200.00                  | 200.00               | 212.00                | 12.00                      |
| State Grants                             | 5,000.00                | 17,595.00            | 43,800.43             | 26,205.43                  |
| State Shared Revenue:                    |                         |                      |                       |                            |
| Bank Franchise                           | 110,000.00              | 110,000.00           | 171,797.55            | 61,797.55                  |
| Court Appointed Attorney/Public Defender | 13,500.00               | 13,500.00            | 26,639.92             | 13,139.92                  |
| Abused and Neglected Child Defense       | 3,000.00                | 3,000.00             | 6,692.50              | 3,692.50                   |
| Telecommunications Gross Receipts Tax    | 203,000.00              | 203,000.00           | 114,849.95            | (88,150.05)                |
| Motor Vehicle 1/4%                       | 10,000.00               | 10,000.00            | 12,547.36             | 2,547.36                   |
| Liquor Tax Reversion (25%)               | 140,397.08              | 140,397.08           | 137,238.76            | (3,158.32)                 |
| Other Payments in Lieu of Taxes          | 4,500.00                | 4,500.00             | 4,762.18              | 262.18                     |
| Other Intergovernmental Revenue          | 30,000.00               | 30,000.00            | 24,538.30             | (5,461.70)                 |
| Charges for Goods and Services:          |                         |                      |                       |                            |
| General Government:                      |                         |                      |                       |                            |
| Treasurer's Fees                         | 63,650.00               | 63,650.00            | 162,912.58            | 99,262.58                  |
| Register of Deeds' Fees                  | 410,000.00              | 410,000.00           | 370,969.00            | (39,031.00)                |
| Legal Services                           | 106,500.00              | 106,500.00           | 122,683.59            | 16,183.59                  |
| Clerk of Courts Fees                     | 50,000.00               | 50,000.00            | 55,395.70             | 5,395.70                   |
| Other Fees                               | 25,500.00               | 25,500.00            | 23,393.47             | (2,106.53)                 |
| Public Safety:                           |                         |                      |                       |                            |
| Law Enforcement                          | 157,450.00              | 157,450.00           | 179,773.77            | 22,323.77                  |
| Prisoner Care                            | 104,900.00              | 104,900.00           | 217,838.80            | 112,938.80                 |
| Health and Welfare:                      |                         |                      |                       |                            |
| Economic Assistance:                     |                         |                      |                       |                            |
| Poor Lien Recoveries                     | 125,000.00              | 125,000.00           | 116,086.18            | (8,913.82)                 |
| Veterans Service Officer                 | 4,375.00                | 4,375.00             | 4,375.00              | 0.00                       |
| Other                                    | 200.00                  | 200.00               | 50.00                 | (150.00)                   |
| Culture and Recreation                   | 1,080,100.00            | 1,080,100.00         | 1,165,420.74          | 85,320.74                  |
| Conservation of Natural Resources        | 57,000.00               | 57,000.00            | 50,285.19             | (6,714.81)                 |
| Other Charges                            | 16,000.00               | 16,000.00            | 18,195.59             | 2,195.59                   |
| Fines and Forfeits:                      |                         |                      |                       |                            |
| Fines                                    | 350.00                  | 350.00               | 432.25                | 82.25                      |
| Costs                                    | 25,000.00               | 25,000.00            | 44,815.18             | 19,815.18                  |
| Forfeits                                 | 1,500.00                | 1,500.00             | 50,595.50             | 49,095.50                  |
| Miscellaneous Revenue:                   |                         |                      |                       |                            |
| Investment Earnings                      | 18,000.00               | 18,000.00            | 15,263.28             | (2,736.72)                 |
| Rent                                     | 117,100.00              | 117,100.00           | 135,614.49            | 18,514.49                  |
| Contributions and Donations              | 5,000.00                | 5,000.00             | 7,211.41              | 2,211.41                   |
| Other                                    | 5,000.00                | 5,000.00             | 5,136.68              | 136.68                     |
| <b>Total Revenues</b>                    | <b>16,735,267.08</b>    | <b>16,878,222.28</b> | <b>17,072,302.41</b>  | <b>194,080.13</b>          |
| <b>Expenditures:</b>                     |                         |                      |                       |                            |
| General Government:                      |                         |                      |                       |                            |
| Legislative:                             |                         |                      |                       |                            |
| Board of County Commissioners            | 337,097.39              | 337,097.39           | 308,465.33            | 28,632.06                  |
| Contingency                              | 250,000.00              | 250,000.00           |                       |                            |
| Amount Transferred                       |                         | (180,524.56)         |                       | 69,475.44                  |
| Elections                                | 32,556.00               | 32,556.00            | 28,790.46             | 3,765.54                   |
| Judicial System                          | 73,200.00               | 77,444.97            | 77,444.97             | 0.00                       |
| Financial Administration:                |                         |                      |                       |                            |
| Auditor                                  | 320,760.30              | 320,760.30           | 300,667.23            | 20,093.07                  |
| Treasurer                                | 538,946.82              | 538,946.82           | 515,770.35            | 23,176.47                  |
| Legal Services:                          |                         |                      |                       |                            |
| State's Attorney                         | 818,753.87              | 852,134.90           | 877,134.90            | (25,000.00)                |
| Court Appointed Attorney                 | 511,500.00              | 811,500.00           | 757,526.34            | 53,973.66                  |
| Abused and Neglected Child Defense       | 15,000.00               | 108,327.17           | 108,327.17            | 0.00                       |

**SUPPLEMENTARY INFORMATION**  
**BROWN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**  
**(Continued)**

|                                                 | <b>Budgeted Amounts</b> |                        | <b>Actual Amounts</b>  | <b>Variance with</b>       |
|-------------------------------------------------|-------------------------|------------------------|------------------------|----------------------------|
|                                                 | <b>Original</b>         | <b>Final</b>           |                        | <b>Final Budget</b>        |
|                                                 |                         |                        |                        | <b>Positive (Negative)</b> |
| Other Administration:                           |                         |                        |                        |                            |
| General Government Building                     | 1,191,238.59            | 1,635,304.96           | 1,550,520.94           | 84,784.02                  |
| Director of Equalization                        | 579,117.52              | 579,117.52             | 569,867.03             | 9,250.49                   |
| Register of Deeds                               | 362,720.65              | 362,720.65             | 346,223.89             | 16,496.76                  |
| Veterans Service Officer                        | 154,318.98              | 154,318.98             | 148,202.35             | 6,116.63                   |
| Predatory Animal                                | 3,915.61                | 3,915.61               | 3,915.61               | 0.00                       |
| Geographic Information System                   | 98,256.98               | 98,256.98              | 93,267.26              | 4,989.72                   |
| Information Technology                          | 469,479.37              | 469,479.37             | 404,362.49             | 65,116.88                  |
| Human Resources                                 | 132,092.47              | 132,092.47             | 112,500.44             | 19,592.03                  |
| Public Safety:                                  |                         |                        |                        |                            |
| Law Enforcement:                                |                         |                        |                        |                            |
| Sheriff                                         | 1,507,851.97            | 1,507,851.97           | 1,506,876.70           | 975.27                     |
| County Jail                                     | 1,703,983.12            | 2,103,983.12           | 2,079,591.69           | 24,391.43                  |
| Coroner                                         | 36,049.00               | 36,049.00              | 29,089.38              | 6,959.62                   |
| Juvenile Detention                              | 965,424.79              | 965,424.79             | 889,725.47             | 75,699.32                  |
| Protective and Emergency Services:              |                         |                        |                        |                            |
| Fire Protection                                 | 17,000.00               | 17,000.00              | 17,000.00              | 0.00                       |
| Health and Welfare:                             |                         |                        |                        |                            |
| Economic Assistance:                            |                         |                        |                        |                            |
| Support of Poor                                 | 446,668.96              | 446,668.96             | 144,500.85             | 302,168.11                 |
| Health Assistance:                              |                         |                        |                        |                            |
| County Nurse                                    | 18,540.00               | 18,540.00              | 18,540.00              | 0.00                       |
| Ambulance                                       | 20,000.00               | 20,000.00              | 5,874.90               | 14,125.10                  |
| Social Services:                                |                         |                        |                        |                            |
| Care of Aged                                    | 1,500.00                | 1,500.00               | 1,500.00               | 0.00                       |
| Mental Health Services:                         |                         |                        |                        |                            |
| Mentally Ill                                    | 200,000.00              | 200,000.00             | 180,505.07             | 19,494.93                  |
| Developmentally Disabled                        | 13,700.00               | 13,700.00              | 12,300.00              | 1,400.00                   |
| Drug Abuse                                      | 40,000.00               | 40,000.00              | 26,271.68              | 13,728.32                  |
| Mental Health Centers                           | 37,080.00               | 37,080.00              | 37,080.00              | 0.00                       |
| Mental Illness Board                            | 0.00                    | 10,110.30              | 10,110.30              | 0.00                       |
| Culture and Recreation:                         |                         |                        |                        |                            |
| Culture:                                        |                         |                        |                        |                            |
| Public Library                                  | 16,000.00               | 16,000.00              | 16,000.00              | 0.00                       |
| Historical Museum                               | 399,828.30              | 399,828.30             | 390,491.30             | 9,337.00                   |
| Recreation:                                     |                         |                        |                        |                            |
| Recreational Programs                           | 5,000.00                | 5,000.00               | 5,000.00               | 0.00                       |
| Parks                                           | 103,610.13              | 103,610.13             | 94,970.02              | 8,640.11                   |
| Exhibition Building                             | 424,206.46              | 424,206.46             | 373,507.57             | 50,698.89                  |
| County Fair                                     | 1,046,815.11            | 1,098,049.47           | 1,098,049.47           | 0.00                       |
| Other                                           | 3,500.00                | 3,500.00               | 3,500.00               | 0.00                       |
| Conservation of Natural Resources:              |                         |                        |                        |                            |
| Soil Conservation:                              |                         |                        |                        |                            |
| County Extension                                | 75,015.35               | 75,015.35              | 60,628.54              | 14,386.81                  |
| Weed and Pest Control                           | 212,826.76              | 227,505.68             | 227,505.68             | 0.00                       |
| Urban and Economic Development:                 |                         |                        |                        |                            |
| Urban Development:                              |                         |                        |                        |                            |
| Planning and Zoning                             | 85,427.34               | 85,427.34              | 76,929.07              | 8,498.27                   |
| Urban and Rural Development                     | 23,949.18               | 115,578.39             | 115,578.39             | 0.00                       |
| Other                                           | 2,500.00                | 2,500.00               | 2,500.00               | 0.00                       |
| Economic Development:                           |                         |                        |                        |                            |
| Tourism, Industrial or Recreational Development | 20,750.00               | 20,750.00              | 20,750.00              | 0.00                       |
| Total Expenditures                              | <u>13,316,181.02</u>    | <u>14,578,328.79</u>   | <u>13,647,362.84</u>   | <u>930,965.95</u>          |
| Excess of Revenues Over (Under) Expenditures    | <u>3,419,086.06</u>     | <u>2,299,893.49</u>    | <u>3,424,939.57</u>    | <u>1,125,046.08</u>        |
| <b>Other Financing Sources (Uses):</b>          |                         |                        |                        |                            |
| Transfers In                                    | 0.00                    | 0.00                   | 7,543.30               | 7,543.30                   |
| Transfers Out                                   | (4,566,571.85)          | (4,566,571.85)         | (4,566,571.85)         | 0.00                       |
| Insurance Proceeds                              | 20,000.00               | 20,000.00              | 26,173.06              | 6,173.06                   |
| Sale of County Property                         | 12,050.00               | 12,050.00              | 7,966.30               | (4,083.70)                 |
| Total Other Financing Sources (Uses)            | <u>(4,534,521.85)</u>   | <u>(4,534,521.85)</u>  | <u>(4,524,889.19)</u>  | <u>9,632.66</u>            |
| Net Change in Fund Balances                     | (1,115,435.79)          | (2,234,628.36)         | (1,099,949.62)         | 1,134,678.74               |
| Fund Balance - Beginning                        | <u>5,514,379.90</u>     | <u>5,514,379.90</u>    | <u>5,514,379.90</u>    | <u>0.00</u>                |
| FUND BALANCE - ENDING                           | <u>\$ 4,398,944.11</u>  | <u>\$ 3,279,751.54</u> | <u>\$ 4,414,430.28</u> | <u>\$ 1,134,678.74</u>     |

**SUPPLEMENTARY INFORMATION**  
**BROWN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2017**

|                                              | <b>Budgeted Amounts</b> |                       | <b>Actual Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive (Negative)</b> |
|----------------------------------------------|-------------------------|-----------------------|-----------------------|---------------------------------------------------------------|
|                                              | <b>Original</b>         | <b>Final</b>          |                       |                                                               |
| <b>Revenues:</b>                             |                         |                       |                       |                                                               |
| Taxes:                                       |                         |                       |                       |                                                               |
| Wheel Tax                                    | \$ 900,000.00           | \$ 900,000.00         | \$ 801,833.78         | \$ (98,166.22)                                                |
| Licenses and Permits                         | 7,000.00                | 7,000.00              | 10,835.00             | 3,835.00                                                      |
| Intergovernmental Revenue:                   |                         |                       |                       |                                                               |
| State Grants                                 | 0.00                    | 0.00                  | 412,713.42            | 412,713.42                                                    |
| State Shared Revenue:                        |                         |                       |                       |                                                               |
| Motor Vehicle Licenses                       | 3,600,000.00            | 3,600,000.00          | 3,375,759.39          | (224,240.61)                                                  |
| Prorate License Fees                         | 130,000.00              | 130,000.00            | 163,303.28            | 33,303.28                                                     |
| 63 3/4% Mobile Home                          | 20,000.00               | 20,000.00             | 15,893.70             | (4,106.30)                                                    |
| Motor Fuel Tax                               | 25,000.00               | 25,000.00             | 17,678.30             | (7,321.70)                                                    |
| Other Intergovernmental Revenue              | 1,500.00                | 1,500.00              | 0.00                  | (1,500.00)                                                    |
| Charges for Goods and Services:              |                         |                       |                       |                                                               |
| Public Works:                                |                         |                       |                       |                                                               |
| Other                                        | 2,300.00                | 2,300.00              | 30,139.09             | 27,839.09                                                     |
| Miscellaneous Revenue:                       |                         |                       |                       |                                                               |
| Investment Earnings                          | 1,500.00                | 1,500.00              | 2,793.82              | 1,293.82                                                      |
| Rent                                         | 1,500.00                | 1,500.00              | 0.00                  | (1,500.00)                                                    |
| Other                                        | 500.00                  | 500.00                | 6,394.03              | 5,894.03                                                      |
| Total Revenues                               | <u>4,689,300.00</u>     | <u>4,689,300.00</u>   | <u>4,837,343.81</u>   | <u>148,043.81</u>                                             |
| <b>Expenditures:</b>                         |                         |                       |                       |                                                               |
| Public Works:                                |                         |                       |                       |                                                               |
| Highways and Bridges:                        |                         |                       |                       |                                                               |
| Highways, Roads and Bridges                  | 9,658,620.61            | 9,658,620.61          | 9,346,088.13          | 312,532.48                                                    |
| Intergovernmental Expenditures               | 40,000.00               | 40,000.00             | 40,091.71             | (91.71)                                                       |
| Total Expenditures                           | <u>9,698,620.61</u>     | <u>9,698,620.61</u>   | <u>9,386,179.84</u>   | <u>312,440.77</u>                                             |
| Excess of Revenues Over (Under) Expenditures | <u>(5,009,320.61)</u>   | <u>(5,009,320.61)</u> | <u>(4,548,836.03)</u> | <u>460,484.58</u>                                             |
| <b>Other Financing Sources (Uses):</b>       |                         |                       |                       |                                                               |
| Transfers In                                 | 4,202,820.61            | 4,202,820.61          | 4,202,820.61          | 0.00                                                          |
| Insurance Proceeds                           | 7,500.00                | 7,500.00              | 17,021.22             | 9,521.22                                                      |
| Sale of County Property                      | 10,000.00               | 10,000.00             | 27,804.52             | 17,804.52                                                     |
| Total Other Financing Sources (Uses)         | <u>4,220,320.61</u>     | <u>4,220,320.61</u>   | <u>4,247,646.35</u>   | <u>27,325.74</u>                                              |
| Net Change in Fund Balances                  | <u>(789,000.00)</u>     | <u>(789,000.00)</u>   | <u>(301,189.68)</u>   | <u>487,810.32</u>                                             |
| Fund Balance - Beginning                     | <u>951,545.25</u>       | <u>951,545.25</u>     | <u>951,545.25</u>     | <u>0.00</u>                                                   |
| FUND BALANCE - ENDING                        | <u>\$ 162,545.25</u>    | <u>\$ 162,545.25</u>  | <u>\$ 650,355.57</u>  | <u>\$ 487,810.32</u>                                          |

BROWN COUNTY  
NOTES TO THE 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.



**SUPPLEMENTARY INFORMATION**  
**BROWN COUNTY**  
**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

\*Last 10 Fiscal Years

|                                                                                                                   | 2017         | 2016         | 2015           | 2014           |
|-------------------------------------------------------------------------------------------------------------------|--------------|--------------|----------------|----------------|
| County's proportion of the net pension liability (asset)                                                          | 0.4027032%   | 0.3995879%   | 0.3995089%     | 0.3937353%     |
| County's proportionate share of net pension liability (asset)                                                     | \$ (36,546)  | \$ 1,349,769 | \$ (1,694,431) | \$ (2,836,702) |
| County's covered-employee payroll                                                                                 | \$ 7,907,253 | \$ 6,991,028 | \$ 6,706,091   | \$ 6,332,667   |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -0.46%       | 19.31%       | -25.27%        | -44.79%        |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                | 100.1%       | 96.9%        | 104.1%         | 107.3%         |

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

BROWN COUNTY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedule of the Proportionate Share of the Net Pension Liability (Asset)

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

No significant changes.

**SUPPLEMENTARY INFORMATION  
BROWN COUNTY  
SCHEDULE OF CHANGES IN LONG-TERM DEBT  
For the Year Ended December 31, 2017**

| <u>Indebtedness</u>                                    | <u>Long-Term<br/>Debt<br/>January 1, 2017</u> | <u>Add<br/>New<br/>Debt</u> | <u>Less<br/>Debt<br/>Retired</u> | <u>Long-Term<br/>Debt<br/>December 31, 2017</u> |
|--------------------------------------------------------|-----------------------------------------------|-----------------------------|----------------------------------|-------------------------------------------------|
| <b>Governmental Long-Term Debt:</b>                    |                                               |                             |                                  |                                                 |
| Revenue Bonds Payable                                  | \$ 5,948,747.00                               | \$                          | \$ 317,691.45                    | \$ 5,631,055.55                                 |
| <b>Enterprise Long-Term Debt:</b>                      |                                               |                             |                                  |                                                 |
| Accrued Landfill Closure and<br>Postclosure Care Costs | 1,268,142.00                                  |                             | 3,224.00                         | 1,264,918.00                                    |
| <b>Total</b>                                           | <u><u>\$ 7,216,889.00</u></u>                 | <u><u>\$ 0.00</u></u>       | <u><u>\$ 320,915.45</u></u>      | <u><u>\$ 6,895,973.55</u></u>                   |

Note 1 - Long-Term Debt:

Debt payable at December 31, 2017 is comprised of the following:

Revenue Bonds:

|                                                                                                                                                                                                   |    |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|
| Tax Incremental Revenue Bonds - Series 2011 - New Angus LLC Increment Financing - Interest Rate of 10 Percent - Maturing 4/20/2027 - Payments made from the Brown County TIF #1 Debt Service Fund | \$ | 5,631,055.55 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|

Accrued Landfill Closure and Postclosure Care Costs:

|                              |    |              |
|------------------------------|----|--------------|
| Paid out of Solid Waste Fund | \$ | 1,264,918.00 |
|------------------------------|----|--------------|