

BROWN COUNTY

AUDIT REPORT

For the Year Ended December 31, 2011

**BROWN COUNTY
COUNTY OFFICIALS
December 31, 2011**

Board of Commissioners:

**Duane Sutton
Nancy Hansen
Burt Elliott
Tom Fischbach
Mike Wiese**

**Auditor:
Maxine Fischer**

**Treasurer:
Sheila Enderson**

**State's Attorney:
Kimberley Dorsett**

**Register of Deeds:
Carol Sherman**

**Sheriff:
Mark Milbrandt**

BROWN COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2011 and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated August 7, 2012.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

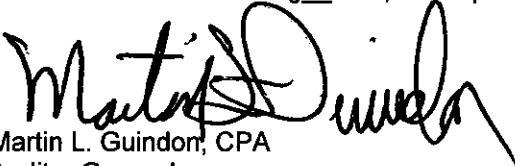
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated August 7, 2012.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of Brown County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

August 7, 2012



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission
Brown County
Aberdeen, South Dakota

Compliance

We have audited Brown County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Brown County, South Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

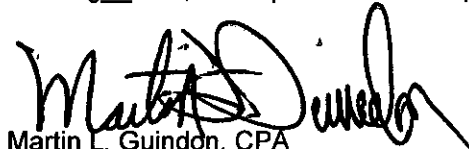
The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of Brown County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__320, this report is matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

August 7, 2012

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
 - 1. Highway Planning and Construction Cluster
 - 2. Homeland Security Cluster
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Brown County did qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Brown County
Aberdeen, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2011 and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

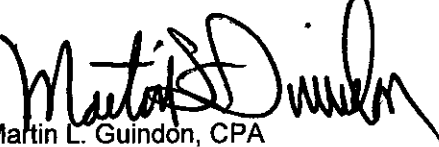
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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



Martin L. Guindon, CPA
Auditor General

August 7, 2012

BROWN COUNTY
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,321,631.60	\$ 2,734,632.46	\$ 5,056,264.06
Investments	4,188,201.45	1,129,192.26	5,317,393.71
Accounts Receivable, Net	731,531.32	203,132.59	934,663.91
Inventories	970,105.31	49,976.92	1,020,082.23
Other Assets	205,527.15		205,527.15
Restricted Assets:			
Cash and Cash Equivalents		13,680.93	13,680.93
Investments		1,316,651.81	1,316,651.81
Capital Assets:			
Land, Improvements and Construction in Progress	1,879,831.86	477,878.38	2,357,710.24
Other Capital Assets, Net of Depreciation	50,480,386.83	4,402,687.83	54,883,074.66
TOTAL ASSETS	\$ 60,777,215.52	\$ 10,327,833.18	\$ 71,105,048.70
LIABILITIES:			
Accounts Payable	\$ 65,015.83	\$ 127,984.12	\$ 192,999.95
Other Current Liabilities	133,750.36		133,750.36
Deferred Revenue	214,441.84	2.46	214,444.30
Noncurrent Liabilities:			
Due Within One Year	489,976.40	30,146.46	520,122.86
Due in More than One Year	119,197.34	1,345,695.62	1,464,892.96
TOTAL LIABILITIES	1,022,381.77	1,503,828.66	2,526,210.43
NET ASSETS:			
Invested in Capital Assets	52,360,218.69	4,880,566.21	57,240,784.90
Restricted For: (See Note 12)			
Road and Bridge Purposes	2,266,061.38		2,266,061.38
Other Purposes	824,516.17		824,516.17
Unrestricted	4,304,037.51	3,943,438.31	8,247,475.82
TOTAL NET ASSETS	59,754,833.75	8,824,004.52	68,578,838.27
TOTAL LIABILITIES AND NET ASSETS	\$ 60,777,215.52	\$ 10,327,833.18	\$ 71,105,048.70

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

BROWN COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 3,793,777.57	\$ 693,153.19	\$ 96,178.07	\$	\$ (3,004,446.31)	\$	\$ (3,004,446.31)
Public Safety	4,732,019.56	370,465.11	796,722.79		(3,564,831.66)		(3,564,831.66)
Public Works	8,330,108.59	21,020.42	3,534,404.78	1,048,334.53	(3,726,348.86)		(3,726,348.86)
Health and Welfare	853,107.18	99,747.43			(753,359.75)		(753,359.75)
Culture and Recreation	1,609,785.97	932,875.61	36,160.00	39,497.18	(601,253.18)		(601,253.18)
Conservation of Natural Resources	290,518.70	40,409.14	5,382.56		(244,727.00)		(244,727.00)
Urban and Economic Development	1,006,342.34				(1,006,342.34)		(1,006,342.34)
Intergovernmental Expenditures	110,964.97				(110,964.97)		(110,964.97)
Payments to Local Education Agencies	51,941.00				(51,941.00)		(51,941.00)
**Depreciation Expense - Unallocated	15,358.76				(15,358.76)		(15,358.76)
Total Governmental Activities	20,793,924.64	2,157,670.90	4,468,848.20	1,087,831.71	(13,079,573.83)	0.00	(13,079,573.83)
Business-Type Activities:							
Solid Waste	1,777,630.01	2,312,460.38	71,455.58			606,285.95	606,285.95
Total Primary Government	\$ 22,571,554.65	\$ 4,470,131.28	\$ 4,540,303.78	\$ 1,087,831.71	(13,079,573.83)	606,285.95	(12,473,287.88)
General Revenues:							
Taxes:							
Property Taxes					11,329,960.42		11,329,960.42
Wheel Tax					751,661.62		751,661.62
911 Telephone Surcharge					290,624.57		290,624.57
State Shared Revenues					284,382.46		284,382.46
Grants and Contributions not Restricted to Specific Programs					14,249.63		14,249.63
Unrestricted Investment Earnings					63,922.37	36,855.08	100,777.45
Miscellaneous Revenue					80,032.00	17,095.20	97,127.20
Transfers					13,936.79	(13,936.79)	0.00
Total General Revenues and Transfers					12,828,769.86	40,013.49	12,868,783.35
Change in Net Assets					(250,803.97)	646,299.44	395,495.47
Net Assets - Beginning					60,005,637.72	8,177,705.08	68,183,342.80
NET ASSETS - ENDING					\$ 59,754,833.75	\$ 8,824,004.52	\$ 68,578,838.27

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

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

**BROWN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 924,524.97	\$ 793,159.08	\$ 603,947.55	\$ 2,321,631.60
Investments	3,764,958.18	423,243.27		4,188,201.45
Taxes Receivable--Delinquent	198,977.57			198,977.57
Accounts Receivable, Net	5,526.18	541.01	20,000.00	26,067.19
Due from Other Funds	7,655.72			7,655.72
Due from Other Governments	25,402.95	400,258.48	80,825.13	506,486.56
Inventory of Supplies	12,203.67	957,901.64		970,105.31
Deposits	205,527.15			205,527.15
TOTAL ASSETS	\$ 5,144,776.39	\$ 2,575,103.48	\$ 704,772.68	\$ 8,424,652.55
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 63,637.87	\$ 287.86	\$ 1,090.10	\$ 65,015.83
Due to General Fund			7,655.72	7,655.72
Accrued Wages Payable	80,025.00	17,895.56	11,141.30	109,061.86
Payroll Withholding Payable	12,770.59	2,943.20	1,455.87	17,169.66
Revenues Collected in Advance	7,518.84			7,518.84
Deferred Revenue	198,977.57	200,000.00	14,441.84	413,419.41
Total Liabilities	362,929.87	221,126.62	35,784.83	619,841.32

Fund Balances:

Nonspendable:

Inventory	12,203.67	957,901.64		970,105.31
Other Purposes (SD Public Assurance Alliance)	205,527.15			205,527.15

Restricted For:

Debt Service			290,792.20	290,792.20
Snow Removal		423,243.27		423,243.27
Domestic Abuse			930.00	930.00
24/7 Sobriety			21,332.18	21,332.18
Teen Court			24,671.45	24,671.45
Richmond Youth Camp			21,916.96	21,916.96
Other Donations			1,430.48	1,430.48

Assigned To:

Subsequent Year's Budget	2,076,204.89			2,076,204.89
Road Purposes		972,831.95		972,831.95
911 Purposes			239,947.94	239,947.94
Emergency Management Purposes			67,966.64	67,966.64
Capital Outlay Accumulation	400,000.00			400,000.00
Unassigned	2,087,910.81			2,087,910.81

Total Fund Balances	<u>4,781,846.52</u>	<u>2,353,976.86</u>	<u>668,987.85</u>	<u>7,804,811.23</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,144,776.39</u>	<u>\$ 2,575,103.48</u>	<u>\$ 704,772.68</u>	<u>\$ 8,424,652.55</u>
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The notes to the financial statements are an integral part of this statement.

BROWN COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2011

Total Fund Balances - Governmental Funds	\$ 7,804,811.23
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	52,360,218.69
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(609,173.74)
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Accrued Leave	\$ 609,173.74
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Assets, such as taxes receivable (delinquent), are not available to pay for current period expenditures and therefore are deferred in the funds.	198,977.57
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Property Taxes	\$ 198,977.57
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Net Assets - Governmental Activities	<u>\$ 59,754,833.75</u>
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The notes to the financial statements are an integral part of this statement.

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BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 10,676,697.23	\$	\$ 514,131.44	\$ 11,190,828.67
General Property Taxes--Delinquent	78,623.05		254,377.39	333,000.44
Penalties and Interest	22,491.94			22,491.94
Telephone Tax (Outside)	2,509.22			2,509.22
Mobile Home Tax	3,356.20			3,356.20
Wheel Tax		751,661.62		751,661.62
911 Telephone Surcharge			290,624.57	290,624.57
Tax Deed Revenue	180.00			180.00
Licenses and Permits	88,256.49	9,870.00	11,195.00	109,321.49
Intergovernmental Revenue:				
Federal Grants	28,632.70	809,739.10	404,159.47	1,242,531.27
Federal Shared Revenue	14,249.63			14,249.63
Federal Payments in Lieu of Taxes	194.00			194.00
State Grants	3,457.06	409,709.89	18,471.47	431,638.42
State Shared Revenue:				
Bank Franchise	56,715.38			56,715.38
Motor Vehicle Licenses		2,128,028.11		2,128,028.11
Court Appointed Attorney/Public Defender	15,468.11			15,468.11
Prorate/Port of Entry Fees		165,742.71		165,742.71
Abused and Neglected Child Defense	4,558.31			4,558.31
63 3/4% Mobile Home/Manufactured Home		16,542.43		16,542.43
Telecommunications Gross Receipts Tax	223,145.02			223,145.02
Motor Vehicle 1/4%	7,147.95			7,147.95
Other Payments in Lieu of Taxes	4,522.06			4,522.06
Other Intergovernmental Revenue	12,000.00	271.65	410,694.35	422,966.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	59,358.35			59,358.35
Register of Deeds' Fees	320,728.36			320,728.36
Legal Services	113,900.85			113,900.85
Clerk of Courts Fees	60,965.66			60,965.66
Assessors Fees	17,620.00			17,620.00

Geographic Information Service Fees	5,354.00			5,354.00
Other Fees	6,005.58			6,005.58
Public Safety:				
Law Enforcement	119,907.88			119,907.88
Prisoner Care	133,511.76			133,511.76
Sobriety Testing			74,077.99	74,077.99
Other			12,000.00	12,000.00
Public Works:				
Road Maintenance Contract Charges		8,925.30		8,925.30
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	88,552.43			88,552.43
Veterans Service Officer	4,375.00			4,375.00
Culture and Recreation	834,580.32			834,580.32
Conservation of Natural Resources	40,409.14			40,409.14
Other Charges	18,553.90			18,553.90
Fines and Forfeits:				
Fines	97.50			97.50
Costs	27,754.98			27,754.98
Forfeits	1,150.00			1,150.00
Miscellaneous Revenue:				
Investment Earnings	58,160.79	5,060.85	700.73	63,922.37
Rent	98,295.29	2,225.12		100,520.41
Contributions and Donations	28,000.00	4,370.89	1,660.00	34,030.89
Refund of Prior Year's Expenditures	65,392.00			65,392.00
Other	12,823.20	4.88	3,233.20	16,061.28
Total Revenues	<u>13,357,701.34</u>	<u>4,312,152.55</u>	<u>1,995,325.61</u>	<u>19,665,179.50</u>
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	253,967.26			253,967.26
Elections	16,990.41			16,990.41
Judicial System	84,311.77			84,311.77
Financial Administration:				
Auditor	399,471.64			399,471.64
Treasurer	452,086.72			452,086.72
Data Processing	257,574.43			257,574.43
Legal Services:				
State's Attorney	543,528.44		32,131.51	575,659.95
Court Appointed Attorney	327,100.74			327,100.74
Abused and Neglected Child Defense	15,000.00			15,000.00
Teen Court			32,071.15	32,071.15

BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011
(Continued)

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Other Administration:				
General Government Building	618,784.60		9,549.00	628,333.60
Director of Equalization	474,127.08			474,127.08
Register of Deeds	264,881.59			264,881.59
Veterans Service Officer	118,728.09			118,728.09
Predatory Animal	10,374.57			10,374.57
Geographic Information System	76,578.83		82,500.00	159,078.83
Public Safety:				
Law Enforcement:				
Sheriff	1,196,773.96		15,248.68	1,212,022.64
County Jail	1,288,581.69		58,966.92	1,347,548.61
Coroner	23,063.46			23,063.46
Juvenile Detention	669,631.06			669,631.06
Protective and Emergency Services:				
Fire Protection	17,000.00			17,000.00
Emergency and Disaster Services			275,628.51	275,628.51
Communication Center			1,063,070.87	1,063,070.87
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		7,641,171.53		7,641,171.53
Health and Welfare:				
Economic Assistance:				
Support of Poor	658,497.08			658,497.08
Health Assistance:				
County Nurse	26,780.00			26,780.00
Social Services:				
Care of Aged	1,000.00			1,000.00
Domestic Abuse			11,090.00	11,090.00
Mental Health Services:				
Mentally Ill	43,484.10			43,484.10
Developmentally Disabled	1,000.00			1,000.00
Drug Abuse	20,000.00			20,000.00
Mental Health Centers	37,080.00			37,080.00
Mental Illness Board	54,073.97			54,073.97

Culture and Recreation:				
Culture:				
Public Library	23,000.00			23,000.00
Historical Museum	275,138.63			275,138.63
Historical Sites	1,000.00			1,000.00
Recreation:				
Recreational Programs	5,000.00			5,000.00
Parks	102,458.63			102,458.63
Exhibition Building	501,653.01			501,653.01
County Fair	708,386.07		259.26	708,645.33
Senior Center	4,500.00			4,500.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	95,880.78			95,880.78
Weed and Pest Control	182,272.08		2,062.50	184,334.58
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	80,108.64			80,108.64
Urban and Rural Development	24,209.33			24,209.33
Economic Development:				
Tourism, Industrial or Recreational Development	20,750.00			20,750.00
Other			880,855.40	880,855.40
Intergovernmental Expenditures		37,582.92	73,382.05	110,964.97
Payments to Local Education Agencies			51,941.00	51,941.00
Total Expenditures	<u>9,974,828.66</u>	<u>7,678,754.45</u>	<u>2,588,756.85</u>	<u>20,242,339.96</u>
Excess of Revenues Over (Under) Expenditures	<u>3,382,872.68</u>	<u>(3,366,601.90)</u>	<u>(593,431.24)</u>	<u>(577,160.46)</u>
Other Financing Sources (Uses):				
Transfers In	219,698.37	3,500,000.00	401,572.58	4,121,270.95
Transfers Out	(3,901,572.58)	(5,060.85)	(200,700.73)	(4,107,334.16)
Insurance Proceeds	47,340.49	7,800.56	500.00	55,641.05
Sale of County Property	100,092.05	16,621.70		116,713.75
Total Other Financing Sources (Uses)	<u>(3,534,441.67)</u>	<u>3,519,361.41</u>	<u>201,371.85</u>	<u>186,291.59</u>
Net Change in Fund Balance	(151,568.99)	152,759.51	(392,059.39)	(390,868.87)
Fund Balance - Beginning	<u>4,933,415.51</u>	<u>2,201,217.35</u>	<u>1,061,047.24</u>	<u>8,195,680.10</u>
FUND BALANCE - ENDING	<u>\$ 4,781,846.52</u>	<u>\$ 2,353,976.86</u>	<u>\$ 668,987.85</u>	<u>\$ 7,804,811.23</u>

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

BROWN COUNTY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	(390,868.87)
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Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.		1,003,678.01
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(1,685,245.64)	
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(38,618.73)	
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	1,083,334.53	
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(218,026.78)	
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(5,056.49)	

Change in Net Assets of Governmental Activities	\$	<u>(250,803.97)</u>
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The notes to the financial statements are an integral part of this statement.

**BROWN COUNTY
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2011**

	<u>Enterprise Funds</u> <u>Solid Waste</u> <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,734,632.46
Investments	1,129,192.26
Accounts Receivable, Net	181,573.72
Other Receivables	7,728.20
Due from Other Government	13,830.67
Inventory of Supplies	49,976.92
Total Current Assets	<u>4,116,934.23</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	13,680.93
Restricted Investments	1,316,651.81
Capital Assets:	
Land	477,878.38
Buildings	950,630.60
Improvements Other Than Buildings	5,003,553.84
Machinery and Equipment	1,913,596.63
Less: Accumulated Depreciation	<u>(3,465,093.24)</u>
Total Noncurrent Assets	<u>6,210,898.95</u>
TOTAL ASSETS	<u>\$ 10,327,833.18</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 122,485.46
Accrued Wages Payable	4,894.63
Payroll Withholding Payable	604.03
Deferred Revenue	2.46
Compensated Absences Payable -- Current	30,146.46
Total Current Liabilities	<u>158,133.04</u>
Noncurrent Liabilities:	
Compensated Absences Payable -- Noncurrent	15,362.88
Accrued Landfill Closure and Postclosure Care Costs	1,330,332.74
Total Noncurrent Liabilities	<u>1,345,695.62</u>
NET ASSETS:	
Invested in Capital Assets	4,880,566.21
Unrestricted Net Assets	3,943,438.31
Total Net Assets	<u>8,824,004.52</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,327,833.18</u>

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

BROWN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	<u>Enterprise Funds</u> <u>Solid Waste</u> <u>Fund</u>
Operating Revenues:	
Charges for Goods and Services	\$ 1,785,478.68
Solid Waste Fee	464,490.00
Miscellaneous	62,491.70
Total Operating Revenues	<u>2,312,460.38</u>
Operating Expenses:	
Personal Services	338,420.57
Other Current Expense	1,204,664.10
Depreciation	222,238.89
Total Operating Expenses	<u>1,765,323.56</u>
Operating Income (Loss)	<u>547,136.82</u>
Nonoperating Revenues (Expenses):	
Operating Grants	71,455.58
Investment Earnings	24,548.63
Rental Revenue	17,095.20
Total Nonoperating Revenues (Expenses)	<u>113,099.41</u>
Income (Loss) Before Transfers	660,236.23
Transfers Out	<u>(13,936.79)</u>
Change in Net Assets	646,299.44
Net Assets - Beginning	<u>8,177,705.08</u>
NET ASSETS - ENDING	<u><u>\$ 8,824,004.52</u></u>

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

**BROWN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	<u>Enterprise Funds</u> <u>Solid Waste</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash Receipts from Customers	\$ 2,255,108.43
Cash Payments to Employees for Services	(333,516.18)
Cash Payments to Suppliers for Goods and Services	<u>(1,060,088.87)</u>
Net Cash Provided (Used) by Operating Activities	<u>861,503.38</u>
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	57,624.91
Other Receipts	17,095.20
Transfers Out	<u>(13,936.79)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>60,783.32</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(17,989.59)</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	(2,445,844.07)
Proceeds from Sales and Maturities of Investments	2,287,982.67
Cash Received for Interest	<u>24,548.63</u>
Net Cash Provided (Used) by Investing Activities	<u>(133,312.77)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	770,984.34
Cash and Cash Equivalents at Beginning of Year	<u>1,977,329.05</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,748,313.39</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 547,136.82
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	222,238.89
Change in Assets and Liabilities:	
Receivables	(72,158.23)
Inventories	9,190.26
Accounts and Other Payables	63,876.13
Accrued Wages Payable	240.94
Accrued Leave Payable	4,663.45
Closure Costs	89,889.36
Revenue Collected in Advance	<u>(3,574.24)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 861,503.38</u>

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

**BROWN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011**

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 1,077,141.02
TOTAL ASSETS	<u><u>\$ 1,077,141.02</u></u>
LIABILITIES:	
Amounts Held for Others	\$ 343,805.71
Due to Other Governments	<u>733,335.31</u>
TOTAL LIABILITIES	<u><u>\$ 1,077,141.02</u></u>

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

BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

The remaining Special Revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Teen Court, Courthouse Building, State Grants, Richmond Youth Camp, Donations, 24/7 Sobriety, and Brown County TIF #1. These funds are reported on the fund financial statements as "Other Governmental Funds".

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).*

The enterprise funds and business-type activities do not apply any FASB Statements and Interpretations issued after November 30, 1989.

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

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The revenues which are accrued December 31, 2011 are various grant reimbursements, state shared revenues, E911 surcharge, and court appointed attorney reimbursements.

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

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

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months.

e. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental column.

Fund Financial Statements:

f. Capital Assets:

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

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

Government-wide Financial Statements:

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

The total December 31, 2011 balance of governmental activities capital assets includes approximately 75 percent for which the costs were determined by estimates of the original costs. The total December 31, 2011 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon and deflated current replacement costs for infrastructure.

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

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity.

l. Application of Net Assets:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

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

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

The 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 (See Note 1.b.)

Revenue Source

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

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

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

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

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

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

As of December 31, 2011, the County had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 238,201.45

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. SDFIT also has investments in a Competitive Fixed Rate Account by purchasing Certificates of Deposit.

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

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

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

3. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 1,330,332.74	DENR required Closure/Postclosure Costs for the Landfill

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

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

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

6. PROPERTY TAXES

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

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

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 1,325,848.22	\$	\$ (449.00)	\$ 1,325,399.22
Construction Work in Progress	533,241.47	21,191.17		554,432.64
Total, not being Depreciated	1,859,089.69	21,191.17	(449.00)	1,879,831.86
Capital assets, being Depreciated:				
Buildings	7,338,105.12	38,481.30		7,376,586.42
Improvements Other Than Buildings	57,049,367.92	1,291,882.83	(101,809.33)	58,239,441.42
Machinery and Equipment	7,632,140.73	830,206.8	(233,369.82)	8,228,977.71
Total, being Depreciated	72,019,613.77	2,160,570.93	(335,179.15)	73,845,005.55
Less Accumulated Depreciation for:				
Buildings	(1,495,149.54)	(70,217.63)		(1,565,367.17)
Improvements Other Than Buildings	(16,608,174.46)	(1,115,871.51)	58,565.87	(17,665,480.10)
Machinery and Equipment	(3,784,109.50)	(524,409.91)	174,747.96	(4,133,771.45)
Total Accumulated Depreciation	(21,887,433.50)	(1,710,499.05)	233,313.83	(23,364,618.72)
Total Governmental Activities Capital Assets, being Depreciated, Net	50,132,180.27	450,071.88	(101,865.32)	50,480,386.83
Governmental Activity Capital Assets, Net	\$ 51,991,269.96	\$ 471,263.05	\$ (102,314.32)	\$ 52,360,218.69
Depreciation expense was charged to functions as follows:				
Governmental Activities:				
General Government				\$ 41,121.56
Public Safety				135,596.50
Public Works				1,420,300.62
Culture and Recreation				58,514.36
Conservation of Natural Resources				14,353.84
Depreciation-Unallocated				15,358.76
Total Depreciation Expense - Governmental Activities				\$ 1,685,245.64

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 477,878.38	\$	\$	\$ 477,878.38
Capital Assets, being Depreciated:				
Buildings	950,630.60			950,630.60
Improvements Other Than Buildings	4,985,564.25	17,989.59		5,003,553.84
Machinery and Equipment	1,913,596.63			1,913,596.63
Total, being Depreciated	7,849,791.48	17,989.59	0.00	7,867,781.07
Less Accumulated Depreciation for:				
Buildings	(242,847.22)	(43,281.77)		(286,128.99)
Improvements Other Than Buildings	(1,561,515.61)	(173,980.22)	58,791.97	(1,676,703.86)
Machinery and Equipment	(1,438,491.52)	(63,768.87)		(1,502,260.39)
Total Accumulated Depreciation	(3,242,854.35)	(281,030.86)	58,791.97	(3,465,093.24)
Total Business-Type Activities Capital Assets, being Depreciated, Net	4,606,937.13	(263,041.27)	58,791.97	4,402,687.83
Business-Type Activity Capital Assets, Net	\$ 5,084,815.51	\$ (263,041.27)	\$ 58,791.97	\$ 4,880,566.21

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Solid Waste	\$ 222,238.89
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Construction Work in Progress at December 31, 2011 is composed of the following:

Project Name	Expended thru 12/31/2011
Governmental Activities:	
County Road 20.4	\$ 202,115.16
County Road 14W	22,136.90
County Road 23.2	2,700.00
County Road 23.1	12,852.01
Bridge BR278	147,730.80
Bridge BR238	70,283.55
Bridge BR124	827.50
Bridge BR180	2,177.52
Bridge BR204	56,263.45
Bridge BR280	1,421.15
Bridge BR277	924.60
Coffee House	35,000.00
Total Governmental Activities	\$ 554,432.64

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

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2011	Additions	Deletions	Ending Balance 12/31/2011	Due Within One Year
Primary Government:					
Governmental Activities:					
Accrued Compensated Absences	\$ 604,117.24	\$ 495,032.90	\$ (489,976.40)	\$ 609,173.74	\$ 489,976.40
Business-Type Activities:					
Accrued Landfill Closure/Post Closure	1,240,443.38	89,889.36		1,330,332.74	
Accrued Compensated Absences	40,845.89	34,809.91	(30,146.46)	45,509.34	30,146.46
Total Business-Type Activities	<u>1,281,289.27</u>	<u>124,699.27</u>	<u>(30,146.46)</u>	<u>1,375,842.08</u>	<u>30,146.46</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,885,406.51</u>	<u>\$ 619,732.17</u>	<u>\$ (520,122.86)</u>	<u>\$ 1,985,015.82</u>	<u>\$ 520,122.86</u>

Long-term liabilities payable at December 31, 2011 are comprised of the following:

Compensated Absences:

Annual Leave	\$ 388,804.17
Sick Leave	265,878.91
Payment to be made by the fund that the payroll expenditures are charged to.	

Landfill Closure/Postclosure

(Paid out of Solid Waste Fund)	1,330,332.74
Total Long-Term Liabilities	<u>\$ 1,985,015.82</u>

As of December 31, 2011 \$8,955,000.00 of Tax Incremental Revenue Bonds Series 2006 were authorized but unissued.

However, April 27, 2012 was the deadline for the issuance of the bonds and as of April 25, 2012 the amount of bonds issued was \$3,980,000.00, with the option to issue the remainder as a grant to the Northern Beef Plant. As there were no ready buyers at that time, the amount of the TIF bond issuance was frozen at \$6,950,000.00. A final bond was issued in the amount of \$2,970,000.00 as a grant to the Northern Beef Plant to bring the total of the bonds issued to \$6,950,000.00, with the understanding that as with any of the bonds, The Northern Beef Plant could assign all or a portion of the bond/grant to potential buyers. The County Auditor would issue the assignment bonds and a replacement bond reflecting the remaining amount of the bond/grant to the Northern Beef Plant.

9. OPERATING LEASES

The County is leasing two Canon Copiers. One lease, dated October 2010 (IR3245) is a 60-month lease with payments of \$176.80 per month made from the sheriff's department budget of the General Fund. The second lease, dated April 2008 (IR3035), is a 60-month lease with payments of \$133.32 per month made from the jail budget of the General Fund.

The following are the minimum payments on existing operating leases:

Year	General Fund	General Fund	Total Fund
2012	\$ 2,121.60	\$ 1,599.84	\$ 3,721.44
2013	2,121.60	399.96	2,521.56
2014	2,121.60		2,121.60
2015	1,591.20		1,591.20
Total	<u>\$ 7,956.00</u>	<u>\$ 1,999.80</u>	<u>\$ 9,955.80</u>

10. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

Based on the most recent assessment of the landfill, Unit 1 is established on a total capacity of 766,495 tons with an estimated life expectancy of 21.4 years. The County completed construction on Unit 2 in 2010 and began using in 2011. The total lifespan of Unit 2 is currently estimated at 143 years with an estimated total capacity of 6,963,912 tons. When calculating the Unit 2 Closure/Postclosure costs for 2011, a capacity of 520,344 tons with a lifespan of 7 years was used.

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

	Unit 1	Unit 2
Closure	\$ 304,008	\$ 3,978,398
Postclosure	969,693	14,958,106
Total	<u>\$ 1,273,701</u>	<u>\$ 18,936,504</u>

The County is required to recognize the cost of closure and postclosure care as the landfill is used. The County is also required to take into account the possibilities of higher or lower costs due to inflation, changes in technology, or changes in regulations. The estimated liability for landfill closure and postclosure care costs for Unit 1 is \$1,187,615.53 as of December 31, 2011 (grand total Unit 1 and Unit 2 is \$1,330,332.74). The County is in compliance with the funding requirements set forth for closure and postclosure.

In addition, the County is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2011, restricted cash and investments of \$1,330,332.74 are presented on the Solid Waste Fund balance sheet as restricted assets for Unit 1 and Unit 2.

The county commissioners have also earmarked \$187,512.73 of unrestricted net assets to fund future closure and postclosure costs and \$240,000.00 to meet any potential remedial costs.

Use of Unit 1 began in October 1993. Refuge deposited at Unit 1 through December 31, 2011 was 714,690 tons. This amount represents usage of approximately 93 percent of total landfill capacity. Use of Unit 2 began in June 2011. Refuge deposited at Unit 2 through December 31, 2011 was 26,639 tons. This amount represents usage of approximately 5 percent of total landfill capacity.

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2011 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 7,655.72	
Special Revenue Funds:		
Emergency Management Fund		\$ 7,655.72

The purposes for the interfund receivable and payable balances are to cover various grant expenditures until reimbursements are received.

12. RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2011 were as follows:

Major Funds:

Road and Bridge Purposes	<u>\$ 2,266,061.38</u>
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Other Purposes:

911 Service Purposes	199,142.01
Domestic Abuse Purposes	930.00
Emergency Management Purposes	58,773.74
Donation Purposes	1,430.48
Teen Court Purposes	24,671.45
24/7 Sobriety Purposes	21,332.18
Richmond Youth Camp Purposes	21,916.96
Tax Increment Financing Purposes	290,792.20
SDPAA Purposes	<u>205,527.15</u>
Total Other Purposes	<u>824,516.17</u>

Total Restricted Net Assets	<u>\$ 3,090,577.55</u>
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These balances are restricted due to federal grant and statutory requirements, or donor restrictions.

13. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:				
General Fund	\$	\$ 3,500,000.00	\$ 401,572.58	\$ 3,901,572.58
Road and Bridge Fund	5,060.85			5,060.85
Solid Waste Fund	13,936.79			13,936.79
Other Governmental Funds:				
911 Service Fund	545.01			545.01
Emergency Management Fund	155.72			155.72
Courthouse Building Fund	200,000.00			200,000.00
Totals	<u>\$ 219,698.37</u>	<u>\$ 3,500,000.00</u>	<u>\$ 401,572.58</u>	<u>\$ 4,121,270.95</u>

The County typically budgets transfers from the General Fund to the Road and Bridge Fund and the other governmental funds to conduct the indispensable functions of the County. The County also transfers earnings on deposits and investments from governmental and enterprise funds to the General Fund.

14. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$407,232.34, \$387,637.36 and \$369,646.89 respectively, equal to the required contributions each year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2011, the County was not involved in any litigation.

16. SIGNIFICANT COMMITMENTS

A special election held on April 24, 2007 resulted in the approval of Brown County Tax Incremental District No. 1 for a Beef Processing Facility. As of December 31, 2011, no bonds have been sold.

The Brown County TIF #1 Fund reflects a cash balance of \$290,792.20 as of December 31, 2011. Per special bond counsel, \$290,792.20 would be the amount of interest payable June 1, 2012, if and when the bonds are sold or a grant is issued to Northern Beef Packers.

17. SUBSEQUENT EVENTS

1. The John Sieh Family donated the Granary Memorial Gallery to Brown County by Warranty Deed on April 17, 2012. Approximate value of the gift was \$278,110.00.
2. Brown County was awarded a Community Development Block Grant in amount of \$515,000.00 on June 19, 2012. The project involves the construction of a new 24,587 sq. ft. YMCA youth development center at a total cost of \$3,486,400.00.
3. Brown County was awarded a \$342,000.00 Regional Landfill Assistance Grant to assist the County with the purchase of a Landfill Dozer on March 30, 2012.

18. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2011, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

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

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

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

As of December 31, 2011, the County has vested balance in the cumulative reserve fund of \$205,527.15. Brown County is fully vested in SDPAA.

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

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 10,766,252.00	\$ 10,766,252.00	\$ 10,676,697.23	\$ (89,554.77)
General Property Taxes--Delinquent	58,230.00	58,230.00	78,623.05	20,393.05
Penalties and Interest	19,105.00	19,105.00	22,491.94	3,386.94
Telephone Tax (Outside)	13,500.00	13,500.00	2,509.22	(10,990.78)
Mobile Home Tax	3,535.00	3,535.00	3,356.20	(178.80)
Tax Deed Revenue	751.00	751.00	180.00	(571.00)
Licenses and Permits	49,800.00	49,800.00	88,256.49	38,456.49
Intergovernmental Revenue:				
Federal Grants	0.00	24,744.22	28,632.70	3,888.48
Federal Shared Revenue	16,165.00	16,165.00	14,249.63	(1,915.37)
Federal Payments in Lieu of Taxes	0.00	0.00	194.00	194.00
State Grants	0.00	0.00	3,457.06	3,457.06
State Shared Revenue:				
Bank Franchise	69,000.00	69,000.00	56,715.38	(12,284.62)
Court Appointed Attorney/Public Defender	15,000.00	15,000.00	15,468.11	468.11
Abused and Neglected Child Defense	3,500.00	3,500.00	4,558.31	1,058.31
Telecommunications Gross Receipts Tax	210,000.00	210,000.00	223,145.02	13,145.02
Motor Vehicle 1/4%	6,000.00	6,000.00	7,147.95	1,147.95
Other Payments in Lieu of Taxes	4,735.00	4,735.00	4,522.06	(212.94)
Other Intergovernmental Revenue	16,000.00	16,000.00	12,000.00	(4,000.00)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	40,750.00	40,750.00	59,358.35	18,608.35
Register of Deeds' Fees	295,000.00	295,000.00	320,728.36	25,728.36
Legal Services	103,200.00	103,200.00	113,900.85	10,700.85
Clerk of Courts Fees	60,000.00	60,000.00	60,965.66	965.66
Assessors Fees	17,700.00	17,700.00	17,620.00	(80.00)
Geographic Information System Fees	1,000.00	1,000.00	5,354.00	4,354.00
Other Fees	3,200.00	3,200.00	6,005.58	2,805.58
Public Safety:				
Law Enforcement	107,950.00	107,950.00	119,907.88	11,957.88
Prisoner Care	204,000.00	204,000.00	133,511.76	(70,488.24)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	120,000.00	120,000.00	88,552.43	(31,447.57)
Veterans Service Officer	4,375.00	4,375.00	4,375.00	0.00
Culture and Recreation	556,200.00	556,200.00	834,580.32	278,380.32
Conservation of Natural Resources	64,100.00	64,100.00	40,272.95	(23,827.05)
Extension Fees	150.00	150.00	136.19	(13.81)
Other Charges	20,000.00	20,000.00	18,553.90	(1,446.10)
Fines and Forfeits:				
Fines	0.00	0.00	97.50	97.50
Costs	30,000.00	30,000.00	27,754.98	(2,245.02)
Forfeits	15,000.00	15,000.00	1,150.00	(13,850.00)
Miscellaneous Revenue:				
Investment Earnings	72,540.00	72,540.00	58,160.79	(14,379.21)
Rent	116,550.00	116,550.00	98,295.29	(18,254.71)
Contributions and Donations	0.00	24,000.00	28,000.00	4,000.00
Refund of Prior Year's Expenditures	18,000.00	18,000.00	65,392.00	47,392.00

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Other	10,000.00	10,000.00	12,823.20	2,823.20
Total Revenues	13,111,288.00	13,160,032.22	13,357,701.34	197,669.12
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	294,757.00	294,757.00	253,967.26	40,789.74
Contingency	250,000.00	250,000.00		
Amount Transferred		(250,000.00)		0.00
Elections	17,092.25	17,092.25	16,990.41	101.84
Judicial System	78,180.00	84,380.00	84,311.77	68.23
Financial Administration:				
Auditor	314,850.00	396,985.23	399,471.64	(2,486.41)
Treasurer	452,305.00	452,305.00	452,086.72	218.28
Data Processing	159,965.55	257,715.55	257,574.43	141.12
Legal Services:				
State's Attorney	549,640.45	549,640.45	543,528.44	6,112.01
Court Appointed Attorney	307,200.00	327,100.74	327,100.74	0.00
Abused and Neglected Child Defense	15,000.00	15,000.00	15,000.00	0.00
Other Administration:				
General Government Building	647,057.00	647,057.00	618,784.60	28,272.40
Director of Equalization	483,091.36	483,091.36	474,127.08	8,964.28
Register of Deeds	285,021.27	285,021.27	264,881.59	20,139.68
Veterans Service Officer	119,996.49	119,996.49	118,728.09	1,268.40
Predatory Animal	10,374.57	10,374.57	10,374.57	0.00
Geographic Information System	87,644.50	87,644.50	76,578.83	11,065.67
Public Safety:				
Law Enforcement:				
Sheriff	1,177,770.00	1,202,514.22	1,196,773.96	5,740.26
County Jail	1,288,594.00	1,288,594.00	1,288,581.69	12.31
Coroner	19,606.00	23,063.46	23,063.46	0.00
Juvenile Detention	722,621.00	722,621.00	669,631.06	52,989.94
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	672,074.73	672,074.73	658,497.08	13,577.65
Health Assistance:				
County Nurse	30,900.00	30,900.00	26,780.00	4,120.00
Social Services:				
Care of Aged	1,000.00	1,000.00	1,000.00	0.00
Mental Health Services:				
Mentally Ill	30,000.00	43,484.10	43,484.10	0.00
Developmentally Disabled	1,000.00	1,000.00	1,000.00	0.00
Drug Abuse	20,000.00	20,000.00	20,000.00	0.00
Mental Health Centers	37,080.00	37,080.00	37,080.00	0.00
Mental Illness Board	75,000.00	75,000.00	54,073.97	20,926.03
Culture and Recreation:				
Culture:				
Public Library	23,000.00	23,000.00	23,000.00	0.00
Historical Museum	279,506.85	279,506.85	275,138.63	4,368.22

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Historical Sites	1,000.00	1,000.00	1,000.00	0.00
Recreation:				
Recreational Programs	5,000.00	5,000.00	5,000.00	0.00
Parks	97,323.47	103,223.47	102,458.63	764.84
Exhibition Building	284,417.77	501,803.02	501,653.01	150.01
County Fair	630,387.71	709,387.71	708,386.07	1,001.64
Senior Center	4,500.00	4,500.00	4,500.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	111,471.17	111,471.17	95,880.78	15,590.39
Weed and Pest Control	220,237.48	220,237.48	182,272.08	37,965.40
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	93,348.00	93,348.00	80,108.64	13,239.36
Urban and Rural Development	24,209.33	24,209.33	24,209.33	0.00
Economic Development:				
Tourism, Industrial or Recreational Development	20,750.00	20,750.00	20,750.00	0.00
Total Expenditures	<u>9,959,972.95</u>	<u>10,259,929.95</u>	<u>9,974,828.66</u>	<u>285,101.29</u>
Excess of Revenues Over (Under) Expenditures	<u>3,151,315.05</u>	<u>2,900,102.27</u>	<u>3,382,872.68</u>	<u>482,770.41</u>
Other Financing Sources (Uses):				
Transfers In	44,490.00	44,490.00	219,698.37	175,208.37
Transfers Out	(4,721,155.67)	(4,721,155.67)	(3,901,572.58)	819,583.09
Insurance Proceeds	30,000.00	43,244.58	47,340.49	4,095.91
Sale of County Property	1,500.00	1,500.00	100,092.05	98,592.05
Total Other Financing Sources (Uses)	<u>(4,645,165.67)</u>	<u>(4,631,921.09)</u>	<u>(3,534,441.67)</u>	<u>1,097,479.42</u>
Net Change in Fund Balance	(1,493,850.62)	(1,731,818.82)	(151,568.99)	1,580,249.83
Fund Balance - Beginning	<u>4,933,415.51</u>	<u>4,933,415.51</u>	<u>4,933,415.51</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 3,439,564.89</u>	<u>\$ 3,201,596.69</u>	<u>\$ 4,781,846.52</u>	<u>\$ 1,580,249.83</u>

REQUIRED SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
Wheel Tax	\$ 730,000.00	\$ 730,000.00	\$ 751,661.62	\$ 21,661.62
Licenses and Permits	9,000.00	9,000.00	9,870.00	870.00
Intergovernmental Revenue:				
Federal Grants	0.00	809,739.10	809,739.10	0.00
State Grants	0.00	45,419.78	409,709.89	364,290.11
State Shared Revenue:				
Motor Vehicle Licenses	1,800,000.00	1,800,000.00	2,128,028.11	328,028.11
Prorate/Port of Entry Fees	125,000.00	125,000.00	165,742.71	40,742.71
63 3/4% Mobile Home/Manufactured Home	35,000.00	35,000.00	16,542.43	(18,457.57)
Other Intergovernmental Revenue	0.00	0.00	271.65	271.65
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	5,400.00	5,400.00	8,925.30	3,525.30
Miscellaneous Revenue:				
Investment Earnings	21,996.00	21,996.00	5,060.85	(16,935.15)
Rent	5,000.00	5,000.00	2,225.12	(2,774.88)
Contributions and Donations	0.00	0.00	4,370.89	4,370.89
Other	1,000.00	1,000.00	4.88	(995.12)
Total Revenues	<u>2,732,396.00</u>	<u>3,587,554.88</u>	<u>4,312,152.55</u>	<u>724,597.67</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	6,841,983.09	7,697,141.97	7,641,171.53	55,970.44
Intergovernmental Expenditures	40,000.00	40,000.00	37,582.92	2,417.08
Total Expenditures	<u>6,881,983.09</u>	<u>7,737,141.97</u>	<u>7,678,754.45</u>	<u>58,387.52</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,149,587.09)</u>	<u>(4,149,587.09)</u>	<u>(3,366,601.90)</u>	<u>782,985.19</u>
Other Financing Sources (Uses):				
Transfers In	4,115,583.09	4,115,583.09	3,500,000.00	(615,583.09)
Transfers Out	(21,996.00)	(21,996.00)	(5,060.85)	16,935.15
Insurance Proceeds	0.00	0.00	7,800.56	7,800.56
Sale of County Property	16,000.00	16,000.00	16,621.70	621.70
Total Other Financing Sources (Uses)	<u>4,109,587.09</u>	<u>4,109,587.09</u>	<u>3,519,361.41</u>	<u>(590,225.68)</u>
Net Change in Fund Balance	<u>(40,000.00)</u>	<u>(40,000.00)</u>	<u>152,759.51</u>	<u>192,759.51</u>
Fund Balance - Beginning	<u>2,201,217.35</u>	<u>2,201,217.35</u>	<u>2,201,217.35</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 2,161,217.35</u>	<u>\$ 2,161,217.35</u>	<u>\$ 2,353,976.86</u>	<u>\$ 192,759.51</u>

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

Note 1. Budgets and Budgetary Accounting:

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

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

BROWN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011
US Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payments in Lieu of Taxes (Note 2)	15.226		\$ 194.00
Distribution of Receipts to State and Local Governments (Refuge Revenue Sharing) (Note 2)	15.227		<u>14,249.63</u>
Total US Department of Interior			<u>14,443.63</u>
US Department of Justice:			
Direct Federal Funding:			
Bullet Proof Vest Partnership Program	16.607		1,350.00
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Accountability Block Grants	16.523	2009-JB-FX-0065 2008-JB-FX-0036	1,753.20 8,688.24
SD Department of Social Services,			
Violence Against Women Formula Grants	16.588	STOP-P-12-160 STOP-P-11-160	20,363.82 <u>18,276.55</u>
Total US Department of Justice			<u>50,431.81</u>
US Department of Transportation:			
Highway Planning and Construction Cluster:			
Indirect Federal Funding:			
SD Department of Transportation,			
Highway Planning and Construction (Note 3)	20.205		469,090.74
Highway Safety Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
State and Community Highway Safety	20.600		28,633.65
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety,			
E-911 Grant Program	20.615	NHTSA-2008-0142	<u>31,810.00</u>
Total US Department of Transportation			<u>529,534.39</u>
US General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003		<u>47,712.95</u>
US Department of Homeland Security:			
Homeland Security Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Homeland Security Grant Program (Note 3) (Note 4)	97.067		185,087.07
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Disaster Grants-Public Assistance	97.036		461,316.84
Emergency Management Performance Grants (Note 4)	97.042		<u>174,537.04</u>
Total US Department of Homeland Security			<u>820,940.95</u>
GRAND TOTAL			<u><u>\$ 1,463,063.73</u></u>

BROWN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011
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Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

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

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

Note 4: Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Homeland Security Grant Program	97.067	\$ 112,550.24
Emergency Management Performance Grants	97.042	\$ 12,772.81

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