

DOUGLAS COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2016



**State of South Dakota
Department of Legislative Audit
427 South Chapelle
%500 East Capitol
Pierre, SD 57501-5070**

**DOUGLAS COUNTY
COUNTY OFFICIALS
December 31, 2016**

Board of Commissioners:

**Karen Blume
Sue Denning
Floyd Muntefering
Steve Lau
Marlin Maas**

**Auditor:
Phyllis Barker**

**Treasurer:
Julie Brenner**

**State's Attorney:
Craig Parkhurst**

**Register of Deeds:
Randall Larson**

**Sheriff:
Jonathan Coler**

DOUGLAS COUNTY
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Schedule of Prior Audit Findings	3
Schedule of Current Audit Findings	3
Independent Auditor's Report	6
<i>Basic Financial Statements</i>	
<u>Government-wide Financial Statements:</u>	
As of December 31, 2016:	
Statement of Net Position--Modified Cash Basis	8
For the Year Ended December 31, 2016:	
Statement of Activities--Modified Cash Basis	9
For the Year Ended December 31, 2015:	
Statement of Activities--Modified Cash Basis	10
<u>Fund Financial Statements:</u>	
<u>Governmental Funds</u>	
As of December 31, 2016:	
Balance Sheet--Modified Cash Basis	11
For the Year Ended December 31, 2016:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis	12
For the Year Ended December 31, 2015:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis	16
<u>Fiduciary Funds</u>	
As of December 31, 2016:	
Statement of Fiduciary Net Position--Modified Cash Basis	20
Notes to the Modified Cash Basis Financial Statements	21

Supplementary Information:

For the Year Ended December 31, 2016:

Budgetary Comparison Schedule--Modified Cash Basis--General Fund.....	36
Budgetary Comparison Schedule--Modified Cash Basis--Road and Bridge Fund.....	38

For the Year Ended December 31, 2015:

Budgetary Comparison Schedule--Modified Cash Basis--General Fund.....	39
Budgetary Comparison Schedule--Modified Cash Basis--Road and Bridge Fund.....	41
Notes to the Supplementary Information – Budgetary Comparison Schedules.....	42
Schedule of the County’s Proportionate Share of the Net Pension Liability (Asset).....	43
Notes to the Supplementary Information – Pension Schedules.....	44
Schedule of Changes in Long-Term Debt.....	45



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C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Douglas County
Armour, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County, South Dakota (County), as of December 31, 2016, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item No. 2016-001 to be a significant deficiency.

Compliance and Other Matters

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

County's Response to Findings

The County did not wish to respond to the findings identified in our audit as described in the accompanying Schedule of Current Audit Findings.

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

October 10, 2017

DOUGLAS COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

Finding No. 2014-001:

Internal accounting controls over financial reporting were inadequate resulting in inaccurate and incomplete information being presented to the users of the annual financial reports. This finding has not been resolved and has been restated as Current Audit Finding No. 2016-001.

Finding No. 2014-002:

The County incurred expenditures in excess of appropriations contrary to South Dakota Codified Law (SDCL) 7-21-25. This finding has been substantially resolved.

Finding No. 2014-003:

The unassigned fund balance of the General Fund exceeded the maximum amount allowed by SDCL 7-21-18.1. This finding has not been resolved and has been restated as Current Audit Finding No. 2016-002.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

Internal Control-Related Findings - Significant Deficiency:

Financial Reporting Errors

Finding No. 2016-001:

Internal accounting controls over financial reporting were inadequate resulting in inaccurate and incomplete information being presented to the users of the annual financial reports. This is the third consecutive audit in which a similar finding was noted.

Analysis:

We noted the following significant errors in the County's annual financial reports for the years ended December 31, 2015 and December 31, 2016:

- a. The 2016 Statement of Net Position contained the following errors:
 - Cash and Cash Equivalents was understated by \$400,000.00.
 - Unrestricted Net Position was understated by \$844,155.33.
 - Restricted for Road and Bridge Purposes was overstated by \$428,573.34.
 - Restricted for Other Purposes was overstated by \$15,581.99.
- b. In the 2015 and 2016 Statement of Activities the Beginning Net Position was understated by \$400,000.00.
- c. The 2016 Governmental Funds Balance Sheet contained the following errors:
 - General Fund Cash and Cash Equivalents was understated by \$408,162.70.

- General Fund Assigned Fund Balance was understated by \$164,971.45.
 - General Fund Unassigned Fund Balance was understated by \$243,191.25.
 - Road and Bridge Fund Restricted Fund Balance was overstated and Assigned Fund Balance was understated by \$428,573.34.
 - Other Governmental Funds Cash and Cash Equivalents was overstated by \$8,162.70.
 - Other Governmental Funds Restricted Fund Balance was overstated by \$15,581.99.
 - Other Governmental Funds Assigned Fund Balance was understated by \$7,419.29.
- d. The 2016 Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances contained the following errors:
- General Fund Beginning Fund Balance was understated by \$408,162.70.
 - Other Governmental Funds Beginning Fund Balance was overstated by \$8,162.70.
 - Other Governmental Funds Federal Grant Revenues and Emergency and Disaster Expenditures were understated by \$13,298.75.
- e. The 2015 Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances contained the following errors:
- General Fund Beginning Fund Balance was understated by \$408,162.70.
 - Other Governmental Funds Beginning Fund Balance was overstated by \$8,162.70.

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

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

RECOMMENDATION:

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

Management's Response:

Management chose not to respond to this finding.

Compliance and Other Matters:

Surplus Unassigned Fund Balance

Finding No. 2016-002:

The unassigned fund balance of the General Fund exceeded the maximum amount allowed by SDCL 7-21-18.1 by approximately \$626,000 as of December 31, 2016. This is the second consecutive audit in which a similar finding was noted.

Analysis:

SDCL 7-21-18.1 states: "The total unassigned fund balance of the general fund may not exceed forty percent of the total amount of all general fund appropriations contained in the budget for the next fiscal year."

Our analysis of the County General Fund indicated an excessive unassigned fund balance existed at December 31, 2016 as follows:

Total Unassigned Fund Balance at December 31, 2016		\$ 1,459,418.04
Less:		
2017 General Fund Appropriations	2,082,449.00	
Percentage of Allowable Retainage	<u>40%</u>	
Allowable Fund Balance Retainage		<u>(832,979.60)</u>
Unassigned Surplus Fund Balance at December 31, 2016 in Excess of the Amount Allowed by SDCL 7-21-18.1		<u>\$ 626,438.44</u>

RECOMMENDATION:

2. We recommend the unassigned fund balance of the General Fund be limited to 40 percent of the next year's General Fund appropriations as required by SDCL 7-21-18.1.

Management's Response:

Management chose not to respond to this finding.

Annual Financial Reports

Finding No. 2016-003:

The county auditor did not prepare, publish or file with the Auditor General of the Department of Legislative Audit on a timely basis the annual financial reports for the year ended December 31, 2015 in violation of South Dakota Codified Law (SDCL) 7-10-4.

Analysis:

SDCL 7-10-4 states: "The county auditor shall prepare by the first day of March of each year a report of the revenues and expenditures of the previous year and the assets, liabilities and equity of the county as of December thirty-first of the previous year. The report shall be made in the form prescribed by the auditor-general and shall be published within thirty days in the official newspapers of the county. A copy of the publication shall be filed with the auditor-general."

The annual financial report for Douglas County for the year ended December 31, 2015 was not published, and it was not filed with the Department of Legislative Audit until March 8, 2017. In addition to being a violation of SDCL 7-10-4, the county auditor's failure to prepare, publish and file the annual financial report on a timely basis resulted in withholding financial information from the taxpayers of the County.

RECOMMENDATION:

3. We recommend that future annual financial reports be prepared, published and filed with the Department of Legislative Audit on a timely basis.

Management's Response:

Management chose not to respond to this finding.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Douglas County
Armour, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County, South Dakota (County), as of December 31, 2016, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County as of December 31, 2016, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

October 10, 2017

DOUGLAS COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2016

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 2,160,156.36
Investments	400,000.00
TOTAL ASSETS	\$ 2,560,156.36
NET POSITION:	
Restricted For: (See Note 4)	
Other Purposes	\$ 33,691.21
Unrestricted	2,526,465.15
TOTAL NET POSITION	\$ 2,560,156.36

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 605,134.68	\$ 100,971.83	\$ 5,722.90	\$ (498,439.95)
Public Safety	486,655.83	127,650.58	76,868.21	(282,137.04)
Public Works	1,870,832.02		773,444.76	(1,097,387.26)
Health and Welfare	87,969.62			(87,969.62)
Culture and Recreation	31,838.28	7,199.95		(24,638.33)
Conservation of Natural Resources	77,361.06			(77,361.06)
Urban and Economic Development	18,349.94			(18,349.94)
*Interest on Long-Term Debt	55,567.32			(55,567.32)
Total Primary Government	\$ 3,233,708.75	\$ 235,822.36	\$ 856,035.87	(2,141,850.52)

General Revenues:

Taxes:

Property Taxes	2,151,854.05
Wheel Tax	98,146.08
State Shared Revenues	29,843.57
Grants and Contributions not Restricted to Specific Programs	6,385.82
Unrestricted Investment Earnings	9,075.27
Miscellaneous Revenue	9,558.08
Total General Revenues	2,304,862.87
Change in Net Position	163,012.35
Net Position - Beginning	2,397,144.01
NET POSITION - ENDING	\$ 2,560,156.36

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

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				Primary Government
Governmental Activities:				Governmental
General Government	\$ 572,724.07	\$ 92,375.44	\$ 2,086.11	(478,262.52)
Public Safety	366,566.69	133,146.09	36,412.11	(197,008.49)
Public Works	1,122,336.32		941,050.82	(181,285.50)
Health and Welfare	185,186.87			(185,186.87)
Culture and Recreation	19,763.64	7,896.25		(11,867.39)
Conservation of Natural Resources	71,194.06	6,100.00		(65,094.06)
Urban and Economic Development	12,458.97			(12,458.97)
*Interest on Long-Term Debt	55,567.32			(55,567.32)
Total Primary Government	\$ 2,405,797.94	\$ 239,517.78	\$ 979,549.04	(1,186,731.12)
General Revenues:				
Taxes:				
Property Taxes				1,576,749.05
Wheel Tax				96,912.56
State Shared Revenues				23,706.43
Grants and Contributions not Restricted to Specific Programs				5,209.67
Unrestricted Investment Earnings				7,547.22
Miscellaneous Revenue				48,146.82
Total General Revenues				1,758,271.75
Change in Net Position				571,540.63
Net Position - Beginning				1,825,603.38
NET POSITION - ENDING				\$ 2,397,144.01

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

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

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,341,028.49	\$ 764,433.94	\$ 54,693.93	\$ 2,160,156.36
Investments	400,000.00			400,000.00
TOTAL ASSETS	\$ 1,741,028.49	\$ 764,433.94	\$ 54,693.93	\$ 2,560,156.36
FUND BALANCES: (See Note 1.j.)				
Restricted	\$	\$	\$ 33,691.21	\$ 33,691.21
Assigned	281,610.45	764,433.94	21,002.72	1,067,047.11
Unassigned	1,459,418.04			1,459,418.04
TOTAL FUND BALANCES	\$ 1,741,028.49	\$ 764,433.94	\$ 54,693.93	\$ 2,560,156.36

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

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,624,748.05	\$ 517,649.21		\$ 2,142,397.26
General Property Taxes--Delinquent	3,758.86			3,758.86
Penalties and Interest	4,446.51	1,251.42		5,697.93
Wheel Tax		98,146.08		98,146.08
Licenses and Permits	3,840.00		450.00	4,290.00
Intergovernmental Revenue:				
Federal Grants	3,539.00		40,425.31	43,964.31
Federal Payments in Lieu of Taxes	6,035.82			6,035.82
State Grants		107,013.13		107,013.13
State Shared Revenue:				
Bank Franchise	7,463.35			7,463.35
Motor Vehicle Licenses		632,424.62		632,424.62
Court Appointed Attorney/Public Defender	404.88			404.88
Prorate License Fees		30,676.93		30,676.93
63 3/4% Mobile Home	127.50			127.50
Telecommunications Gross Receipts Tax	14,338.06			14,338.06
Motor Vehicle 1/4%	1,779.02			1,779.02
Motor Fuel Tax		3,202.58		3,202.58
911 Remittances	64.63	59.78	36,318.49	36,442.90
Liquor Tax Reversion (25%)	7,774.16			7,774.16
Other Payments in Lieu of Taxes	268.00			268.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	7,128.00			7,128.00

Register of Deeds' Fees	25,290.95	6,225.96	31,516.91
Legal Services	6,486.98	175.00	6,661.98
Clerk of Courts Fees	1,847.60		1,847.60
Other Fees	202.50		202.50
Public Safety:			
Law Enforcement	123,681.88		123,681.88
Sobriety Testing		1,830.00	1,830.00
Health and Welfare:			
Economic Assistance:			
Veterans Service Officer	1,875.00		1,875.00
Culture and Recreation	7,199.95		7,199.95
Fines and Forfeits:			
Fines	130.00		130.00
Costs	1,983.70	25.00	2,008.70
Miscellaneous Revenue:			
Investment Earnings	5,806.60	309.92	9,075.27
Rent	47,449.84		47,449.84
Contributions and Donations	350.00		350.00
Other	208.70		208.70
Total Revenues	1,908,229.54	85,759.68	3,387,371.72

Expenditures:

General Government:			
Legislative:			
Board of County Commissioners	64,528.47		64,528.47
Elections	20,361.84		20,361.84
Judicial System	12,180.23		12,180.23
Financial Administration:			
Auditor	90,633.70		90,633.70
Treasurer	95,034.13		95,034.13
Legal Services:			
State's Attorney	58,373.83		58,373.83
Other Administration:			
General Government Building	115,116.80		115,116.80
Director of Equalization	86,761.57		86,761.57
Register of Deeds	45,296.90	1,163.50	46,460.40
Veterans Service Officer	12,070.05		12,070.05

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	3,613.66			3,613.66
Public Safety:				
Law Enforcement:				
Sheriff	264,548.07			264,548.07
County Jail	15,330.10		505.98	15,836.08
Coroner	3,095.89			3,095.89
Protective and Emergency Services:				
Emergency and Disaster Services			39,203.36	39,203.36
Communication Center	42,776.96		121,195.47	163,972.43
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		1,870,832.02		1,870,832.02
Health and Welfare:				
Economic Assistance:				
Support of Poor	6,318.55			6,318.55
Health Assistance:				
County Nurse	22,712.78			22,712.78
Ambulance	35,002.64			35,002.64
Social Services:				
Care of Aged	3,000.00			3,000.00
Domestic Abuse	1,700.00		508.50	2,208.50
Mental Health Services:				
Mentally Ill	1,715.25			1,715.25
Developmentally Disabled	15,200.00			15,200.00
Mental Illness Board	1,811.90			1,811.90

Culture and Recreation:				
Culture:				
Historical Museum	123.99			123.99
Memorial Day Expense	450.00			450.00
Recreation:				
Parks	12,460.63			12,460.63
County Fair	18,803.66			18,803.66
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	36,721.08			36,721.08
Soil Conservation Districts	11,000.00			11,000.00
Weed and Pest Control	29,639.98			29,639.98
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	18,349.94			18,349.94
Debt Service	55,567.32			55,567.32
Total Expenditures	<u>1,200,299.92</u>	<u>1,870,832.02</u>	<u>162,576.81</u>	<u>3,233,708.75</u>
Excess of Revenues Over (Under) Expenditures	<u>707,929.62</u>	<u>(477,449.52)</u>	<u>(76,817.13)</u>	<u>153,662.97</u>
Other Financing Sources (Uses):				
Transfers In				
Transfers Out	(523,000.00)	500,000.00	23,000.00	523,000.00
Insurance Proceeds	6,039.70	757.00		(523,000.00)
Sale of County Property	1,624.00	928.68		6,796.70
Total Other Financing Sources (Uses)	<u>(515,336.30)</u>	<u>501,685.68</u>	<u>23,000.00</u>	<u>2,552.68</u>
Net Change in Fund Balance	192,593.32	24,236.16	(53,817.13)	163,012.35
Fund Balance - Beginning	<u>1,548,435.17</u>	<u>740,197.78</u>	<u>108,511.06</u>	<u>2,397,144.01</u>
FUND BALANCE - ENDING	<u>\$ 1,741,028.49</u>	<u>\$ 764,433.94</u>	<u>\$ 54,693.93</u>	<u>\$ 2,560,156.36</u>

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

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes—Current	\$ 1,570,493.76	\$	\$	\$ 1,570,493.76
General Property Taxes—Delinquent	1,747.06			1,747.06
Penalties and Interest	4,508.23			4,508.23
Wheel Tax		96,912.56		96,912.56
Licenses and Permits	2,678.00		515.00	3,193.00
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	5,209.67			5,209.67
State Grants		322,691.21		322,691.21
State Shared Revenue:				
Bank Franchise	8,003.73			8,003.73
Motor Vehicle Licenses		584,429.52		584,429.52
Court Appointed Attorney/Public Defender	428.09			428.09
Prorate License Fees		29,679.95		29,679.95
63 3/4% Mobile Home	1,047.41			1,047.41
Telecommunications Gross Receipts Tax	15,486.60			15,486.60
Motor Vehicle 1/4%	1,658.02			1,658.02
Motor Fuel Tax		3,202.73		3,202.73
911 Remittances			36,412.11	36,412.11
Other Payments in Lieu of Taxes	216.10			216.10
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	3,967.50			3,967.50
Register of Deeds' Fees	28,548.50		6,325.30	34,873.80
Legal Services	9,737.53			9,737.53

Clerk of Courts Fees	3,061.00				3,061.00
Other Fees	332.50				332.50
Public Safety:					
Law Enforcement	129,271.79				129,271.79
Sobriety Testing				1,828.00	1,828.00
Health and Welfare:					
Economic Assistance:					
Veterans Service Officer	1,875.00				1,875.00
Culture and Recreation	7,896.25				7,896.25
Conservation of Natural Resources	6,100.00				6,100.00
Fines and Forfeits:					
Fines	286.00			50.00	336.00
Costs	1,710.30				1,710.30
Miscellaneous Revenue:					
Investment Earnings	5,670.17		1,268.19	608.86	7,547.22
Rent	35,335.11				35,335.11
Contributions and Donations	29,900.00				29,900.00
Refund of Prior Year's Expenditures	1,989.99				1,989.99
Other	1,643.60		11,267.23		12,910.83
Total Revenues	<u>1,878,801.91</u>		<u>1,049,451.39</u>	<u>45,739.27</u>	<u>2,973,992.57</u>

Expenditures:

General Government:					
Legislative:					
Board of County Commissioners	69,184.48				69,184.48
Elections	621.79				621.79
Judicial System	7,158.92				7,158.92
Financial Administration:					
Auditor	92,174.27				92,174.27
Treasurer	93,957.96				93,957.96
Legal Services:					
State's Attorney	52,188.24				52,188.24
Other Administration:					
General Government Building	110,027.24				110,027.24
Director of Equalization	85,256.23				85,256.23
Register of Deeds	45,162.71			2,544.00	47,706.71
Veterans Service Officer	10,834.57				10,834.57

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	3,613.66			3,613.66
Public Safety:				
Law Enforcement:				
Sheriff	257,012.71			257,012.71
County Jail	13,065.00			13,065.00
Coroner	994.75			994.75
Other Law Enforcement			1,622.09	1,622.09
Protective and Emergency Services:				
Emergency and Disaster Services			61,147.79	61,147.79
Communication Center	493.22		32,231.13	32,724.35
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		1,122,336.32		1,122,336.32
Health and Welfare:				
Economic Assistance:				
Support of Poor	7,614.87			7,614.87
Health Assistance:				
County Nurse	20,982.40			20,982.40
Ambulance	134,023.21			134,023.21
Social Services:				
Care of Aged	4,000.00			4,000.00
Domestic Abuse	1,200.00		585.00	1,785.00
Mental Health Services:				
Mentally Ill	803.50			803.50
Developmentally Disabled	15,200.00			15,200.00
Mental Illness Board	777.89			777.89

Culture and Recreation:				
Culture:				
Historical Museum	522.29			522.29
Memorial Day Expense	450.00			450.00
Recreation:				
Parks	4,449.72			4,449.72
County Fair	14,341.63			14,341.63
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	24,192.72			24,192.72
Soil Conservation Districts	11,000.00			11,000.00
Weed and Pest Control	36,001.34			36,001.34
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	12,458.97			12,458.97
Debt Service	55,567.32			55,567.32
Total Expenditures	<u>1,185,331.61</u>	<u>1,122,336.32</u>	<u>98,130.01</u>	<u>2,405,797.94</u>
Excess of Revenues Over (Under) Expenditures	693,470.30	(72,884.93)	(52,390.74)	568,194.63
Other Financing Sources (Uses):				
Transfers In				514,000.00
Transfers Out	(514,000.00)		14,000.00	(514,000.00)
Insurance Proceeds	3,106.00			3,106.00
Sale of County Property	240.00			240.00
Total Other Financing Sources (Uses)	<u>(510,654.00)</u>	<u>500,000.00</u>	<u>14,000.00</u>	<u>3,346.00</u>
Net Change in Fund Balance	182,816.30	427,115.07	(38,390.74)	571,540.63
Fund Balance - Beginning	1,365,618.87	313,082.71	146,901.80	1,825,603.38
FUND BALANCE - ENDING	\$ 1,548,435.17	\$ 740,197.78	\$ 108,511.06	\$ 2,397,144.01

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

DOUGLAS COUNTY
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2016

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 195,326.89
TOTAL ASSETS	<u>\$ 195,326.89</u>
NET POSITION:	
Net Position Held in Agency Capacity	\$ 195,326.89
TOTAL NET POSITION	<u>\$ 195,326.89</u>

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

DOUGLAS COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Douglas 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.

Douglas County organized the Douglas County Housing and Redevelopment Commission solely for abdicating its authority over the non-municipal housing projects within Douglas County to the Armour Housing Commission organized by the Municipality of Armour. Therefore, this component unit's financial activity was not included on the County's annual report. The financial activity of the component unit is to be included on the Municipality of Armour's annual report.

The County participates in a cooperative unit, the Southern Missouri Recycling and Waste Management District. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. 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, 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

Fiduciary Funds:

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

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

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

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

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

Measurement Focus:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

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

Basis of Accounting:

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

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

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

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

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