

**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  
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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**

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

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	
<b>Primary Government:</b>				<b>Primary Governmental Activities</b>
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)
<b>General Revenues:</b>				
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	
<b>Primary Government:</b>				<b>Primary Government Governmental Activities</b>
Governmental Activities:				
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)
<b>Total Primary Government</b>	<b>\$ 2,405,797.94</b>	<b>\$ 239,517.78</b>	<b>\$ 979,549.04</b>	<b>(1,186,731.12)</b>
<b>General Revenues:</b>				
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
<b>Total General Revenues</b>				<b>1,758,271.75</b>
Change in Net Position				571,540.63
Net Position - Beginning				1,825,603.38
<b>NET POSITION - ENDING</b>				<b>\$ 2,397,144.01</b>

\* 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
<b>ASSETS:</b>				
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
<b>TOTAL ASSETS</b>	<b>\$ 1,741,028.49</b>	<b>\$ 764,433.94</b>	<b>\$ 54,693.93</b>	<b>\$ 2,560,156.36</b>
<b>FUND BALANCES: (See Note 1.j.)</b>				
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
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,741,028.49</b>	<b>\$ 764,433.94</b>	<b>\$ 54,693.93</b>	<b>\$ 2,560,156.36</b>

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
<b>Revenues:</b>				
<b>Taxes:</b>				
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
<b>Intergovernmental Revenue:</b>				
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
<b>State Shared Revenue:</b>				
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
<b>Charges for Goods and Services:</b>				
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		5,806.60
Rent	47,449.84	309.92	47,759.76
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)**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
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
<b>Revenues:</b>				
<b>Taxes:</b>				
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				
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	1,878,801.91	1,049,451.39	45,739.27	2,973,992.57

<b>Expenditures:</b>		
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	47,706.71
Veterans Service Officer	10,834.57	10,834.57
		2,544.00

**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

<b>Culture and Recreation:</b>			
<b>Culture:</b>			
Historical Museum	522.29		522.29
Memorial Day Expense	450.00		450.00
<b>Recreation:</b>			
Parks	4,449.72		4,449.72
County Fair	14,341.63		14,341.63
<b>Conservation of Natural Resources:</b>			
<b>Soil Conservation:</b>			
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
<b>Urban and Economic Development:</b>			
<b>Urban Development:</b>			
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>
Excess of Revenues Over (Under) Expenditures	<u>693,470.30</u>	<u>(72,884.93)</u>	<u>568,194.63</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In			514,000.00
Transfers Out	(514,000.00)	500,000.00	14,000.00
Insurance Proceeds	3,106.00		(514,000.00)
Sale of County Property	240.00		3,106.00
Total Other Financing Sources (Uses)	<u>(510,654.00)</u>	<u>500,000.00</u>	<u>240.00</u>
Net Change in Fund Balance	182,816.30	427,115.07	3,346.00
		(38,390.74)	571,540.63
Fund Balance - Beginning	1,365,618.87	313,082.71	1,825,603.38
FUND BALANCE - ENDING	<u>\$ 1,548,435.17</u>	<u>\$ 740,197.78</u>	<u>\$ 2,397,144.01</u>

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

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

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

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the County and the related depreciation are not reported on the financial statements of the County.

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

**Major Special Revenue Fund**

Road and Bridge Fund

**Revenue Source**

Property Taxes and Motor Vehicle Licenses

A schedule of fund balances is provided as follows:

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>				
Restricted For:				
Domestic Abuse	\$	\$	\$ 2,428.32	\$ 2,428.32
Emergency Management Purposes			1,247.30	1,247.30
24/7 Sobriety Purposes			6,981.92	6,981.92
Modernization and Preservation Relief Purposes			23,033.67	23,033.67
Assigned To:				
Applied to Next Year's Budget	241,610.45			241,610.45
Capital Outlay Accumulations	40,000.00	80,000.00		120,000.00
Road and Bridge Purposes		684,433.94		684,433.94
911 Service Purposes			9,204.14	9,204.14
Emergency Management Purposes			11,659.94	11,659.94
Domestic Abuse Purposes			47.76	47.76
24/7 Sobriety Purposes			90.88	90.88
Unassigned	1,459,418.04			1,459,418.04
<b>Total Fund Balances</b>	<b>\$ 1,741,028.49</b>	<b>\$ 764,433.94</b>	<b>\$ 54,693.93</b>	<b>\$ 2,560,156.36</b>

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

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

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

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

As of December 31, 2016, the County did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

**Credit Risk** – State law limits eligible investments for the County, as discussed above. The County does have an investment policy that would further limit its investment choices.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2016 the County's deposits in financial institutions were not exposed to custodial credit.

**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 have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from investments to the fund making the investment.

3. **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.

#### 4. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2016 was as follows:

**Other Purposes:**

Domestic Abuse Purposes	\$ 1,247.30
Emergency Management Purposes	2,428.32
24/7 Sobriety Purposes	6,981.92
Modernization and Preservation Relief Purposes	<u>23,033.67</u>

**Total Restricted Net Position - Other Purposes**      **\$ 33,691.21**

These balances are restricted due to federal grant and statutory requirements.

#### 5. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 500,000.00	\$ 23,000.00	\$ 523,000.00

Interfund transfers for the year ended December 31, 2015 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>		<b><u>Total</u></b>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 500,000.00	\$ 14,000.00	\$ 514,000.00

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County.

#### 6. TAX ABATEMENTS

In 2014, the County created the Douglas County Tax Increment District No. 1 under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural

resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

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

The taxes payable on the taxable property within the Douglas County Tax Increment District No. 1 will be allocated to pay for the cost of improvements within the tax increment district beginning with the 2016 taxes payable in 2017.

## 7. PENSION PLAN

### **Plan Information:**

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

### **Benefits Provided:**

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

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

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

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

### **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the

employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the calendar years ended December 31, 2016, 2015, and 2014, equal to the required contributions each year, were as follows:

Year	Amount
2016	\$ 39,022.84
2015	\$ 35,088.56
2014	\$ 35,179.88

**Pension Liabilities:**

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

Proportionate share of total pension liability	\$ 3,581,043.47
Less proportionate share of net position restricted for pension benefits	<u>3,469,568.66</u>
Proportionate share of net pension liability	<u>\$ 111,474.81</u>

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the County's proportion was .0330012%, which is an increase of .0013871% from its proportion measured as of June 30, 2015.

**Actuarial Assumptions:**

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 623,811.56	\$ 111,474.81	\$ (306,390.83)

**Pension Plan Fiduciary Net Position:**

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

**8. JOINT VENTURES**

The County participates in a joint venture, known as the Southern Missouri Recycling and Waste Management District, formed for the purpose of providing waste management services to its members.

The members of the joint venture and their relative percentage of participation are as follows:

**Municipalities:**

Armour - .6%, Avon - 1.0%, Corsica - .4%, Dante - .1%, Delmont - .2%, Geddes - .2%, Lake Andes - .6%, Pickstown - .1%, Platte - .9%, Ravinia - .1%, Scotland - .7%, Springfield - .6%, Tabor - .7%, Tyndall - 2.4%, Wagner - 1.1%

**Counties:**

Bon Homme - 23.9%, Charles Mix - 32.2%, Douglas - 13.2%, Gregory - 21.0%

The joint venture's governing board is composed of representatives who are city council members or county commissioners. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The County retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from:

Southern Missouri Recycling and Waste Management District  
38053 SD Highway 50  
Lake Andes, SD 57356

At December 31, 2015 and December 31, 2016, financial information for this joint venture was not available.

**9. SIGNIFICANT CONTINGENCIES – LITIGATION**

At December 31, 2016, the County was involved in one lawsuit. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

**10. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2016, the County managed its risks as follows:

**Employee Health Insurance:**

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

**Liability Insurance:**

During the time period of January 1, 2015 through April 30, 2016, the County purchased liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

On May 1, 2016, 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:

General Liability,  
Automobile Liability,  
Law Enforcement Liability,  
Property Coverage, and  
Equipment Breakdown

The agreement with the SDPAA provides that the above coverages will be provided to a \$5,000,000 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, 2016, the County has vested balance in the cumulative reserve fund of \$11,416.68.

The County carries various deductibles for the above coverages.

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

During the year two years ended December 31, 2016, no claims for unemployment benefits were paid. At December 31, 2016, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,640,441.00	\$ 1,640,441.00	\$ 1,624,748.05	\$ (15,692.95)
General Property Taxes--Delinquent	1,000.00	1,000.00	3,758.86	2,758.86
Penalties and Interest	1,000.00	1,000.00	4,446.51	3,446.51
Licenses and Permits	1,250.00	1,250.00	3,840.00	2,590.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	3,539.00	3,539.00
Federal Payments in Lieu of Taxes	0.00	0.00	6,035.82	6,035.82
State Shared Revenue:				
Bank Franchise	8,000.00	8,000.00	7,463.35	(536.65)
Court Appointed Attorney/Public Defender	0.00	0.00	404.88	404.88
63 3/4% Mobile Home	0.00	0.00	127.50	127.50
Telecommunications Gross Receipts Tax	10,000.00	10,000.00	14,338.06	4,338.06
Motor Vehicle 1/4%	1,000.00	1,000.00	1,779.02	779.02
911 Remittances	0.00	0.00	64.63	64.63
Liquor Tax Reversion (25%)	0.00	0.00	7,774.16	7,774.16
Other Payments in Lieu of Taxes	150.00	150.00	268.00	118.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	3,322.00	3,322.00	7,128.00	3,806.00
Register of Deeds' Fees	32,000.00	32,000.00	25,290.95	(6,709.05)
Legal Services	3,500.00	3,500.00	6,486.98	2,986.98
Clerk of Courts Fees	2,000.00	2,000.00	1,847.60	(152.40)
Other Fees	80.00	80.00	202.50	122.50
Public Safety:				
Law Enforcement	118,830.00	118,830.00	123,681.88	4,851.88
Prisoner Care	50.00	50.00	0.00	(50.00)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	500.00	500.00	0.00	(500.00)
Veterans Service Officer	1,875.00	1,875.00	1,875.00	0.00
Culture and Recreation	6,700.00	6,700.00	7,199.95	499.95
Conservation of Natural Resources	5,000.00	5,000.00	0.00	(5,000.00)
Fines and Forfeits:				
Fines	0.00	0.00	130.00	130.00
Costs	300.00	300.00	1,983.70	1,683.70
Miscellaneous Revenue:				
Investment Earnings	3,700.00	3,700.00	5,806.60	2,106.60
Rent	17,899.00	17,899.00	47,449.84	29,550.84
Contributions and Donations	0.00	0.00	350.00	350.00
Other	0.00	0.00	208.70	208.70
Total Revenues	1,858,597.00	1,858,597.00	1,908,229.54	49,632.54
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	67,350.00	67,350.00	64,528.47	2,821.53
Contingency	60,000.00	60,000.00		
Amount Transferred		(15,100.00)		44,900.00
Elections	24,000.00	24,000.00	20,361.84	3,638.16
Judicial System	12,050.00	12,050.00	12,180.23	(130.23)
Financial Administration:				
Auditor	97,950.00	97,950.00	90,633.70	7,316.30
Treasurer	100,700.00	100,700.00	95,034.13	5,665.87
Legal Services:				
State's Attorney	70,175.00	70,175.00	58,373.83	11,801.17
Other Administration:				
General Government Building	192,150.00	192,150.00	115,116.80	77,033.20
Director of Equalization	88,600.00	88,600.00	86,761.57	1,838.43
Register of Deeds	47,500.00	47,500.00	45,296.90	2,203.10
Veterans Service Officer	12,200.00	13,200.00	12,070.05	1,129.95
Predatory Animal	3,614.00	3,614.00	3,613.66	0.34



**SUPPLEMENTARY INFORMATION**  
**DOUGLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**  
**(Continued)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Public Safety:				
Law Enforcement:				
Sheriff	273,000.00	273,000.00	264,548.07	8,451.93
County Jail	32,500.00	32,500.00	15,330.10	17,169.90
Coroner	1,750.00	1,750.00	3,095.89	(1,345.89)
Protective and Emergency Services:				
Communication Center	25,500.00	45,500.00	42,776.96	2,723.04
Health and Welfare:				
Economic Assistance:				
Support of Poor	20,700.00	20,700.00	6,318.55	14,381.45
Health Assistance:				
County Nurse	22,000.00	22,000.00	22,712.78	(712.78)
Ambulance	39,500.00	39,500.00	35,002.64	4,497.36
Social Services:				
Care of Aged	3,000.00	3,000.00	3,000.00	0.00
Domestic Abuse	1,700.00	1,700.00	1,700.00	0.00
Mental Health Services:				
Mentally Ill	6,500.00	6,500.00	1,715.25	4,784.75
Developmentally Disabled	15,200.00	15,200.00	15,200.00	0.00
Mental Health Centers	500.00	500.00	0.00	500.00
Mental Illness Board	2,500.00	2,500.00	1,811.90	688.10
Culture and Recreation:				
Culture:				
Historical Museum	1,650.00	1,650.00	123.99	1,526.01
Memorial Day Expense	450.00	450.00	450.00	0.00
Recreation:				
Parks	11,700.00	12,300.00	12,460.63	(160.63)
County Fair	21,150.00	21,150.00	18,803.66	2,346.34
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	40,260.00	40,260.00	36,721.08	3,538.92
Soil Conservation Districts	11,000.00	11,000.00	11,000.00	0.00
Weed and Pest Control	20,000.00	30,100.00	29,639.98	460.02
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	15,170.00	17,770.00	18,349.94	(579.94)
Debt Service	55,566.00	55,566.00	55,567.32	(1.32)
Total Expenditures	<u>1,397,585.00</u>	<u>1,416,785.00</u>	<u>1,200,299.92</u>	<u>216,485.08</u>
Excess of Revenues Over (Under) Expenditures	<u>461,012.00</u>	<u>441,812.00</u>	<u>707,929.62</u>	<u>266,117.62</u>
Other Financing Sources (Uses):				
Transfers Out	(523,000.00)	(523,000.00)	(523,000.00)	0.00
Insurance Proceeds	1,000.00	1,000.00	6,039.70	5,039.70
Sale of County Property	200.00	200.00	1,624.00	1,424.00
Total Other Financing Sources (Uses)	<u>(521,800.00)</u>	<u>(521,800.00)</u>	<u>(515,336.30)</u>	<u>6,463.70</u>
Net Change in Fund Balance	(60,788.00)	(79,988.00)	192,593.32	272,581.32
Fund Balance - Beginning	<u>1,548,435.17</u>	<u>1,548,435.17</u>	<u>1,548,435.17</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,487,647.17</u>	<u>\$ 1,468,447.17</u>	<u>\$ 1,741,028.49</u>	<u>\$ 272,581.32</u>

**SUPPLEMENTARY INFORMATION  
DOUGLAS COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
ROAD AND BRIDGE FUND  
For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes—Current	\$ 532,880.00	\$ 532,880.00	\$ 517,649.21	\$ (15,230.79)
Penalties and Interest	0.00	0.00	1,251.42	1,251.42
Wheel Tax	100,000.00	100,000.00	98,146.08	(1,853.92)
Intergovernmental Revenue:				
State Grants	0.00	0.00	107,013.13	107,013.13
State Shared Revenue:				
Motor Vehicle Licenses	673,000.00	673,000.00	632,424.62	(40,575.38)
Prorate License Fees	30,000.00	30,000.00	30,676.93	676.93
Motor Fuel Tax	0.00	0.00	3,202.58	3,202.58
911 Remittances	0.00	0.00	59.78	59.78
Miscellaneous Revenue:				
Investment Earnings	450.00	450.00	2,958.75	2,508.75
<b>Total Revenues</b>	<b>1,336,330.00</b>	<b>1,336,330.00</b>	<b>1,393,382.50</b>	<b>57,052.50</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	2,089,350.00	2,284,350.00	1,870,832.02	413,517.98
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(753,020.00)</b>	<b>(948,020.00)</b>	<b>(477,449.52)</b>	<b>470,570.48</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	500,000.00	500,000.00	500,000.00	0.00
Insurance Proceeds	0.00	0.00	757.00	757.00
Sale of County Property	0.00	0.00	928.68	928.68
<b>Total Other Financing Sources (Uses)</b>	<b>500,000.00</b>	<b>500,000.00</b>	<b>501,685.68</b>	<b>1,685.68</b>
<b>Net Change in Fund Balance</b>	<b>(253,020.00)</b>	<b>(448,020.00)</b>	<b>24,236.16</b>	<b>472,256.16</b>
<b>Fund Balance - Beginning</b>	<b>740,197.78</b>	<b>740,197.78</b>	<b>740,197.78</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 487,177.78</b>	<b>\$ 292,177.78</b>	<b>\$ 764,433.94</b>	<b>\$ 472,256.16</b>

**SUPPLEMENTARY INFORMATION**  
**DOUGLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes—Current	\$ 1,577,245.00	\$ 1,577,245.00	\$ 1,570,493.76	\$ (6,751.24)
General Property Taxes—Delinquent	0.00	0.00	1,747.06	1,747.06
Penalties and Interest	0.00	0.00	4,508.23	4,508.23
Licenses and Permits	310.00	310.00	2,678.00	2,368.00
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	0.00	0.00	5,209.67	5,209.67
State Shared Revenue:				
Bank Franchise	9,000.00	9,000.00	8,003.73	(996.27)
Court Appointed Attorney/Public Defender	0.00	0.00	428.09	428.09
63 3/4% Mobile Home	0.00	0.00	1,047.41	1,047.41
Telecommunications Gross Receipts Tax	20,000.00	20,000.00	15,486.60	(4,513.40)
Motor Vehicle 1/4%	1,000.00	1,000.00	1,658.02	658.02
Other Payments in Lieu of Taxes	150.00	150.00	216.10	66.10
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	3,472.00	3,472.00	3,967.50	495.50
Register of Deeds' Fees	32,000.00	32,000.00	28,548.50	(3,451.50)
Legal Services	5,150.00	5,150.00	9,737.53	4,587.53
Clerk of Courts Fees	2,500.00	2,500.00	3,061.00	561.00
Other Fees	130.00	130.00	332.50	202.50
Public Safety:				
Law Enforcement	117,000.00	117,000.00	129,271.79	12,271.79
Prisoner Care	50.00	50.00	0.00	(50.00)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	200.00	200.00	0.00	(200.00)
Veterans Service Officer	1,875.00	1,875.00	1,875.00	0.00
Culture and Recreation	7,700.00	7,700.00	7,896.25	196.25
Conservation of Natural Resources	6,000.00	6,000.00	6,100.00	100.00
Fines and Forfeits:				
Fines	0.00	0.00	286.00	286.00
Costs	200.00	200.00	1,710.30	1,510.30
Miscellaneous Revenue:				
Investment Earnings	3,700.00	3,700.00	5,670.17	1,970.17
Rent	17,364.00	17,364.00	35,335.11	17,971.11
Contributions and Donations	0.00	0.00	29,900.00	29,900.00
Refund of Prior Year's Expenditures	0.00	0.00	1,989.99	1,989.99
Other	0.00	0.00	1,643.60	1,643.60
<b>Total Revenues</b>	<b>1,805,046.00</b>	<b>1,805,046.00</b>	<b>1,878,801.91</b>	<b>73,755.91</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	68,850.00	68,850.00	69,184.48	(334.48)
Contingency	60,000.00	60,000.00		
Amount Transferred		(1,200.00)		58,800.00
Elections	2,000.00	2,000.00	621.79	1,378.21
Judicial System	12,650.00	12,650.00	7,158.92	5,491.08
Financial Administration:				
Auditor	93,500.00	93,500.00	92,174.27	1,325.73
Treasurer	97,660.00	97,660.00	93,957.96	3,702.04
Legal Services:				
State's Attorney	68,150.00	68,150.00	52,188.24	15,961.76
Other Administration:				
General Government Building	141,400.00	141,400.00	110,027.24	31,372.76
Director of Equalization	87,145.00	87,145.00	85,256.23	1,888.77
Register of Deeds	53,860.00	53,860.00	45,162.71	8,697.29
Veterans Service Officer	10,450.00	11,250.00	10,834.57	415.43
Predatory Animal	3,614.00	3,614.00	3,613.66	0.34

**SUPPLEMENTARY INFORMATION  
DOUGLAS COUNTY  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2015  
(Continued)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Public Safety:				
Law Enforcement:				
Sheriff	267,800.00	267,800.00	257,012.71	10,787.29
County Jail	32,500.00	32,500.00	13,065.00	19,435.00
Coroner	1,750.00	1,750.00	994.75	755.25
Protective and Emergency Services:				
Communication Center	25,000.00	25,000.00	493.22	24,506.78
Health and Welfare:				
Economic Assistance:				
Support of Poor	20,400.00	20,400.00	7,614.87	12,785.13
Health Assistance:				
County Nurse	20,625.00	21,025.00	20,982.40	42.60
Ambulance	39,100.00	134,100.00	134,023.21	76.79
Social Services:				
Care of Aged	4,000.00	4,000.00	4,000.00	0.00
Domestic Abuse	1,200.00	1,200.00	1,200.00	0.00
Mental Health Services:				
Mentally Ill	6,500.00	6,500.00	803.50	5,696.50
Developmentally Disabled	15,200.00	15,200.00	15,200.00	0.00
Mental Health Centers	500.00	500.00	0.00	500.00
Mental Illness Board	4,000.00	4,000.00	777.89	3,222.11
Culture and Recreation:				
Culture:				
Historical Museum	1,600.00	1,600.00	522.29	1,077.71
Memorial Day Expense	450.00	450.00	450.00	0.00
Recreation:				
Parks	11,100.00	11,100.00	4,449.72	6,650.28
County Fair	16,850.00	16,850.00	14,341.63	2,508.37
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	34,000.00	34,000.00	24,192.72	9,807.28
Soil Conservation Districts	11,000.00	11,000.00	11,000.00	0.00
Weed and Pest Control	36,200.00	36,200.00	36,001.34	198.66
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	13,560.00	13,560.00	12,458.97	1,101.03
Debt Service	55,569.00	55,569.00	55,567.32	1.68
<b>Total Expenditures</b>	<b>1,318,183.00</b>	<b>1,413,183.00</b>	<b>1,185,331.61</b>	<b>227,851.39</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>486,863.00</b>	<b>391,863.00</b>	<b>693,470.30</b>	<b>301,607.30</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(514,000.00)	(514,000.00)	(514,000.00)	0.00
Insurance Proceeds	0.00	0.00	3,106.00	3,106.00
Sale of County Property	0.00	0.00	240.00	240.00
<b>Total Other Financing Sources (Uses)</b>	<b>(514,000.00)</b>	<b>(514,000.00)</b>	<b>(510,654.00)</b>	<b>3,346.00</b>
<b>Net Change in Fund Balance</b>	<b>(27,137.00)</b>	<b>(122,137.00)</b>	<b>182,818.30</b>	<b>304,953.30</b>
<b>Fund Balance - Beginning</b>	<b>1,365,618.87</b>	<b>1,365,618.87</b>	<b>1,365,618.87</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,338,481.87</b>	<b>\$ 1,243,481.87</b>	<b>\$ 1,548,435.17</b>	<b>\$ 304,953.30</b>

**SUPPLEMENTARY INFORMATION**  
**DOUGLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 90,000.00	\$ 90,000.00	\$ 96,912.56	\$ 6,912.56
Intergovernmental Revenue:				
State Grants	0.00	0.00	322,691.21	322,691.21
State Shared Revenue:				
Motor Vehicle Licenses	430,000.00	430,000.00	584,429.52	154,429.52
Prorate License Fees	11,000.00	11,000.00	29,679.95	18,679.95
Motor Fuel Tax	4,000.00	4,000.00	3,202.73	(797.27)
Charges for Good and Services:				
Public Works:				
Road Maintenance Contract Charges	7,000.00	7,000.00	0.00	(7,000.00)
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	1,268.19	768.19
Other	5,000.00	5,000.00	11,267.23	6,267.23
<b>Total Revenues</b>	<b>547,500.00</b>	<b>547,500.00</b>	<b>1,049,451.39</b>	<b>501,951.39</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	1,189,100.00	1,189,100.00	1,122,336.32	66,763.68
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(641,600.00)</b>	<b>(641,600.00)</b>	<b>(72,884.93)</b>	<b>568,715.07</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	500,000.00	500,000.00	500,000.00	0.00
<b>Net Change in Fund Balance</b>	<b>(141,600.00)</b>	<b>(141,600.00)</b>	<b>427,115.07</b>	<b>568,715.07</b>
<b>Fund Balance - Beginning</b>	<b>313,082.71</b>	<b>313,082.71</b>	<b>313,082.71</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 171,482.71</b>	<b>\$ 171,482.71</b>	<b>\$ 740,197.78</b>	<b>\$ 568,715.07</b>

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

**Note 1.     Budgets and Budgetary Accounting:**

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

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

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

**South Dakota Retirement System**

\*Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.0330012%	0.0316141%	0.0340846%
County's proportionate share of net pension liability (asset)	\$ 111,474.81	\$ (134,084.43)	\$ (245,565.60)
County's covered-employee payroll	\$ 580,247.80	\$ 535,907.22	\$ 562,390.61
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.21%	-25.02%	-43.66%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.10%	107.30%

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

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

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

No significant changes.



**SUPPLEMENTARY INFORMATION**  
**DOUGLAS COUNTY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Two Years Ended December 31, 2016**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2015</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2016</u>
<b>Governmental Long-Term Debt:</b>				
Financing (Capital Acquisition) Leases	\$ 383,530.32	\$	\$ (76,085.56)	\$ 307,444.76

Note 1 - Long-Term Debt:

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

Financing (Capital Acquisition) Leases:

Lease Purchase of a heating/cooling system for the Courthouse; annual payments of principal and 5.04% interest, will be made from the General Fund. These payments started in July 2011 and will continue until June 2023.