

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2020

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2020

Board of Commissioners:

Mark DiSanto
Gary Drewes
Deb Hadcock
Lloyd LaCroix
Ron Rossknecht

Auditor:
Cindy Mohler

Treasurer:
Janet Saylor

State's Attorney:
Mark Vargo

Register of Deeds:
Donna Mayer

Sheriff:
Kevin Thom

PENNINGTON COUNTY
TABLE OF CONTENTS

Page

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
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Prior Audit Findings.....	5
Schedule of Current Audit Findings and Questioned Costs.....	5
Independent Auditor's Report	6
<i>Basic Financial Statements</i>	
<u>Government-wide Financial Statements:</u>	
As of December 31, 2020:	
Statement of Net Position.....	9
For the Year Ended December 31, 2020:	
Statement of Activities.....	11
<u>Fund Financial Statements:</u>	
<u>Governmental Funds</u>	
As of December 31, 2020:	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
For the Year Ended December 31, 2020:	
Statement of Revenues, Expenditures and Changes in Fund Balances.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	17
<u>Proprietary Funds</u>	
As of December 31, 2020:	
Statement of Net Position.....	18
For the Year Ended December 31, 2020:	
Statement of Revenues, Expenses and Changes in Net Position.....	19
Statement of Cash Flows.....	20

Fiduciary Funds

As of December 31, 2020:

Statement of Fiduciary Net Position..... 21

For the Year Ended December 31, 2020:

Statement of Changes in Fiduciary Net Position..... 22

Notes to the Financial Statements..... 23

Required Supplementary Information:

For the Year Ended December 31, 2020:

Budgetary Comparison Schedule--Budgetary Basis--General Fund..... 50
Budgetary Comparison Schedule--Budgetary Basis--Road and Bridge Fund..... 52
Budgetary Comparison Schedule--Budgetary Basis--911 Service Fund..... 53
Budgetary Comparison Schedule--Budgetary Basis--Accumulated Building Fund..... 54
Budgetary Comparison Schedule--Budgetary Basis--MacArthur Grant Fund..... 55

Notes to the Required Supplementary Information – Budgetary Comparison Schedules..... 56

Schedule of Changes in County’s Total OPEB Liability, Related Ratios and Notes..... 58

Schedule of the County Pension Contributions..... 59

Schedule of the County’s Proportionate Share of the Net Pension Liability (Asset)..... 60

Notes to the Required Supplementary Information – Pension Schedules..... 61

Supplementary Information:

Schedule of Expenditures of Federal Awards..... 62



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

RUSSELL A. OLSON
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
Pennington County
Rapid City, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 11, 2021.

Our report includes a reference to other auditors who audited the financial statements of Pennington County Housing and Redevelopment Commission, a discretely presented component unit of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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) as a basis for designing 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Russell A. Olson
Auditor General

October 11, 2021



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

RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

County Commission
Pennington County
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Pennington County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

The County's basic financial statements include the operations of the Pennington County Housing Redevelopment Commission, a discretely presented component unit of the County, which expended \$11,641,424 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2020. Our audit, described above, did not include the operations of the Pennington County Housing and Redevelopment Commission because the Pennington County Housing and Redevelopment Commission engaged other auditors to perform an audit in accordance with Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pennington County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Russell A. Olson
Auditor General

October 11, 2021

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

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

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 - 1. Forest Service Schools and Roads Cluster CFDA # 10.665 and 10.666
 - 2. Corona Virus Relief Fund CFDA # 21.019
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Pennington County did qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.



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

RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pennington County Housing and Redevelopment Commission, which represent 100 percent of the assets, liabilities, net position, expenses, and revenues of the discretely presented component unit of the County. Those statements were audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pennington County Housing and Redevelopment Commission is based solely on the report of the other auditors. 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, based on our audit and the report of other auditor's, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 19 to the financial statements, in 2020, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of January 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Changes in County's Total OPEB Liability, Related Ratios and Notes, the Schedule of the County Pension Contributions, and the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) on pages 50 through 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards,

which as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary 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 11, 2021, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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.



Russell A. Olson
Auditor General

October 11, 2021

PENNINGTON COUNTY
STATEMENT OF NET POSITION
December 31, 2020

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS:		
Cash and Cash Equivalents	\$ 43,833,564.54	\$ 3,091,595.00
Investments	4,548,980.97	8,314,907.00
Accounts Receivable, Net	12,141,235.23	96,592.00
Inventories	1,760,321.53	41,074.00
Other Assets	564,854.00	102,032.00
Restricted Assets:		
Cash and Cash Equivalents		377,677.00
Investments		60,901.00
Net Pension Asset	82,434.00	7,166.00
Capital Assets:		
Land, Improvements and Construction in Progress	12,858,201.63	1,979,446.00
Other Capital Assets, Net of Depreciation	150,160,812.94	9,102,641.00
TOTAL ASSETS	<u><u>\$ 225,950,404.84</u></u>	<u><u>\$ 23,174,031.00</u></u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Related Deferred Outflows	\$ 11,904,906.19	\$ 341,211.00
OPEB Related Deferred Outflows	556,372.31	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 12,461,278.50</u></u>	<u><u>\$ 341,211.00</u></u>
LIABILITIES:		
Accounts Payable	\$ 3,567,894.31	\$ 53,464.00
Other Current Liabilities	2,746,144.42	456,921.00
Unearned Revenue	4,065,563.63	34,637.00
Noncurrent Liabilities:		
Due Within One Year	7,292,295.22	103,884.00
Due in More than One Year	56,260,708.25	2,606,718.00
TOTAL LIABILITIES	<u><u>\$ 73,932,605.83</u></u>	<u><u>\$ 3,255,624.00</u></u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Related Deferred Inflows	\$ 10,863,357.85	\$ 154,259.00
OPEB Related Deferred Inflows	858,565.89	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 11,721,923.74</u></u>	<u><u>\$ 154,259.00</u></u>

PENNINGTON COUNTY
STATEMENT OF NET POSITION
December 31, 2020
(Continued)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 108,926,586.87	\$ 8,654,546.00
Restricted For: (See note 10)		
Road and Bridge Purposes	7,684,722.74	
911 Service Purposes	1,678,564.69	
Capital Project Purposes	184,867.87	
SDRS Pension Purposes	1,123,982.34	194,118.00
Accumulated Building Purposes	531,967.15	
Other Purposes	1,354,284.25	438,380.00
Unrestricted	<u>31,272,177.86</u>	<u>10,818,315.00</u>
TOTAL NET POSITION	<u><u>\$ 152,757,153.77</u></u>	<u><u>\$ 20,105,359.00</u></u>

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

PENNINGTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
Primary Government:						
Governmental Activities:						
General Government	\$ 23,742,732.65	\$ 3,569,688.03	\$ 1,523,951.23	\$	\$ (18,649,093.39)	\$
Public Safety	44,513,564.25	17,922,226.22	18,276,837.53		(8,314,500.50)	
Public Works	10,834,270.45	83,901.25	8,164,334.57		(2,586,034.63)	
Health and Welfare	3,261,852.87	208,685.04	1,378,270.81		(1,674,897.02)	
Culture and Recreation	710,390.32		550,000.00		(160,390.32)	
Conservation of Natural Resources	652,726.31	203,109.94	38,445.00		(411,171.37)	
Urban and Economic Development	853,425.89	249,179.25	255,747.54		(348,499.10)	
*Interest on Long-Term Debt	3,100,427.44				(3,100,427.44)	
Total Primary Government	\$ 87,669,390.18	\$ 22,236,789.73	\$ 30,187,586.68	\$ 0.00	(35,245,013.77)	
Component Unit:						
Pennington County Housing	\$ 13,008,213.00	\$ 2,550,084.00	\$ 9,911,518.00	\$ 1,571,881.00		1,025,270.00
General Revenues:						
Taxes:						
					46,337,937.39	
					38,791.00	
					1,466,838.65	
					2,332,885.05	
					692,577.48	491,119.00
					791,749.15	171,375.00
Total General Revenues					51,660,778.72	662,494.00
Change in Net Position					16,415,764.95	1,687,764.00
Net Position - Beginning					135,517,708.50	18,417,595.00
Adjustments:						
Jail and Highway Construction in Progress (See Note 13)					823,680.32	
Adjusted Net Position - Beginning					136,341,388.82	18,417,595.00
NET POSITION - ENDING					\$ 152,757,153.77	\$ 20,105,359.00

* 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.

**PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

	General Fund	Road and Bridge Fund	911 Service Fund	Accumulated Building Fund	MacArthur Grant Fund	County Building Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and Cash Equivalents	\$ 18,210,042.49	\$ 16,928,387.21	\$ 2,643,143.89	\$ 1,518,104.38	\$ 196,048.45	\$ 211,922.99	\$ 842,064.47	\$ 40,549,713.88
Investments	4,545,514.74			3,466.23				4,548,980.97
Taxes Receivable--Delinquent	164,777.66	32,881.55		24,783.91			10,063.73	232,506.85
Accounts Receivable, Net	200,209.96	10,120.19					4,994.00	215,324.15
Due from Other Government	5,678,759.16	768,241.65	734,696.73	3,818,398.17			291,437.70	11,291,533.41
Inventory of Supplies		1,760,321.53						1,760,321.53
Deposits	564,854.00							564,854.00
TOTAL ASSETS	\$ 29,364,158.01	\$ 19,499,952.13	\$ 3,377,840.62	\$ 5,364,752.69	\$ 196,048.45	\$ 211,922.99	\$ 1,148,559.90	\$ 59,163,234.79
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 2,319,075.30	\$ 658,756.68	\$ 62,180.13	\$ 63,489.38	\$ 12,465.00	\$ 2,055.12	\$ 55,359.19	\$ 3,173,380.80
Contracts Payable - Retained Percentage		16,905.00				25,000.00		41,905.00
Accrued Wages Payable	1,655,817.98	126,976.03	130,124.48		21,545.21		22,628.48	1,957,092.18
Unearned Revenue				3,567,428.97	162,038.24			3,729,467.21
Total Liabilities	3,974,893.28	802,637.71	192,304.61	3,630,918.35	196,048.45	27,055.12	77,987.67	8,901,845.19
Deferred Inflows of Resources:								
Unavailable Revenue--Property Taxes	164,777.66	32,881.55		24,783.91			10,063.73	232,506.85
Fund Balances: (See Note 1.m.)								
Nonspendable	564,854.00	1,760,321.53						2,325,175.53
Restricted	120,978.93	6,047,090.64	1,768,418.66	654,239.68		184,867.87	643,960.83	9,419,556.61
Assigned	5,560,125.00	10,857,020.70	1,417,117.35	1,054,810.75			416,547.67	19,305,621.47
Unassigned	18,978,529.14							18,978,529.14
Total Fund Balances	25,224,487.07	18,664,432.87	3,185,536.01	1,709,050.43	0.00	184,867.87	1,060,508.50	50,028,882.75
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 29,364,158.01	\$ 19,499,952.13	\$ 3,377,840.62	\$ 5,364,752.69	\$ 196,048.45	\$ 211,922.99	\$ 1,148,559.90	\$ 59,163,234.79

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

PENNINGTON COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances - Governmental Funds \$ 50,028,882.75

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 163,019,014.57

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 82,434.00

Pension and OPEB related deferred outflows are components of pension and OPEB liability (asset) and therefore are not reported in the funds. 12,461,278.50

Long-term liabilities, including bonds payable, accrued leave payable, unamortized premiums and OPEB liability are not due and payable in the current period and therefore are not reported in the funds. (63,553,003.47)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. 232,506.85

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. 2,364,111.55

Liabilities such as accrued interest payable are not reported as expenditures in the funds. (156,147.24)

Pension and OPEB related deferred inflows are components of pension and OPEB liability (asset) and therefore are not reported in the funds. (11,721,923.74)

Net Position of Governmental Activities \$ 152,757,153.77

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

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Road and Bridge Fund	911 Service Fund	Accumulated Building Fund	MacArthur Grant Fund	County Building Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes:								
General Property Taxes--Current	\$ 37,294,286.58	\$ 1,849,036.58	\$	\$ 5,935,458.12	\$	\$	\$ 815,814.52	\$ 45,894,595.80
General Property Taxes--Delinquent	76,518.98	10,374.78		12,558.82			3,737.11	103,189.69
Penalties and Interest	60,576.60	4,456.41		9,677.75			1,719.87	76,430.63
Telephone Tax (Outside)	3,121.07							3,121.07
Mobile Home Tax	4,233.07	488.84		674.97			150.96	5,547.84
Wheel Tax		38,791.00						38,791.00
Tax Deed Revenue	2,522.83	610.46		401.51			142.61	3,677.41
Other Taxes	243,459.94			38,747.26			1,246.11	283,453.31
Licenses and Permits	280,300.75	60,944.96					29,490.00	370,735.71
Intergovernmental Revenue:								
Federal Grants	15,069,733.39	77,412.36	2,285,856.90	507,283.92			435,001.28	18,375,287.85
Federal Shared Revenue	889.92	194,019.05					30,254.40	225,163.37
Federal Payments in Lieu of Taxes	1,696,520.68							1,696,520.68
State Grants	291,906.73	21,706.46						313,613.19
State Shared Revenue:								
Bank Franchise	580,687.88							580,687.88
Motor Vehicle Licenses		6,119,163.86						6,119,163.86
State Highway Fund (former 10% game)		32,139.52						32,139.52
Court Appointed Attorney/Public Defender	127,887.96							127,887.96
Prorate License Fees		323,890.25						323,890.25
Abused and Neglected Child Defense	28,356.86							28,356.86
63 3/4% Mobile Home/Manufactured Home		79,692.53						79,692.53
Secondary Road Motor Vehicle Remittances		1,283,939.51						1,283,939.51
Telecommunications Gross Receipts Tax	489,732.59							489,732.59
Motor Vehicle 1/4%	36,322.32							36,322.32
Motor Fuel Tax		32,371.03						32,371.03
911 Remittances			1,287,049.64					1,287,049.64
Liquor Tax Reversion (25%)	396,418.18							396,418.18
Other State Shared Revenue							3,465.28	3,465.28
Other Payments in Lieu of Taxes	24,820.63			3,907.53			169.71	28,897.87
Other Intergovernmental Revenue	63,549.81			840,058.48			277,756.07	1,181,364.36
Charges for Goods and Services:								
General Government:								
Treasurer's Fees	723,836.77							723,836.77
Register of Deeds' Fees	1,635,686.74						75,354.20	1,711,040.94
Legal Services	292,315.07						8,900.00	301,215.07
Clerk of Courts Fees	109,813.00							109,813.00
Other Fees	527,570.26							527,570.26
Public Safety:								
Law Enforcement	1,175,578.44							1,175,578.44
Prisoner Care	10,692,041.32							10,692,041.32
Sobriety Testing							313,576.92	313,576.92
Other	3,266,099.07		2,117,678.11				32,136.07	5,415,913.25
Public Works:								
Road Maintenance Contract Charges		82,972.64						82,972.64

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020
(Continued)

	General Fund	Road and Bridge Fund	911 Service Fund	Accumulated Building Fund	MacArthur Grant Fund	County Building Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Social Services:								
Care of Aged	22,500.00							22,500.00
Domestic Abuse							40,433.17	40,433.17
Mental Health Services:								
Mental Health Centers	100,948.00							100,948.00
Culture and Recreation:								
Culture:								
Public Library							478,147.00	478,147.00
Recreation:								
County Fair							169,362.90	169,362.90
Conservation of Natural Resources:								
Soil Conservation:								
County Extension	77,129.45							77,129.45
Soil Conservation Districts	56,676.60							56,676.60
Weed and Pest Control	360,074.16							360,074.16
Grasshopper and Pest Control	92,889.85						7,600.00	100,489.85
Urban and Economic Development:								
Urban Development:								
Planning and Zoning	560,849.16							560,849.16
Other							250,000.00	250,000.00
Debt Service	82,606.56		169,941.43	30,315,520.68				30,568,068.67
Capital Outlay	1,156,031.90	2,702,102.88		2,320,447.58		2,027,887.07	28,714.00	8,235,183.43
Total Expenditures	<u>60,472,250.59</u>	<u>10,826,224.93</u>	<u>3,952,468.16</u>	<u>33,007,370.38</u>	<u>959,131.14</u>	<u>2,162,079.82</u>	<u>2,465,150.57</u>	<u>113,844,675.59</u>
Excess of Revenues Over (Under) Expenditures	<u>15,714,658.73</u>	<u>(492,683.70)</u>	<u>1,768,418.66</u>	<u>(25,276,743.80)</u>	<u>0.00</u>	<u>(2,160,562.77)</u>	<u>(144,698.06)</u>	<u>(10,591,610.94)</u>
Other Financing Sources (Uses):								
Transfers In	138,982.38		719,477.00	547,000.00		500,000.00	266,825.00	2,172,284.38
Transfers Out	(1,533,302.00)	(120,639.89)		(510,826.21)		(1,517.05)	(5,999.23)	(2,172,284.38)
General Long-Term Debt Issued	345,532.69							345,532.69
Insurance Proceeds	334,457.76	21,779.32						356,237.08
Sale of County Property	92,895.25	481.53		1,053,914.80			2,100.00	1,149,391.58
Total Other Financing Sources (Uses)	<u>(621,433.92)</u>	<u>(98,379.04)</u>	<u>719,477.00</u>	<u>1,090,088.59</u>	<u>0.00</u>	<u>498,482.95</u>	<u>262,925.77</u>	<u>1,851,161.35</u>
Net Change in Fund Balance	15,093,224.81	(591,062.74)	2,487,895.66	(24,186,655.21)	0.00	(1,662,079.82)	118,227.71	(8,740,449.59)
Change in Nonspendables:								
Change in Inventory		699,941.87						699,941.87
Fund Balance - Beginning	<u>10,131,262.26</u>	<u>18,555,553.74</u>	<u>697,640.35</u>	<u>25,895,705.64</u>	<u>0.00</u>	<u>1,846,947.69</u>	<u>942,280.79</u>	<u>58,069,390.47</u>
FUND BALANCE - ENDING	<u>\$ 25,224,487.07</u>	<u>\$ 18,664,432.87</u>	<u>\$ 3,185,536.01</u>	<u>\$ 1,709,050.43</u>	<u>\$ 0.00</u>	<u>\$ 184,867.87</u>	<u>\$ 1,060,508.50</u>	<u>\$ 50,028,882.75</u>

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

PENNINGTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (8,740,449.59)

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. 2,841,483.08
However, in the Statement of Activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital
outlays were more than depreciation expense in the current period.

In the Statement of Activities, gains and losses on disposal of (887,497.90)
capital assets are reported, whereas, in the governmental funds,
the proceeds from the disposal of capital assets are reflected,
regardless of whether a gain or loss is realized.

Repayment of bond principal is an expenditure in the governmental 27,330,279.08
funds, but the repayment reduces long-term liabilities in the
Statement of Net Position.

The fund financial statement governmental fund property tax (32,078.36)
accruals differ from the government-wide statement property
tax accruals in that the fund financial statements require
the amounts to be "available."

Governmental funds reflect inventory changes as Changes in 699,941.87
Reserves to Fund Balance, but the Statement of Activities reflects
the change through expenditures.

Governmental funds do not reflect the change in accrued leave, (470,438.03)
but the Statement of Activities reflects the change in accrued leave
through expenditures.

Governmental funds do not reflect the change in accrued OPEB, (45,361.00)
but the Statement of Activities reflects the change in accrued OPEB
through expenditures.

Lease Proceeds are an other financing source in the Governmental (345,532.69)
Funds, but increases the long-term liabilities in the Statement of
Net Position.

Internal service funds are used by management to charge (233,302.73)
the costs of certain activities, such as insurance to
individual funds. The net revenue of the internal service funds
is reported with governmental activities.

Governmental funds do not reflect the change in accrued 137,362.15
interest, but the Statement of Activities reflects the change
in accrued interest through expenditures.

Changes in the pension related deferred outflows/inflows are direct (3,800,999.96)
components of pension asset and are not reflected in the
governmental funds.

Changes in the OPEB related deferred outflows/inflows are direct (37,640.97)
components of OPEB liability and are not reflected in the
governmental funds.

Change in Net Position of Governmental Activities \$ 16,415,764.95

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

**PENNINGTON COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020**

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 3,283,850.66
Accounts Receivable, Net	65,774.40
TOTAL ASSETS	\$ 3,349,625.06
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 394,513.51
Incurred but Not Reported Claims	591,000.00
TOTAL LIABILITIES	\$ 985,513.51
NET POSITION:	
Unrestricted Net Position	\$ 2,364,111.55
TOTAL NET POSITION	\$ 2,364,111.55

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

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Internal Service Funds
	Health Care Trust
Operating Revenues:	
Charges for Goods and Services	\$ 6,903,664.79
Stop Loss Insurance Claims and Rebates	1,017,925.32
Total Operating Revenues	7,921,590.11
Operating Expenses:	
Health and Dental Premiums	1,727,145.99
Other Current Expense	375,180.54
Claims Paid Gross	6,075,804.74
Total Operating Expenses	8,178,131.27
Operating Income (Loss)	(256,541.16)
Nonoperating Revenues (Expenses):	
Investment Earnings	23,238.43
Change in Net Position	(233,302.73)
Net Position - Beginning	2,597,414.28
NET POSITION - ENDING	\$ 2,364,111.55

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

**PENNINGTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020**

	<u>Internal Service Funds Health Care Trust</u>
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	\$ 6,908,719.76
Stop Loss Insurance Claims and Rebate Receipts	981,145.75
Cash Payments to Administrator	(2,092,729.28)
Claims Paid	<u>(5,986,761.82)</u>
Net Cash Provided (Used) by Operating Activities	(189,625.59)
Cash Flows from Investing Activities:	
Interest Earnings	<u>23,238.43</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(166,387.16)
Cash and Cash Equivalents at Beginning of Year	<u>3,450,237.82</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,283,850.66</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (256,541.16)
Change in Assets and Liabilities:	
Receivables	(31,724.60)
Accounts and Other Payables	<u>98,640.17</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (189,625.59)</u>

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

**PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2020**

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 4,825,142.92
TOTAL ASSETS	<u>\$ 4,825,142.92</u>
LIABILITIES:	
Accounts Payable and Other Payables	\$ 4,958.00
Due to Other Governments	<u>4,032,960.56</u>
TOTAL LIABILITIES	<u>\$ 4,037,918.56</u>
NET POSITION:	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>\$ 787,224.36</u>
TOTAL NET POSITION	<u>\$ 787,224.36</u>

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

PENNINGTON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS:	
Property Tax Collections for Other Governments	\$ 123,430,232.30
State Shared Revenue Collections for Other Governments	4,595,328.00
Other Additions	37,377,115.26
Total Additions	165,402,675.56
DEDUCTIONS:	
Payments of Property Tax to Other Governments	123,430,232.30
Payments of State Shared Revenue to Other Governments	4,595,328.00
Other Deductions	37,535,857.14
Total Deductions	165,561,417.44
Change in Net Position	(158,741.88)
Net Position - Beginning	0.00
Restatement - Implementation of GASB 84 (See Note 2 and 19)	945,966.24
Net Position - Beginning, as Restated	945,966.24
NET POSITION - ENDING	\$ 787,224.36

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

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

The Housing and Redevelopment Commission of Pennington County, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the County Commission's Chairperson with the approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2020 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and the Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1804 West Fulton St, Rapid City, SD 57702.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

Accumulated Building Fund – authorized by SDCL 7-25-1 to account for the accumulation of a special tax levy not to exceed ninety cents per thousand dollars of taxable valuation annually for the acquisition or construction of a courthouse, office, jail building, county extension buildings, grandstands and bleachers, highway maintenance buildings, or public library. This is a major fund.

911 Service Fund – authorized by SDCL 34-45-4 and 12 to account for the collections generated by 911 system charges with expenditures of these funds used for the operations of the system. The County chose to report as a major fund.

MacArthur Grant Fund – a special revenue fund to account for a grant received from the MacArthur Foundation to be used for implementing alternative programs to help reduce jail costs and incarceration time. The County chose to report as a major fund.

The remaining special revenue funds are not considered major funds: Drug Seizure, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Library, County Fair, 24/7 Sobriety, Modernization and Preservation Relief, and Tax Incremental District #4. These funds are reported on the fund financial statements as “Other Governmental Funds.”

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

County Building Expansion Capital Projects Fund – to account for financial resources to be used for the construction of the jail kitchen remodel and other projects outlined in the master plan. The County chose to report as a major fund.

Proprietary Funds:

Internal Service Funds – Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. The particular types of goods or services provided to other funds is for employee health care. Internal service funds are never considered to be major funds. The Health Care Trust Fund is the only internal service fund maintained by the County.

Fiduciary Funds:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 60 days. The revenues which are accrued at December 31, 2020 are federal grants, state shared revenue, and various charges for goods and services.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the doubling-up effect of internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Health Care Trust Fund so that expenses are reported only by the function to which they relate.

e. 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 primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of investment authorized by SDCL 4-5-6.

f. Capital Assets:

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

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

Government-wide Financial Statements:

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

The total December 31, 2020 balance of governmental activities capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost and classified as “Improvements Other than Buildings.”

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of

capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land and Land Rights	All Capitalized	-----NA-----	-----NA-----
Buildings	\$ 50,000	Straight-line	99 years
Improvements Other Than Buildings	\$ 50,000	Straight-line	10-100 years
Machinery and Equipment	\$ 5,000	Straight-line	5-15 years
Infrastructure	\$ 50,000	Straight-line	20-40 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition.

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of certificates of participation, lease liabilities, compensated absences and accrued OPEB liability.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported

as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund essentially has access to the entire amount of its cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

l. Application of Net Position:

It is the County's policy to first use restricted net position, prior to the use of unrestricted net position, except in the Road and Bridge Fund where they will use the proceeds from the sale of capital assets before the restricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the County Commissioners.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as inventory \$1,760,321.53.
- Amount legally or contractually required to be maintained intact such as SDPAA deposit balance of \$564,854.00.

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

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

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

Major Special Revenue Fund

Road and Bridge Fund
 Accumulated Building Fund
 MacArthur Grant Fund

911 Service Fund

Revenue Source

Motor Vehicle Fees and Taxes
 Taxes and Intergovernmental Revenues
 Contributions and Donations and Investment Earnings
 Intergovernmental Revenues and Charges for Good and Services

A schedule of fund balances is provided as follows:

**PENNINGTON COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>911 Service Fund</u>	<u>Accumulated Building Fund</u>	<u>County Building Expansion Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:							
Nonspendable:							
Inventory	\$	\$ 1,760,321.53	\$	\$	\$	\$	\$ 1,760,321.53
South Dakota Public Assurance Alliance	564,854.00						564,854.00
Restricted For:							
Road and Bridge Purposes		5,719,593.33					5,719,593.33
Snow Removal Purposes		327,497.31					327,497.31
Health and Human Services Purposes	120,978.93						120,978.93
Accumulated Building Purposes				650,773.45			650,773.45
Debt Service Purposes				3,466.23			3,466.23
911 Service Purposes			1,768,418.66				1,768,418.66
Capital Project Purposes					184,867.87		184,867.87
Library Purposes						83,312.87	83,312.87
Drug Seizure Purposes						17,894.63	17,894.63
County Fire Purposes						216,037.59	216,037.59
County Fair Purposes						44,745.87	44,745.87
Title III Purposes						30,253.94	30,253.94
Hazardous Materials Purposes						2,015.94	2,015.94
24/7 Sobriety Purposes						115,518.07	115,518.07
Modernization and Preservation Relief Purposes						134,181.92	134,181.92
Assigned To:							
Applied to Next Year's Budget	4,943,162.00						4,943,162.00
Catastrophic Health Care Purposes	23,180.00						23,180.00
Technology Equipment Purposes	160,000.00						160,000.00
Search and Rescue Equipment Purposes	13,783.00						13,783.00
Election Equipment Purposes	175,000.00						175,000.00
Inmate Transport Bus	125,000.00						125,000.00
Auditor Software Purposes	120,000.00						120,000.00
Road and Bridge Purposes		10,580,612.95					10,580,612.95
Drainage Purposes		276,407.75					276,407.75
911 Service Purposes			1,417,117.35				1,417,117.35
Accumulated Building Purposes				1,054,810.75			1,054,810.75
County Fire Purposes						13,259.00	13,259.00
Emergency Management Purposes						403,288.67	403,288.67
Unassigned	18,978,529.14						18,978,529.14
Total Fund Balances	<u>\$ 25,224,487.07</u>	<u>\$ 18,664,432.87</u>	<u>\$ 3,185,536.01</u>	<u>\$ 1,709,050.43</u>	<u>\$ 184,867.87</u>	<u>\$ 1,060,508.50</u>	<u>\$ 50,028,882.75</u>

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. County contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

o. Other Post-Employment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined in accordance with GASB 75. The net OPEB liability is recognized on an accrual basis of accounting.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the County present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard required the County to reclassify previously reported agency funds as custodial funds. The impact to the County resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 19.

3. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, 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.

Fair Value Measurement – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based

on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2020:

- Mutual Funds, Level 1.

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

As of December 31, 2020, the County had the following investments.

Mutual Funds:

First American Government Obligation Fund Class Y	AAAm/Aaa-mf	\$ 3,466.23
---	-------------	-------------

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer. One hundred percent of the County's investments are in First American Government Obligation Fund Class Y.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for the 911 Service Fund, MacArthur Grant Fund, Health Care Trust Fund and interest earned on unspent certificates of participation proceeds in the Accumulated Building and County Building Expansion Capital Projects Fund which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year except for \$3,818,398.17 of receivables for the sublease of the Public Safety Building, Evidence Lab, Energy Plant, and the Parking Ramp in the Accumulated Building Fund.

5. INVENTORY

Inventory in the Road and Bridge Fund consists of expendable supplies held for consumption. Supply inventories are recorded at average cost.

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

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

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

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 4,641,126.99	\$ 667,000.00	\$ (24,100.00)	\$ 5,284,026.99
Construction in Progress	4,729,613.59	3,715,788.83	(871,227.78)	7,574,174.64
Total Capital Assets not being Depreciated	9,370,740.58	4,382,788.83	(895,327.78)	12,858,201.63
Capital Assets being Depreciated:				
Infrastructure (Improvements Other Than Buildings)	94,850,867.97	1,613,475.95	(278,965.96)	96,185,377.96
Buildings	123,371,247.28	1,454,227.78	(1,316,669.00)	123,508,806.06
Machinery and Equipment	26,941,399.16	2,832,711.95	(997,654.00)	28,776,457.11
Total Capital Assets being Depreciated	245,163,514.41	5,900,415.68	(2,593,288.96)	248,470,641.13
TOTAL CAPITAL ASSETS	\$ 254,534,254.99	\$ 10,283,204.51	\$ (3,488,616.74)	\$ 261,328,842.76
Less Accumulated Depreciation for:				
Infrastructure (Improvements Other Than Buildings)	\$ (48,406,720.01)	\$ (2,261,670.73)	\$ 162,287.86	\$ (50,506,102.88)
Buildings	(29,011,906.60)	(1,723,831.26)	625,417.55	(30,110,320.31)
Machinery and Equipment	(16,874,279.31)	(1,761,311.34)	942,185.65	(17,693,405.00)
Total Accumulated Depreciation	(94,292,905.92)	(5,746,813.33)	1,729,891.06	(98,309,828.19)
Total Capital Assets being Depreciated, Net	150,870,608.49	153,602.35	(863,397.90)	150,160,812.94
Governmental Activity Capital Assets, Net	\$ 160,241,349.07	\$ 4,536,391.18	\$ (1,758,725.68)	\$ 163,019,014.57

Depreciation expense was charged to functions as follows:

General Government	\$ 560,809.58
Public Safety	1,723,834.53
Public Works	3,222,748.26
Health and Welfare	154,008.35
Culture and Recreation	62,880.42
Conservation of Natural Resources	19,550.42
Urban and Economic Development	<u>2,981.77</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 5,746,813.33</u>

Construction Work in Progress at December 31, 2020 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2020	Committed	Required Future Financing
Jail Expansion	\$ 7,053,203.35	\$ 6,466,419.17	\$ 586,784.18	\$
Bridge 162-272 Replacement	985,490.00	41,233.18	944,256.82	
Bridge 305-300 Replacement	522,514.00	42,200.38		480,313.62
Bridge 316-316 Replacement	690,110.00	64,042.70	626,067.30	
Bridge 317-318 Replacement	601,120.00	60,449.89		540,670.11
Nemo Curve	157,450.00	6,231.06	151,218.94	
South Rochford Road	11,600,000.00	415,051.33		11,184,948.67
Salt Storage Facility	716,291.00	16,475.00	699,816.00	
Sheridan Lake Road	23,004,168.00	462,071.93	22,542,096.07	
TOTAL	<u>\$ 45,330,346.35</u>	<u>\$ 7,574,174.64</u>	<u>\$ 25,550,239.31</u>	<u>\$ 12,205,932.40</u>

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended March 31, 2020

	Balance 4/1/2019	Additions	Deletions	Balance 3/31/2020
Land	\$ 1,979,446.00	\$	\$	\$ 1,979,446.00
Buildings	36,474,551.00	1,657,609.00		38,132,160.00
Furniture, Equipment and Machinery	3,431,060.00	25,779.00	(50,814.00)	3,406,025.00
Site Improvements	4,192,415.00	5,900.00		4,198,315.00
TOTAL	<u>\$ 46,077,472.00</u>	<u>\$ 1,689,288.00</u>	<u>\$ (50,814.00)</u>	<u>\$ 47,715,946.00</u>

A summary of changes in component unit accumulated depreciation for the year ended March 31, 2020 is as follows:

	Balance 4/1/2019	Additions	Deletions	Balance 3/31/2020
Buildings	\$ 29,334,147.00	\$ 729,132.00	\$	\$ 30,063,279.00
Furniture, Equipment and Machinery	2,805,970.00	170,069.00	(47,316.00)	2,928,723.00
Site Improvements	3,567,991.00	73,866.00		3,641,857.00
TOTAL	<u>\$ 35,708,108.00</u>	<u>\$ 973,067.00</u>	<u>\$ (47,316.00)</u>	<u>\$ 36,633,859.00</u>

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020	Due Within One Year
Primary Government:					
Governmental Activities:					
Certificates of Participation:					
Series 2019 Matures					
12/1/2040	\$ 8,730,000.00	\$	\$	\$ 8,730,000.00	\$ 0.00
2017 Series A Matures					
6/1/2037	23,695,000.00			23,695,000.00	1,080,000.00
Unamortized Premium	1,793,700.24		(99,650.04)	1,694,050.20	99,650.04
2016 Series A Matures					
12/1/2033	8,650,000.00		(560,000.00)	8,090,000.00	570,000.00
2016 Series B Matures					
12/1/2023	3,230,000.00		(780,000.00)	2,450,000.00	800,000.00
2015 Series A Matures					
12/1/2035	8,115,000.00		(420,000.00)	7,695,000.00	430,000.00
2014 Series A Matures					
12/1/2023	1,940,000.00		(475,000.00)	1,465,000.00	475,000.00
2010 Series B (Build America Bonds) Matures 12/1/2037	24,780,000.00		(24,780,000.00)	0.00	0.00
Jail Equipment Lease Matures					
04/29/2023	0.00	345,532.69	(72,155.19)	273,377.50	113,520.36
Motorola Lease Matures					
05/30/2024	768,512.88		(143,473.85)	625,039.03	148,415.09
Total Debt	<u>81,702,213.12</u>	<u>345,532.69</u>	<u>(27,330,279.08)</u>	<u>54,717,466.73</u>	<u>3,716,585.49</u>
Accrued Leave Liability at 12/31/2018	3,607,083.71	3,394,297.87	(2,923,859.84)	4,077,521.74	3,575,709.73
Accrued OPEB Liability at 12/31/2018	<u>4,712,654.00</u>	<u>45,361.00</u>		<u>4,758,015.00</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 90,021,950.83</u>	<u>\$ 3,785,191.56</u>	<u>\$ (30,254,138.92)</u>	<u>\$ 63,553,003.47</u>	<u>\$ 7,292,295.22</u>
Component Unit:					
Bonds Payable:					
Revenue	\$ 2,505,127.00	\$	\$ (77,586.00)	\$ 2,427,541.00	\$ 77,744.00
Accrued Compensated Absences	291,102.00	135,646.00	(143,687.00)	283,061.00	26,140.00
TOTAL COMPONENT UNIT	<u>\$ 2,796,229.00</u>	<u>\$ 135,646.00</u>	<u>\$ (221,273.00)</u>	<u>\$ 2,710,602.00</u>	<u>\$ 103,884.00</u>

Debt payable at December 31, 2020 is comprised of the following:

Series 2019 Certificates of Participation – Interest Rates from 2.00 percent to 3.00 percent – Maturing 12/1/2040 – Payable from Accumulated Building Fund \$ 8,730,000.00

2017 Series A Certificates of Participation – Interest Rates from 3.00 percent to 5.00 percent – Maturing 6/1/2037 – Payable from Accumulated Building Fund \$ 23,695,000.00

2016 Series A Certificates of Participation – Interest Rates from .50 percent to 4.00 percent – Maturing 12/1/2035 – Payable from Accumulated Building Fund \$ 8,090,000.00

2016 Series B Certificates of Participation – Interest Rates from .70 percent to 2.00 percent – Maturing 12/1/2023 – Payable from Accumulated Building Fund \$ 2,450,000.00

2015 Series A Certificates of Participation – Interest Rates from .50 percent to 3.5 percent – Maturing 12/1/2035 – Payable from Accumulated Building Fund \$ 7,695,000.00

2014 Series A Refunding Certificates of Participation – Interest Rates from .55 percent to 2.4 percent – Maturing 12/1/2023 – Payable from Accumulated Building Fund \$ 1,465,000.00

Installment Contracts:

Jail Equipment Lease – 4.806 Percent Interest – Final Maturity 4/29/23 – Payment made from General Fund \$ 273,377.50

Motorola Lease – 3.444 Percent Interest – Final Maturity 5/30/2024 – Payment made from Accumulated Building Fund \$ 625,039.03

Compensated Absences:

Accrued Leave Liability at December 31, 2020 – Payment to be made by the fund that the payroll expenditures are charged to. \$ 4,077,521.74

Accrued OPEB Liability at December 31, 2020 \$ 4,758,015.00

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences, are as follows:

Year Ending Dec. 31,	Certificates of Participation		Installment Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 3,355,000.00	\$ 1,712,707.50	\$ 261,935.45	\$ 31,915.82	\$ 3,616,935.45	\$ 1,744,623.32
2022	3,440,000.00	1,644,612.50	272,480.33	21,370.94	3,712,480.33	1,665,983.44
2023	3,515,000.00	1,567,202.50	199,717.26	11,527.45	3,714,717.26	1,578,729.95
2024	2,270,000.00	1,482,662.50	164,283.49	5,657.94	2,434,283.49	1,488,320.44
2025	2,355,000.00	1,415,612.50			2,355,000.00	1,415,612.50
2025-2030	13,260,000.00	5,577,495.00			13,260,000.00	5,577,495.00
2031-2035	13,305,000.00	2,856,350.00			13,305,000.00	2,856,350.00
2036-2040	10,625,000.00	789,350.00			10,625,000.00	789,350.00
TOTAL	\$ 52,125,000.00	\$ 17,045,992.50	\$ 898,416.53	\$ 70,472.15	\$ 53,023,416.53	\$ 17,116,464.65

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2020, was as follows:

Major Purposes:

Road and Bridge Purposes	\$ 7,684,722.74
911 Service Purposes	1,678,564.69
Capital Project Purposes	184,867.87
SDRS Pension Purposes	1,123,982.34
Accumulated Building Purposes	<u>531,967.15</u>

Other Purposes:

Library Purposes	88,818.90
Drug Seizure Purposes	17,894.63
County Fire Purposes	221,645.56
County Fair Purposes	46,263.28
Title III Purposes	30,490.35
Hazardous Materials Purposes	2,015.94
24/7 Sobriety Purposes	123,674.51
Modernization and Preservation Relief Purposes	134,181.92
Health and Human Services Purposes	120,978.93
Insurance Purposes	564,854.00
Debt Service Purposes	<u>3,466.23</u>

Total Other Purposes	<u>1,354,284.25</u>
----------------------	---------------------

Total Restricted Net Position	<u>\$ 12,558,389.04</u>
--------------------------------------	--------------------------------

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

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020, were as follows:

Transfers From:	Transfers To:					Total
	General Fund	Accumulated Building Fund	County Building Expansion Fund	911 Service Fund	Other Governmental Funds	
Major Funds:						
General Fund	\$	\$ 547,000.00	\$	\$ 719,477.00	\$ 266,825.00	\$ 1,533,302.00
Road and Bridge Fund	120,639.89					120,639.89
Accumulated Building Fund	10,826.21		500,000.00			510,826.21
County Building Expansion Fund	1,517.05					1,517.05
Other Governmental Funds	<u>5,999.23</u>					<u>5,999.23</u>
Total	<u>\$ 138,982.38</u>	<u>\$ 547,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 719,477.00</u>	<u>\$ 266,825.00</u>	<u>\$ 2,172,284.38</u>

The County typically budgets transfers to the 911 Service Fund, Accumulated Building Fund, the Emergency Management Fund, and the County Fire Fund (Other Governmental Funds) to conduct the indispensable functions of the County. The County also transfers funds to the County Building Expansion Fund to provide funding for the capital projects. The County also uses transfers to transfer earnings on deposits from special revenue funds to the General Fund, where it is deemed appropriate.

12. TAX ABATEMENTS

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

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

The Municipality of Box Elder has three (3) active tax increments districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Pennington County during the life of the tax increment district.

The amount of general property taxes levied for these three tax increment districts during the calendar year ended December 31, 2020 was \$1,961,036.69. Based on the percentage of Pennington County's property tax levy in relation to the total levy, the amount of general property taxes not available to Pennington County was approximately \$424,550.32.

The Municipality of Rapid City has twenty (20) active tax increments districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Pennington County during the life of the tax increment district.

The amount of general property taxes levied for these twenty-one tax increment districts during the calendar year ended December 31, 2020 was \$10,577,231.44. Based on the percentage of Pennington County's property tax levy in relation to the total levy, the amount of general property taxes not available to Pennington County was approximately \$2,684,573.52.

13. PRIOR PERIOD ADJUSTMENTS

In the past the County did not record construction in progress on highway infrastructure projects. The County has some large projects in progress and decided these should be reported as Construction in Progress. The costs incurred on these projects in past years were \$783,307.96. The County also discovered some prior costs on the Jail project that were not recorded in the amount of \$40,372.36. These items are disclosed on the Government-Wide Statement of Activities as a prior period adjustment.

14. 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 hybrid 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 general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

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

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

Contributions:

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

ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,539,866.44
2019	\$ 2,449,710.89
2018	\$ 2,341,262.98

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2020 and reported by the County as of December 31, 2020 are as follows:

Proportionate share of total pension liability	\$ 233,333,047.75
Less proportionate share of net position restricted for pension benefits	<u>233,415,481.75</u>
Proportionate share of net pension asset	<u>\$ (82,434.00)</u>

At December 31, 2020, the County reported an asset of \$82,434.00 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the County's proportion was 1.8980976%, which is an increase of .0249385% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the County recognized pension expense (reduction of expense) of \$3,800,999.96. At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 315,355.00	\$ 64,576.62
Changes in assumption	2,655,264.49	10,708,831.01
Net Difference between projected and actual earnings on pension plan investments	7,661,837.41	
Changes in proportion and difference between County contributions and proportionate share of contributions	260.31	89,950.23
County contributions subsequent to the measurement date	<u>1,272,189.00</u>	
TOTAL	<u>\$ 11,904,906.21</u>	<u>\$ 10,863,357.86</u>

\$1,272,189.00 reported as deferred outflow of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year Ended Dec. 31,	
2021	\$ (984,358.33)
2022	(765,886.18)
2023	95,182.08
2024	<u>1,424,421.78</u>
TOTAL	<u>\$ (230,640.65)</u>

Actuarial Assumptions:

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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 asset.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County’s proportionate share of the net pension liability (asset)	\$ 31,978,931.18	\$ (82,434.00)	\$ (26,307,999.24)

Pension Plan Fiduciary Net Position:

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

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - HEALTHCARE PLAN

Plan Administration:

The County administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The County does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

A complete actuarial study was not performed for calendar year 2020. The information for the 2020 plan year was based on 2020 roll forward amounts provided in Appendix A of the 2019 Actuarial Valuation Report. Where applicable, the 2020 actuarial assumptions and valuations shown in the following disclosures are based on 2019 actual information.

Benefits Provided:

Individuals who are employed by the County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the County. Coverage during retirement continues in the group health and dental plans and a life insurance benefit. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership:

As of December 31, 2019, plan membership consisted of the following:

Inactive members currently receiving benefits	28
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>726</u>
Total	754

Investment Policy:

The County's obligation is unfunded at December 31, 2020. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

Total OPEB Liability:

	As of December 31, 2019
Actuarial Present Value of Future Benefits	
Retired – Employees	\$ 883,923
Retired – Spouses/Dependents	507,371
Actives – Employees	3,402,446
Actives – Spouses/Dependents	2,138,290
Total	<u>\$ 6,932,030</u>
Total OPEB Liability	
Retired – Employees	\$ 883,923
Retired – Spouses/Dependents	507,371
Actives – Employees	2,153,506
Actives – Spouses/Dependents	1,167,854
Total	<u>\$ 4,712,654</u>

Actuarial assumptions and other inputs:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% Per Year
Salary increases	3.5% Per Year
Discount rate	2.74% - As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 2.74% as of December 31, 2019.
Healthcare cost trend rates	5% All Years
Measurement period	January 1, 2019 to December 31, 2019
Mortality rates	Based on RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Schedule of Changes in Total OPEB Liability*:

	Calendar Year Ending December 31, 2020
Total OPEB Liability – Beginning of Year	\$ 4,712,654
Service Cost	237,006
Interest	131,198
Changes of Benefit Terms	0
Difference between Expected and Actual Experience	(93,327)
Changes of Assumptions	0
Benefit Payments	(229,516)
Net Change in Total OPEB Liability	<u>45,361</u>
Total OPEB Liability – End of Year	4,758,015
Covered-Employee Payroll	38,790,571
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	12.27%

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*:

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease 4.00%	Current Healthcare Cost Trend Rate 5.00%	1% Increase 6.00%
Total OPEB Liability	\$ 4,270,197	\$ 4,758,015	\$ 5,336,438

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*:

The following presents the total OPEB liability, calculated using the current discount rate of 2.74%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.74%) or 1-percentage point higher (3.74%) than the current rate:

	1% Decrease 1.74%	Current Healthcare Cost Trend Rate 2.74%	1% Increase 3.74%
Total OPEB Liability	\$ 5,213,600	\$ 4,758,015	\$ 4,356,564

OPEB Expense*:

	Calendar Year Ending December 31, 2020
OPEB Expense	
Service Cost	\$ 237,006
Interest on Total OPEB Liability	131,198
Recognition of Deferred (Inflows)/Outflows of Resources	
Economic/Demographic (Gains)/Losses	(117,282)
Assumption Changes	75,923
Total OPEB Expense	\$ 326,845

* - Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the December 31, 2020 measurement date.

Expected Remaining Service Lives:

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

The amortization period for the January 1, 2020 to December 31, 2020 measurement period was determined as follows (using the December 31, 2019 valuation results as an estimate for the measurement period):

As of January 1, 2019	Number of Members	Expected Remaining Service Lives
Active members	726	9.388
Inactive members	28	0.000
		<hr/>
Weighted Average Rounded to Nearest Tenth		9.0

Deferred Inflows and Outflows of Resources:

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 858,566	\$
Changes of assumptions		556,372
		<hr/>
Total	\$ 858,566	\$ 556,372

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Annual Recognition Deferred Inflows</u>	<u>Annual Recognition Deferred Outflows</u>
2021	\$ 117,282	\$ 75,923
2022	\$ 117,282	\$ 75,923
2023	\$ 117,282	\$ 75,923
2024	\$ 117,282	\$ 75,923
2025	\$ 117,282	\$ 75,923
Thereafter	\$ 272,156	\$ 176,757

16. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2020, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

17. SUBSEQUENT EVENTS

On July 20, 2021 the County issued its Certificates of participation Series 2021A in the amount of \$35,325,000.00 to refund the 2015A Certificates of Participation in the amount of \$6,385,000.00, the 2016A Certificates of Participation in the amount of \$6,355,000.00 and the 2017A Refunding Certificates of Participation in the amount of \$18,560,000.00.

18. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the County managed its risks as follows:

Employee Health Insurance:

The County purchases life and dental 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.

The County has established a group health self-insurance fund to pay for medical claims of County employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to \$70,000 and any administrative costs relative to the processing of claims. Medical claims exceeding \$70,000 are covered through private re-insurance carriers. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2020, the County had Net Position in the amount of \$2,364,111.55.

Liability Insurance:

The County purchases liability insurance for risks related to torts; damage to property (buildings and inland marine) from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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 a Members' Annual Operating Contribution, 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, officials liability, law enforcement liability, automobile liability, cyber liability, government crime coverage, automobile and mobile equipment damage.

Effective January 1, 2019, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

As of December 31, 2020, the County's balance available to be refunded per the SDPAA was \$564,854.00, which was an increase of \$1,642.00 from the previous year. The change in the amount available for refund was accounted for as a decrease in the insurance expenditures/expenses.

The agreement with the SDPAA provides that the above coverages will be provided to a \$5,000,000.00 limit for general, law enforcement liability, and automobile liability and \$1,000,000.00 for government crime coverage. 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.

The County carries a \$500 deductible for the automobile comprehensive and collision coverage and for the mobile equipment coverage, \$4,000 deductible for law enforcement liability coverage, \$2,500 deductible for general liability coverage and officials liability (other than employment related claims), and \$5,000 (employment related claims).

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

19. IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of January 1, 2020, the County implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84).

The County restated the net position of the Custodial Funds indicated below to appropriately reflect the January 1, 2020 balances as follows:

	Net Position December 31, 2019 <u>As previously Stated</u>	Restatement Implementation <u>of GASB 84</u>	Net Position January 1, 2020 <u>As Restated</u>
Custodial Funds	\$ 0.00	\$ 945,966.24	\$ 945,966.24

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 37,372,157.00	\$ 37,372,157.00	\$ 37,294,286.58	\$ (77,870.42)
General Property Taxes--Delinquent	100,000.00	100,000.00	76,518.98	(23,481.02)
Penalties and Interest	55,000.00	55,000.00	60,576.60	5,576.60
Telephone Tax (Outside)	3,000.00	3,000.00	3,121.07	121.07
Mobile Home Tax	30,000.00	30,000.00	4,233.07	(25,766.93)
Tax Deed Revenue	0.00	0.00	2,522.83	2,522.83
Other Taxes	50,000.00	50,000.00	243,459.94	193,459.94
Licenses and Permits	262,350.00	262,350.00	280,300.75	17,950.75
Intergovernmental Revenue:				
Federal Grants	899,331.00	2,058,089.50	15,069,733.39	13,011,643.89
Federal Shared Revenue	25,000.00	25,000.00	889.92	(24,110.08)
Federal Payments in Lieu of Taxes	1,700,000.00	1,700,000.00	1,696,520.68	(3,479.32)
State Grants	170,000.00	170,000.00	291,906.73	121,906.73
State Shared Revenue:				
Bank Franchise	450,000.00	450,000.00	580,687.88	130,687.88
Court Appointed Attorney/Public Defender	135,500.00	135,500.00	127,887.96	(7,612.04)
Abused and Neglected Child Defense	20,000.00	20,000.00	28,356.86	8,356.86
Telecommunications Gross Receipts Tax	425,000.00	425,000.00	489,732.59	64,732.59
Motor Vehicle 1/4%	36,000.00	36,000.00	36,322.32	322.32
Liquor Tax Reversion (25%)	300,150.00	300,150.00	396,418.18	96,268.18
Other Payments in Lieu of Taxes	24,000.00	24,000.00	24,820.63	820.63
Other Intergovernmental Revenue	75,000.00	75,000.00	63,549.81	(11,450.19)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	428,700.00	428,700.00	723,836.77	295,136.77
Register of Deeds' Fees	1,110,500.00	1,110,500.00	1,635,686.74	525,186.74
Legal Services	423,400.00	423,400.00	292,315.07	(131,084.93)
Clerk of Courts Fees	120,000.00	120,000.00	109,813.00	(10,187.00)
Other Fees	461,028.00	461,028.00	527,570.26	66,542.26
Public Safety:				
Law Enforcement	1,277,683.00	1,277,683.00	1,175,578.44	(102,104.56)
Prisoner Care	11,241,930.00	11,241,930.00	10,692,041.32	(549,888.68)
Other	3,900,442.00	3,900,442.00	3,266,099.07	(634,342.93)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	200,000.00	200,000.00	203,997.54	3,997.54
Veterans Service Officer	4,687.00	4,687.00	4,687.50	0.50
Mental Health Services	13,200.00	13,200.00	7,740.00	(5,460.00)
Urban and Economic Development	62,300.00	62,300.00	50,150.56	(12,149.44)
Conservation of Natural Resources	125,500.00	145,555.00	143,093.59	(2,461.41)
Other Charges	37,000.00	37,000.00	40,774.89	3,774.89
Fines and Forfeits:				
Fines	4,000.00	4,000.00	2,447.06	(1,552.94)
Costs	45,000.00	45,000.00	27,688.36	(17,311.64)
Miscellaneous Revenue:				
Investment Earnings	125,000.00	125,000.00	162,496.66	37,496.66
Special Assessments	0.00	0.00	3,491.94	3,491.94
Contributions and Donations	75,000.00	301,486.50	330,791.87	29,305.37
Refund of Prior Year's Expenditures	5,000.00	6,906.00	7,089.16	183.16
Other	6,500.00	6,500.00	7,672.75	1,172.75
Total Revenues	61,799,358.00	63,206,564.00	76,186,909.32	12,980,345.32
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	1,116,092.00	1,116,092.00	1,022,227.81	93,864.19
Contingency	165,000.00	165,000.00		
Amount Transferred		0.00		165,000.00
Elections	601,847.00	701,847.00	668,687.62	33,159.38
Judicial System	505,000.00	505,000.00	304,418.18	200,581.82

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Financial Administration:				
Auditor	675,192.00	675,192.00	504,979.86	170,212.14
Treasurer	1,440,728.00	1,440,728.00	1,217,623.91	223,104.09
Legal Services:				
State's Attorney	5,767,433.00	5,767,433.00	5,345,218.91	422,214.09
Public Defender	3,228,582.00	3,228,582.00	3,024,540.94	204,041.06
Court Appointed Attorney	1,300,000.00	1,500,000.00	1,143,096.53	356,903.47
Abused and Neglected Child Defense	500,000.00	550,000.00	495,518.24	54,481.76
Other Administration:				
General Government Building	4,810,320.00	4,810,320.00	4,258,909.54	551,410.46
Director of Equalization	1,751,929.00	1,751,929.00	1,499,300.57	252,628.43
Register of Deeds	539,325.00	539,325.00	483,328.01	55,996.99
Predatory Animal	3,284.00	3,284.00	3,283.65	0.35
Geographic Information System	120,242.00	120,242.00	108,217.80	12,024.20
Information Technology	1,213,549.00	1,213,549.00	991,278.84	222,270.16
Human Resources	351,153.00	351,153.00	294,627.45	56,525.55
Public Safety:				
Law Enforcement:				
Sheriff	11,105,286.00	11,500,528.70	11,359,798.74	140,729.96
County Jail	14,830,187.00	15,190,720.00	14,276,121.17	914,598.83
Juvenile Detention	5,887,398.00	5,887,398.00	5,055,694.35	831,703.65
Other Law Enforcement	4,542,316.00	4,542,316.00	4,055,390.17	486,925.83
Protective and Emergency Services:				
Fire Protection	21,150.00	21,150.00	21,150.00	0.00
Emergency and Disaster Services	202,800.00	206,678.71	123,612.93	83,065.78
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,740,227.00	3,123,295.68	2,745,901.59	377,394.09
Health Assistance:				
Health Services	101,000.00	101,000.00	101,000.00	0.00
Social Services:				
Care of Aged	25,000.00	25,000.00	22,500.00	2,500.00
Mental Health Services:				
Mentally Ill	100,948.00	100,948.00	100,948.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	88,646.00	88,646.00	77,129.45	11,516.55
Soil Conservation Districts	62,974.00	62,974.00	56,676.60	6,297.40
Weed and Pest Control	339,816.00	379,816.00	374,724.16	5,091.84
Grasshopper and Pest Control	88,035.00	93,035.00	92,889.85	145.15
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	758,000.00	758,000.00	560,849.16	197,150.84
Debt Service	11,159.00	82,608.00	82,606.56	1.44
Total Expenditures	<u>63,994,618.00</u>	<u>66,603,790.09</u>	<u>60,472,250.59</u>	<u>6,131,539.50</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,195,260.00)</u>	<u>(3,397,226.09)</u>	<u>15,714,658.73</u>	<u>19,111,884.82</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	138,982.38	138,982.38
Transfers Out	(939,030.00)	(939,030.00)	(1,533,302.00)	(594,272.00)
Proceeds of General Long-Term Debt	0.00	345,533.00	345,532.69	(0.31)
Insurance Proceeds	0.00	258,735.00	334,457.76	75,722.76
Sale of County Property	10,000.00	15,000.00	92,895.25	77,895.25
Total Other Financing Sources (Uses)	<u>(929,030.00)</u>	<u>(319,762.00)</u>	<u>(621,433.92)</u>	<u>(301,671.92)</u>
Net Change in Fund Balance	(3,124,290.00)	(3,716,988.09)	15,093,224.81	18,810,212.90
Fund Balance - Beginning	<u>10,131,262.26</u>	<u>10,131,262.26</u>	<u>10,131,262.26</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 7,006,972.26</u>	<u>\$ 6,414,274.17</u>	<u>\$ 25,224,487.07</u>	<u>\$ 18,810,212.90</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,856,046.00	\$ 1,856,046.00	\$ 1,849,036.58	\$ (7,009.42)
General Property Taxes--Delinquent	8,200.00	8,200.00	10,374.78	2,174.78
Penalties and Interest	3,600.00	3,600.00	4,456.41	856.41
Mobile Home Tax	2,700.00	2,700.00	488.84	(2,211.16)
Wheel Tax	0.00	0.00	38,791.00	38,791.00
Tax Deed Revenue	0.00	0.00	610.46	610.46
Licenses and Permits	62,000.00	62,000.00	60,944.96	(1,055.04)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	77,412.36	77,412.36
Federal Shared Revenue	221,000.00	221,000.00	194,019.05	(26,980.95)
State Grants	0.00	0.00	21,706.46	21,706.46
State Shared Revenue:				
Motor Vehicle Licenses	5,750,000.00	5,750,000.00	6,119,163.86	369,163.86
State Highway Fund (former 10% game)	32,500.00	32,500.00	32,139.52	(360.48)
Prorate License Fees	310,000.00	310,000.00	323,890.25	13,890.25
63 3/4% Mobile Home/Manufactured Home	80,000.00	80,000.00	79,692.53	(307.47)
Secondary Road Motor Vehicle Remittances	1,250,400.00	1,250,400.00	1,283,939.51	33,539.51
Motor Fuel Tax	32,000.00	32,000.00	32,371.03	371.03
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	98,000.00	98,000.00	82,972.64	(15,027.36)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	120,639.89	120,639.89
Other	5,500.00	5,500.00	891.10	(4,608.90)
Total Revenues	9,711,946.00	9,711,946.00	10,333,541.23	621,595.23
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	14,593,551.00	14,593,551.00	10,826,224.93	3,767,326.07
Excess of Revenues Over (Under) Expenditures	(4,881,605.00)	(4,881,605.00)	(492,683.70)	4,388,921.30
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(120,639.89)	(120,639.89)
Insurance Proceeds	3,500.00	3,500.00	21,779.32	18,279.32
Sale of County Property	25,000.00	25,000.00	481.53	(24,518.47)
Total Other Financing Sources (Uses)	28,500.00	28,500.00	(98,379.04)	(126,879.04)
Net Change in Fund Balance	(4,853,105.00)	(4,853,105.00)	(591,062.74)	4,262,042.26
Change in Nonspendables:				
Change in Inventory	0.00	0.00	699,941.87	699,941.87
Fund Balance - Beginning	18,555,553.74	18,555,553.74	18,555,553.74	0.00
FUND BALANCE - ENDING	\$ 13,702,448.74	\$ 13,702,448.74	\$ 18,664,432.87	\$ 4,961,984.13

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
911 SERVICE FUND
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental Revenue:				
Federal Grants	\$ 0.00	\$ 0.00	\$ 2,285,856.90	\$ 2,285,856.90
911 Remittances	1,265,000.00	1,265,000.00	1,287,049.64	22,049.64
Charges for Goods and Services:				
Public Safety:				
Other	2,225,854.00	2,225,854.00	2,117,678.11	(108,175.89)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	18,687.29	18,687.29
Refund of Prior Year's Expenditure	0.00	0.00	217.35	217.35
Other	0.00	0.00	11,397.53	11,397.53
Total Revenues	<u>3,490,854.00</u>	<u>3,490,854.00</u>	<u>5,720,886.82</u>	<u>2,230,032.82</u>
Expenditures:				
Public Safety:				
Protective and Emergency Services:				
Communication Center	4,119,937.00	4,119,937.00	3,782,526.73	337,410.27
Debt Service	169,942.00	169,942.00	169,941.43	0.57
Total Expenditures	<u>4,289,879.00</u>	<u>4,289,879.00</u>	<u>3,952,468.16</u>	<u>337,410.84</u>
Excess of Revenues Over (Under) Expenditures	(799,025.00)	(799,025.00)	1,768,418.66	2,567,443.66
Other Financing Sources (Uses):				
Transfers In	799,025.00	799,025.00	719,477.00	(79,548.00)
Net Change in Fund Balance	0.00	0.00	2,487,895.66	2,487,895.66
Fund Balance - Beginning	697,640.35	697,640.35	697,640.35	0.00
FUND BALANCE - ENDING	<u>\$ 697,640.35</u>	<u>\$ 697,640.35</u>	<u>\$ 3,185,536.01</u>	<u>\$ 2,487,895.66</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ACCUMULATED BUILDING FUND
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,947,809.00	\$ 5,947,809.00	\$ 5,935,458.12	\$ (12,350.88)
General Property Taxes--Delinquent	16,500.00	16,500.00	12,558.82	(3,941.18)
Penalties and Interest	9,000.00	9,000.00	9,677.75	677.75
Mobile Home Tax	4,000.00	4,000.00	674.97	(3,325.03)
Tax Deed Revenue	0.00	0.00	401.51	401.51
Other Taxes	0.00	0.00	38,747.26	38,747.26
Intergovernmental Revenue:				
Federal Grants	512,155.00	512,155.00	507,283.92	(4,871.08)
Other Payments in Lieu of Taxes	3,800.00	3,800.00	3,907.53	107.53
Other Intergovernmental Revenue	290,058.00	840,058.00	840,058.48	0.48
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	381,858.22	381,858.22
Total Revenues	6,783,322.00	7,333,322.00	7,730,626.58	397,304.58
Expenditures:				
General Government:				
Other Administration:				
General Government Building	800,000.00	2,582,000.00	2,152,075.77	429,924.23
Culture and Recreation:				
Recreation:				
County Fair	0.00	555,000.00	539,773.93	15,226.07
Debt Service	5,656,916.00	30,324,766.00	30,315,520.68	9,245.32
Total Expenditures	6,456,916.00	33,461,766.00	33,007,370.38	454,395.62
Excess of Revenues Over (Under) Expenditures	326,406.00	(26,128,444.00)	(25,276,743.80)	851,700.20
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	547,000.00	547,000.00
Transfers Out	0.00	0.00	(510,826.21)	(510,826.21)
Sale of County Property	0.00	1,053,914.80	1,053,914.80	0.00
Total Other Financing Sources (Uses)	0.00	1,053,914.80	1,090,088.59	36,173.79
Net Change in Fund Balance	326,406.00	(25,074,529.20)	(24,186,655.21)	887,873.99
Fund Balance - Beginning	25,895,705.64	25,895,705.64	25,895,705.64	0.00
FUND BALANCE - ENDING	\$ 26,222,111.64	\$ 821,176.44	\$ 1,709,050.43	\$ 887,873.99

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
MACARTHUR GRANT FUND
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	\$ 0.00	\$ 0.00	\$ 1,379.14	\$ 1,379.14
Contributions and Donations	0.00	335,000.00	957,752.00	622,752.00
Total Revenues	<u>0.00</u>	<u>335,000.00</u>	<u>959,131.14</u>	<u>624,131.14</u>
Expenditures:				
General Government:				
Legal Services:				
States Attorney	98,665.00	204,165.00	193,593.47	10,571.53
Public Safety:				
Law Enforcement:				
Sheriff	543,107.00	772,607.00	748,611.71	23,995.29
Health and Welfare:				
Economic Assistance:				
Support of Poor	126,162.00	126,162.00	16,925.96	109,236.04
Total Expenditures	<u>767,934.00</u>	<u>1,102,934.00</u>	<u>959,131.14</u>	<u>143,802.86</u>
Net Change in Fund Balance	(767,934.00)	(767,934.00)	0.00	767,934.00
Fund Balance - Beginning	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ (767,934.00)</u>	<u>\$ (767,934.00)</u>	<u>\$ 0.00</u>	<u>\$ 767,934.00</u>

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

Note 1. Budgets and Budgetary Accounting:

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and

Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's patrol car would be reported as an expenditure of the Public Safety/Law Enforcement function of government, along with all other current Law Enforcement Department related expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF CHANGES IN COUNTY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
DECEMBER 31, 2020**

*Last 10 Years

	2020	2019	2018
Total OPEB Liability			
Changes for the Year:			
Service Cost	\$ 237,006.00	\$ 182,614.00	\$ 164,819.00
Interest	131,198.00	196,465.00	204,891.00
Changes in Benefit Terms	-	-	-
Difference between expected and actual experience	(93,326.82)	(833,273.97)	(170,486.55)
Changes of assumptions or other inputs		565,290.00	156,041.00
Benefit Payments	(229,516.18)	(169,049.03)	(116,428.45)
Net Change in Total OPEB Liability	45,361.00	(57,954.00)	238,836.00
Total OPEB Liability - Beginning	4,712,654.00	4,770,608.00	4,531,772.00
Total OPEB Liability - Ending	<u>\$ 4,758,015.00</u>	<u>\$ 4,712,654.00</u>	<u>\$ 4,770,608.00</u>
Covered Employee Payroll	\$ 38,790,571.00	\$ 37,478,813.00	\$ 34,642,066.00
Total OPEB Liability as a Percentage of Covered Employee Payroll	12.27%	12.57%	13.77%

* This schedule requires the presentation of information of 10 years. Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in Benefits

There no significant changes in benefit terms.

Changes in Assumptions

Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2020 2.74%
Year ended December 31, 2019 2.74%
Year ended December 31, 2018 4.10%
Year ended December 31, 2017 4.50%

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF THE COUNTY PENSION CONTRIBUTIONS**

South Dakota Retirement System

*Last 10 Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,539,866.44	\$ 2,449,710.89	\$ 2,341,262.98	\$ 2,291,254.68	\$ 2,200,484.16	\$ 2,035,313.52	\$ 1,925,154.75
Contributions in relation to the contractually required contribution	<u>2,539,866.44</u>	<u>2,449,710.89</u>	<u>2,341,262.98</u>	<u>2,291,254.68</u>	<u>2,200,484.16</u>	<u>2,035,313.52</u>	<u>1,925,154.75</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
County's covered-employee payroll	\$ 37,941,838.91	\$ 36,543,516.05	\$ 34,811,632.50	\$ 34,135,968.21	\$ 32,820,887.27	\$ 30,419,109.61	\$ 28,757,139.04
Contributions as a percentage of covered-employee payroll	6.69%	6.70%	6.73%	6.71%	6.70%	6.69%	6.69%

* Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System

*Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	1.8980976%	1.8731591%	1.8550660%	1.8551911%	1.8530691%	1.7983698%	1.8368102%
County's proportionate share of net pension liability (asset)	\$ (82,434.00)	\$ (198,503.55)	\$ (43,264.42)	\$ (168,360.50)	\$ 6,259,485.36	\$ (7,627,400.19)	\$ (13,233,466.31)
County's covered-employee payroll	\$ 37,334,082.87	\$ 35,581,882.97	\$ 34,434,966.42	\$ 33,720,017.64	\$ 31,581,178.72	\$ 29,408,793.82	\$ 28,769,460.23
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.22%	0.56%	0.13%	0.50%	19.82%	25.94%	46.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.90%	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.

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

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

**SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2020
Child Nutrition Cluster:				
US Department of Agriculture Pass-Through Programs:				
SD Department of Education,				
Cash Assistance:				
School Breakfast Program (Note 3)	10.553		\$	\$ 23,327.64
COVID-19 School Breakfast Program (Note 3)	10.553			7,702.08
National School Lunch Program (Note 3)	10.555			45,344.62
COVID-19 National School Lunch Program (Note 3)	10.555			14,993.28
Total for Child Nutrition Cluster			0.00	91,367.62
Forest Service Schools and Roads Cluster:				
US Department of Agriculture - Direct Programs:				
Schools and Roads - Grants to Counties (Note 3) (Note 4)	10.666			10,331.64
US Department of Agriculture - Pass-Through Programs:				
SD State Auditor,				
Schools and Roads - Grants to States (Note 3) (Note 4)	10.665		183,687.42	399,974.83
Total for Schools and Roads Cluster			183,687.42	410,306.47
Other Programs:				
US Department of Agriculture - Pass-Through Programs:				
SD Department of Agriculture,				
Cooperative Forestry Assistance	10.664	2020-WPC-005		5,000.00
Total US Department of Agriculture			183,687.42	506,674.09
US Department of Housing and Urban Development - Pass-Through Programs:				
City of Rapid City,				
Community Development Block Grant/Entitlement Grants	14.218			55,150.80
Total US Department of Housing and Urban Development			0.00	55,150.80
US Department of Interior - Direct Programs:				
Bureau of Land Management,				
Payments in Lieu of Taxes (Note 3)	15.226		1,566.32	1,698,087.00
Total US Department of the Interior			1,566.32	1,698,087.00
US Department of Justice - Direct Programs:				
Organized Crime Drug Task Force	16.UNKNOWN			3,873.18
State Criminal Alien Assistance Program	16.606			4,485.00
US Department of Justice - Pass-Through Programs:				
SD Department of Corrections,				
Juvenile Justice and Delinquency Prevention	16.540			544.00
SD Department of Public Safety,				
Crime Victim Assistance	16.575	2020-1441-00027, 2020-1441-00031, 2021-1441-00027, 2021-1441-00028		190,710.63
Violence Against Women Formula Grants	16.588	2020-1441-00031, 2021-1441-00031		88,046.66
SD Attorney General,				
Public Safety Partnership and Community Policing Grants	16.710	2018AMWX0009		72,842.73
City of Rapid City,				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0508		44,381.00
Total US Department of Justice			0.00	404,883.20
Highway Planning and Construction Cluster				
US Department of Transportation - Pass-Through Programs:				
SD Department of Transportation,				
Highway Planning and Construction	20.205	ER6121 15, ER1610 18		13,542.54
Total Highway Planning and Construction Cluster			0.00	13,542.54
Highway Safety Cluster:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety,				
State and Community Highway Safety	20.600	2020-00-52, 2021-00-51		15,234.53
National Priority Safety Programs	20.616	2020-00-50, 2021-00-55		1,459.14
SD Teen Court,				
National Priority Safety Programs	20.616	2019-02-21		2,636.36
Total Highway Safety Cluster			0.00	19,330.03
Total US Department of Transportation			0.00	32,872.57

SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2020
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, COVID-19 Coronavirus Relief Fund (Note 4)	21.019			15,619,119.53
SD Housing Development Authority, COVID-19 Coronavirus Relief Fund (Note 4)	21.019			1,055,593.80
Total US Department of Treasury			0.00	16,674,713.33
US General Services Administration - Pass-Through Programs: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003			1,231.19
Total US General Services Administration			0.00	1,231.19
US Elections Assistance Commission - Pass-Through Programs: SD Secretary of State, Help America Vote Act Requirements Payments	90.401	SD09RP01		66,495.64
COVID-19 2020 HAVA CARES Act Grant	90.404	SD20101CARES		52,204.77
Total US Elections Assistance Commission			0.00	118,700.41
US Department of Health and Human Services - Pass-Through Programs: SD Department of Health, Hospital Preparedness Program (HPP) and Public Emergency Preparedness (PHEP) Aligned Cooperative Agreement	93.074	19SC090180		11,413.11
SD Department of Social Services, MaryLee Allen Promoting Safe and Stable Families Program	93.556	20-0842-202, 21-0842-202		30,357.74
Total US Department of Health and Human Services			0.00	41,770.85
US Executive Office of the President - Pass-Through Programs: SD Attorney General, High Intensity Drug Trafficking Areas Program	95.001	G18MW0004A G20MW0004A		135,263.39
Total US Executive Office of the President			0.00	135,263.39
US Department of Homeland Security - Pass-Through Programs: SD Department of Public Safety - Office of Emergency Management, Disaster Grants-Public Assistance (Presidentially Declared Disasters) Emergency Management Performance Grants	97.036 97.042		PA-08-SD-4463-PW-00044, PA-08-SD-4463-PW-00063, PA-08-SD-4463-PW-00082, PA-08-SD-4463-PW-00073, PA-08-SD-4463-PW-00075 EMD-2020-EP-00001-S01	88,494.15 95,292.25
Homeland Security Grant Program	97.067	2017-SS-00001-S01, HLS- 2019-Penn CO SO-00353, HLS-2019-Penn CO SO- 00480, HLS-2019-Penn CO SO-00481, HLS-2019-Penn CO SO-00465, HLS-2019- Penn CO SO-00490, HLS- 2020-Penn CO SO-00272, HLS-2020-Pennington County Emergen-00306		222,459.35
Total US Department of Homeland Security			0.00	406,245.75
GRAND TOTAL			\$ 0.00	\$ 20,075,592.58

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2020
--	------------------------	--	------------------------------------	---------------------------------------

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Federal Reimbursement

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

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 5: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal

Note 6: Reporting Entity

The amount only includes the federal expenditures of Pennington County, the primary government, and does not include the federal expenditures of Pennington County Housing and Redevelopment Commission, a discretely presented component unit of Pennington County.