

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2011

**PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2011**

**Board of Commissioners:
Ken Davis, Chair
Don Holloway, Vice-Chair
Lyndell Petersen
Ron Buskerud
Nancy Trautman**

**Auditor:
Julie A. Pearson**

**Treasurer:
Janet Saylor**

**State's Attorney:
Glenn Brenner**

**Register of Deeds:
Donna Mayer**

**Sheriff:
Kevin Thom**

PENNINGTON COUNTY
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427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3596
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Pennington County
Rapid City, South Dakota

We have audited 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, 2011 and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated September 4, 2012.

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

Internal Control Over Financial Reporting

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

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

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

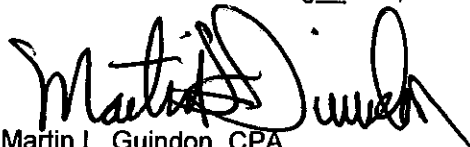
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item No. 2011-01.

Pennington County did not wish to respond to the finding identified in our audit as described in the accompanying Schedule of Current Audit Findings and Questioned Costs.

We also noted certain additional matters that we reported to management of the County in a separate letter dated September 4, 2012.

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



Martin L. Guindon, CPA
Auditor General

September 4, 2012



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Pennington County
Rapid City, South Dakota

Compliance

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

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

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

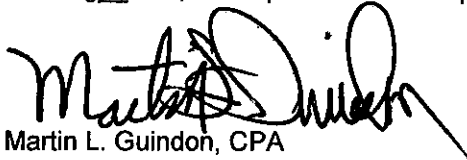
Internal Control Over Compliance

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

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

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

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



Martin L. Guindon, CPA
Auditor General

September 4, 2012

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

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

Federal Awards

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
 - 1. Schools and Roads Cluster
 - 2. Violence Against Women Formula Grants CFDA # 16.588
 - 3. Nonpoint Source Implementation Grants CFDA # 66.460
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- 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:

Compliance and Other Matters:

Deficiencies in the Distribution of Special Highway Fund Collections

Finding No. 2011-01:

Pennington County did not properly distribute Special Highway Fund collections to townships as required by South Dakota Codified Laws (SDCL).

Analysis:

SDCL 32-11-4.1 creates a Special Highway Fund in every County in the State. SDCL 32-11-4.1 states in part:

All funds collected for motor vehicle licenses in each county shall be distributed in the following manner:

...

(2) Fourteen percent shall be retained by the county and placed in a fund to be known as the special highway fund, which shall be used for the construction, reconstruction, and maintenance of roads and bridges in the county as provided by this section and §§ 32-11-5 to 32-11-9, inclusive. If the county in which funds are collected for motor vehicle licenses has completed the construction of the county highway system, the entire amount in the special highway fund shall be used for township roads, and the board of county commissioners may direct the county auditor to pay the collected amount directly to the townships pursuant to §§ 32-11-6 and 32-11-7;

...

The Special Highway Fund includes various collections received by the County which are intended to be apportioned to the various unorganized and organized townships of the County. These collections include State Motor Vehicle License Fees (SDCL 32-11-4.1), State Highway Fund Allocation (SDCL 31-2-14.3), Prorate-Port of Entry Fees (SDCL 32-10-35) and Local Government Highway and Bridge Fund Allocation (SDCL 32-11-35).

SDCL 32-11-6 and 32-11-7 determine the method of allocation for the Special Highway Fund to the various unorganized and organized townships within the County.

SDCL 32-11-6 states:

The amount set aside to the various unorganized and organized civil townships pursuant to §§ 10-47B-149.1 and 32-11-4.1 shall be apportioned among the townships according to the number of miles of maintained township roads within the townships. The county treasurer shall distribute the money to each organized township within the county within thirty days of apportionment. However, an organized township may request in writing that the money remain in the custody of the county treasurer and shall be paid out only on warrants issued by the county auditor in payment of claims for the construction, reconstruction, or maintenance of roads and highways within the township highway system.

SDCL 32-11-7 states:

If any portion of a county is unorganized territory, the amount that would have gone to the unorganized territory under § 32-11-6, shall be retained by the county and expended by the county upon construction, reconstruction, and maintenance of roads and bridges of the unorganized portion of the county.

Pennington County incorrectly used total of all the roads maintained by the County (county highway system roads, county secondary roads, local feeder roads and special use roads) rather than only the total of maintained township roads in the County's unorganized townships in allocating the collections credited to the Special Highway Fund. This resulted in the County retaining \$350,023.23 of the collections that should have been allocated to the various organized townships in the County for calendar year 2011.

RECOMMENDATIONS:

1. We recommend the County properly distribute Special Highway Fund collections to various unorganized and organized townships as required by SDCL 32-11-6 and 32-11-7.

2. We recommend the County consult with legal counsel to determine appropriate corrective action for the incorrect distribution of collections for prior years.

Management's Response:

Management chose not to respond to this finding.



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

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, 2011 and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

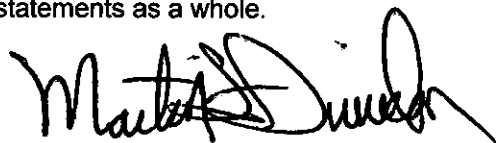
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, and the Schedule of Funding Progress on pages 10 through 20, and 58 through 62 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Martin L. Guindon, CPA
Auditor General

September 4, 2012

**PENNINGTON COUNTY'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR CALENDAR YEAR ENDING DECEMBER 31, 2011**

This section of Pennington County's annual financial report presents our discussion of Pennington County's financial performance during the fiscal year ended December 31, 2011. Please read it in conjunction with Pennington County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Program revenues made up 36% of Pennington County's total revenues with the other 64% derived from general revenues. The amount of total program revenues is up from last year by 1%.
- Program revenues – charges for services varied from last year with General Government comprising 13%, Public Safety at 81% and the remaining 6% distributed between Public Works, Health & Welfare, Conservation of Natural Resources and Urban & Economic Development.
- Program revenue – operating grants for all functions remained consistent with 2010 at 12%. General Government comprise 6.5%, Public Safety 21%, Public Works 67.5%, with Health & Welfare, Conservation of Natural Resource and Urban & Economic Development combined at 5%. This included the second year of a 3 year grant under Conservation and Natural Resources for water conservation and a Title II grant for reimbursement of Mountain Pine Beetle management.
- Pennington County's General Fund annual approved budget decreased from 2010 to 2011 by 6.4%. Public Safety was 59% of the 2011 approved budget; General Government at 30%; Health & Welfare at 6%; Debt Service at 2% with all others totaling 3%.
- Fund Balance in the General Fund increased by \$1,256,715.17, which is 8%.
- Fund Balance in the Road & Bridge Fund increased by \$1,578,854.82 or 15.5%. Inventory balance increased by \$64,215.96. Reserves established over several years in the Road & Bridge Fund are being used for major road renovations and equipment purchases over the next 4 to 5 years.
- Fund Balance in the Pennington County Courthouse Complex Expansion (PCCCE) Capital Projects Fund is \$29,346,509.19 which is a decrease of \$7,891,486.20 or 21%.

This fund is comprised of bond proceeds for building projects as approved by the governing board in a Master Plan document. Current projects include additional levels to the parking ramp with the majority completed in 2011, a new county administration building, and a combined city/county evidence building, a campus energy plant all with major construction to begin in 2012 and last the remodel to the existing courthouse.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Pennington County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Pennington County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Pennington County government, reporting Pennington County's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which Pennington County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information (RSI) that further explains and supports the information in the financial statements.

Table A-1 summarizes the major features of Pennington County's financial statements, including the portion of Pennington County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Table A-1

Major Features of Pennington County's Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County government (except fiduciary funds & component units)	The activities of Pennington County that are not proprietary or fiduciary, such as public safety and roads	The activities Pennington County operates similar to private business	Instances in which Pennington County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Fund Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets
Accounting Basis & Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting & economic resources focus
Type of Asset/Liability Information	All assets & Liabilities, both financial and capital, and short & long-term	Only assets expected to be consumed and liabilities that come due during the year or soon thereafter. No capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term included	All assets & liabilities, both short-term & long-term, the County's funds do not currently contain capital assets although they may
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about Pennington County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of Pennington County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Pennington County's net assets and how they have changed. Net assets – the difference between Pennington County's assets and liabilities – are one way to measure Pennington County's financial health or position.

- Over time, increases or decreases in Pennington County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of Pennington County you need to consider additional nonfinancial factors such as changes in Pennington County's property tax base and the conditions of Pennington County's roads and infrastructure.

The government-wide financial statements of Pennington County are reported in two categories:

- **Governmental Activities** – This category includes Pennington County's basic service, such as general government services, public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resources services, urban and economic development programs and payments to local educational agencies. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.
- **Component Units** – The County includes one other entity in its report, The Pennington County Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the County Commission appoints all board members and retains the statutory authority to approve, deny or otherwise modify the Housing and Redevelopment Commission's plans to construct a low-income housing unit or to issue debt. This gives the County Commission the ability to impose its will on the Housing and Redevelopment Commission. Separately issued financial statement of the Housing and Redevelopment Commission may be obtained from the Housing and Redevelopment Commission, 1805 West Fulton Street, Rapid City, SD 57702-4358.

Fund Financial Statements

The fund financial statements provide more detailed information about Pennington County's most significant funds – not Pennington County as a whole. Funds are accounting devices that Pennington County uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires the majority of the funds.
- Other funds are established, as needed, to control, manage, and reserve money for particular purposes.

Pennington County has three kinds of funds:

- **Governmental Funds** – Most of Pennington County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Pennington County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship or differences between them.
- **Proprietary Funds** – Services for which Pennington County charges participants a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - Pennington County has an internal service fund that report the activities related to providing self-insurance for health coverage to its employees.
- **Fiduciary Funds** – Pennington County is the trustee, or fiduciary, for various external and internal parties. Pennington County is responsible for ensuring that the assets reported in these funds are transmitted to the intended payee. All of Pennington County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from Pennington County's government-wide financial statements because Pennington County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF PENNINGTON COUNTY AS A WHOLE

Net Assets

Pennington County has \$113,935,819.06 invested in Net Assets, which is a combination of restricted and unrestricted assets. This is an increase of \$1,207,261.61 over 2010 balance. Total Assets increased by \$182,475.99 with the largest gain in Construction in Progress related primarily to the near completion of the Parking Ramp addition in 2011. This is the PCCCE project for an addition to the parking ramp, new county administration building, combined evidence building and campus energy plant. Pennington County capitalizes assets at \$5,000 or more. Liabilities decreased by \$1,024,785.62 which is a decrease in non-current liabilities related to the reduction in principal payment on bond payments including the Pennington County bonds issued in 2010 for \$37,915,000 to implement Pennington County's Board of Commission master plan. (See Table A-2)

Pennington County reports no Business-Type Activities but does report separately one component unit-Pennington County Housing and Redevelopment Commission.

Table A-2
Pennington County Government-Wide Governmental Activities

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 66,126,603.33	\$ 68,741,880.57
Capital Assets	110,231,019.97	107,433,266.74
Total Assets	<u>176,357,623.30</u>	<u>176,175,147.31</u>
Other Liabilities	1,359,417.64	1,359,170.35
Long-Term Liabilities Outstanding	<u>61,062,386.60</u>	<u>62,087,419.51</u>
Total Liabilities	62,421,804.24	63,446,589.86
Net Assets:		
Investment in Capital Assets Net of Related Debt	83,283,826.46	86,916,334.66
Restricted	18,841,131.50	14,757,478.18
Unrestricted	<u>11,810,861.10</u>	<u>11,054,744.61</u>
Total Net Assets	113,935,819.06	112,728,557.45
Beginning Net Assets	<u>112,728,557.45</u>	<u>106,513,137.83</u>
Increase (Decrease) in Net Assets	1,207,261.61	6,215,419.62
Percentage of Increase (Decrease) in Net Assets	1.1%	5.8%

This is the report of all activities on the accrual basis of accounting with a comparison between 2010 and 2011. The Statement of Net Assets reports all financial and capital resources. This statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of Pennington County are for leave liability and bond debt. The difference between Pennington County's assets and liabilities is its net assets.

Changes in Net Assets

Pennington County's revenues totaled \$61,248,091.93. (See Table A-3.) Over 59% of Pennington County's total revenue comes from property and other taxes equating to 59 cents of every dollar collected. (See Table A-3.) Another 23.5% of total revenues come from charges for goods and services, showing that Pennington County attempts to recover some of its expenses of specialized services; 12% of the total revenues come from state and federal grants while the remaining 5.5% of revenue is general interest, federal and state shared and miscellaneous in nature. The percentages varied slightly when compared to last year but the most significant change was an increase was federal shared contributions for the Build American Bond and Recovery Zone bond rebates that total almost \$800,000. Interest income was down for the fourth year. The county usually holds a surplus auction each year for the sale vehicles and equipment. The majority of the proceeds from sale of equipment this year were for the Road & Bridge Fund.

The total cost of all programs and services varied this past year with an increase in General Government of 1.9% and Public Safety of .2%. Culture and Recreation was down in 2011 by 27% due to \$100,000 of the Fair budget remaining unspent for improvement projects at the Fairgrounds. The remaining budget will be spent in 2012 when weather allows for completion of these projects.

Pennington County's total budget decreased from 2010 to 2011 by \$160,326 or .25%. Pennington County's 2011 expenses covered a wide range of services and a multifaceted building project to address space needs for general county government plus providing the statutory building needs of the state judicial system. In addition, Pennington County acts as a regional facility center for incarceration and prisoner transport of both adults and juveniles, long

and short term adult detoxification programs and a centralized Communication Center, thus inflating our percentages and dollars spent in the law enforcement area. (See Table A-3)

GOVERNMENTAL ACTIVITIES

Table A-3 and the narrative that follows review the operations of the governmental activities as reported on the County's Statement of Activities.

Total revenues for Pennington County's government activities increased by 4.0% overall with total expenses increasing by 14% creating a 1.1% increase in net assets.

Table A-3
Pennington County Change in Net Assets

	Governmental Activities 2011 Total	Governmental Activities 2010 Total	Percentage Change
Revenues:			
Program Revenues			
Charges for Goods & Services	\$ 14,417,041.33	\$ 14,719,734.27	(2.1%)
Operating Grants & Contributions	7,378,436.37	7,012,346.68	5.2%
General Revenues:			
Taxes	36,000,033.20	35,033,520.68	2.8%
State Shared Revenues	904,654.21	849,983.44	6.4%
Grants & Contributions Unrestricted	1,889,844.10	1,027,281.66	84.0%
Unrestricted Investment Earnings	146,444.70	214,054.32	(31.6%)
Miscellaneous	511,638.02	47,295.89	981.8%
Total Revenues	61,248,091.93	58,904,216.94	4.0%
Expenses:			
General Government	14,143,048.86	13,881,348.41	1.9%
Public Safety	29,355,322.10	29,285,324.01	0.2%
Public Works	8,649,487.63	3,811,992.76	126.9%
Health & Welfare	2,373,533.20	2,391,064.95	(0.7%)
Culture & Recreation	530,133.00	726,286.00	(27.0%)
Conservation of Natural Resources	518,897.49	552,044.58	(6.0%)
Urban & Economic Development	815,807.60	689,449.38	18.3%
Interest on Long-Term Debt	3,654,600.44	1,351,287.23	170.5%
Total Expenses	60,040,830.32	52,688,797.32	14.0%
Increase (Decrease) in Net Assets	1,207,261.61	6,215,419.62	(80.6%)
Beginning Net Assets	112,728,557.45	106,513,137.83	5.8%
Ending Net Assets	\$ 113,935,819.06	\$ 112,728,557.45	1.1%

FINANCIAL ANALYSIS OF PENNINGTON COUNTY'S FUNDS

The financial analysis of Pennington County's funds mirror those highlighted in the analysis of governmental activities presented in Table A-3. The General Fund had an increase of \$1,256,715.17, in large part credited to all Functions and Programs in primary government having significant budget savings in 2011.

The Road & Bridge Fund increased its fund balance in 2011 by \$1,578,854.82, which is a 15.5% increase. Over the past several years, the Road & Bridge fund has accumulated monies for future road projects and major equipment purchases. In 2011 just under \$500,000 was spent on equipment purchases with nearly \$1.5 million on improvement to roads for overlay and upgrading road surface. The Board of Commissioners approves a 5 year construction plan each year prior to the budgeting process and that plan will start using reserved dollars on major road repairs/rebuilds in budget year 2013.

The County's approved Master Plan to remove county functions from existing structures being taken over by the State Court system and the 2010 bonding for these projects established the PCCCE capital projects fund. This approximately \$37 million dollar project began in 2011 with the addition to the parking ramp which will be completed in early 2012, and at the same time in 2012 construction will follow first for the City/County evidence building, next an energy plant and a new county administration building to be completed by the middle of 2014.

Pennington County did make the following operating transfers between the governmental funds:

Table A-4
Pennington County Transfers

<u>Transfers From Fund</u>	<u>General Fund</u>	<u>County Road & Bridge Fund</u>	<u>Accumulated Building Fund</u>	<u>Total Other Governmental Funds</u>	<u>Grand Total</u>
General Fund		\$ 2,080,914.00		\$ 587,074.00	\$ 2,667,988.00
County Road & Bridge Fund	44,642.78				44,642.78
Courthouse Complex Expansion Capital Projects Fund			2,718,397.04		2,718,397.04
Other Governmental Funds	8,867.00				8,867.00
Totals	\$ 53,509.78	\$ 2,080,914.00	\$ 2,718,397.04	\$ 587,074.00	\$ 5,439,894.82

BUDGETARY HIGHLIGHTS

Over the course of the year, the Pennington County Commission revised the budget several times. These amendments fall into the following categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for its' citizens.
- Increases in appropriations, supported by contingency transfers and supplements, to prevent budget overruns.

When preparing its budget, Pennington County is conservative in estimating revenues causing a number of supplements from unknown revenues or unverified grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2011 Pennington County had an invested net of depreciation totaling \$110,231,019.97 in a broad range of capital assets, including land and improvements, buildings, law enforcement equipment, highway maintenance equipment and other business equipment as well as infrastructure including the county road & bridges system. (See Table A-5.)

Table A-5
Pennington County Capital Assets

	Total Governmental Activities 2011	Total Governmental Activities 2010	Total Dollar Change	Total Percentage Change
Land	\$ 3,218,648.00	\$ 3,218,648.00	\$ -	0.0%
Construction in Progress	5,247,498.00	159,523.00	5,087,975.00	3189.5%
Infrastructure	40,351,840.97	40,461,815.74	(109,974.77)	(0.3%)
Buildings	49,620,518.00	50,597,251.00	(976,733.00)	(1.9%)
Machinery & Equipment	11,792,515.00	12,996,029.00	(1,203,514.00)	(9.3%)
Total Capital Assets	\$ 110,231,019.97	\$ 107,433,266.74	\$ 2,797,753.23	2.6%

LONG-TERM DEBT

Pennington County currently has \$61,062,386.60 in outstanding bonds, lease purchases and other long-term liabilities with \$3,504,974.64 of that due within one year. The 2003A Bonds for the Pennington County Jail were refinanced in 2011 for a net cost saving of \$203,521.00. The 2010 bond issue to fund current building needs for Pennington County is comprised of original issue amounts of \$2,550,000 in Certificates of Participation (COP), \$27,435,000 in Build America Bonds (BAB), and \$7,930,000 in Recovery Zone (RZ) bonds. The BAB and RZ bonds were both issued with federal interest rebates. The BAB interest rebate over 27 year period is \$10,780,869 and the RZ interest rebate over 30 year period is \$7,399,757.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pennington County decreased its factored total real property valuation from 2010 to 2011 tax year by .23% or \$15,122,517 over last year due to the falling real estate market. Under the current taxing statutes, Pennington County can only increase its' dollar amount of levied taxes by a combined percent of new construction values and a specific CPI that is capped at 3%. For 2010 taxes payable in 2011, Pennington County Consolidated (County General, County Fair and Accumulated Building Funds) decreased its taxes levied by \$73,238.33 or a .23% decrease. This real property increased by 2.36% attributed to new construction. Last year's new construction totaled 1.46%, thus a .90% increase. The tax levies from 2010 to 2011 remained the same for all the funds.

CONTACTING PENNINGTON COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Pennington County's finances and to demonstrate Pennington County's accountability for the money it receives. If you have questions about this report or need additional information, contact Julie A. Pearson, Pennington County Auditor, 315 St. Joseph St, Rapid City, SD 57701.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
December 31, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
ASSETS:		
Cash and Cash Equivalents	\$ 29,389,166.11	\$ 1,881,948.00
Investments	31,707,466.77	95,217.00
Accounts Receivable, Net	3,310,359.46	159,283.00
Inventories	1,197,916.63	33,054.00
Other Assets	521,482.22	77,819.00
Restricted Assets:		
Cash and Cash Equivalents	212.14	192,831.00
Investments		7,150,917.00
Capital Assets:		
Land, Improvements and Construction in Progress	8,466,146.00	1,979,446.00
Other Capital Assets, Net of Depreciation	101,764,873.97	11,743,166.00
TOTAL ASSETS	<u>\$ 176,357,623.30</u>	<u>\$ 23,313,681.00</u>
LIABILITIES:		
Accounts Payable	\$ 1,119,048.12	\$ 170,889.00
Deferred Revenue	240,369.52	24,633.00
Other Current Liabilities		146,342.00
Noncurrent Liabilities:		
Due Within One Year	3,504,974.64	107,521.00
Due in More than One Year	57,557,411.96	3,621,053.00
TOTAL LIABILITIES	<u>62,421,804.24</u>	<u>4,070,438.00</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	83,283,826.46	10,220,969.00
Restricted For:		
Road and Bridge Purposes	11,474,891.07	
Accumulated Building Purposes	4,362,507.43	
Other Purposes	3,003,733.00	925,758.00
Unrestricted	11,810,861.10	8,096,516.00
TOTAL NET ASSETS	<u>113,935,819.06</u>	<u>19,243,243.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 176,357,623.30</u>	<u>\$ 23,313,681.00</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Primary Government:						
Governmental Activities:						
General Government	\$ 14,143,048.86	\$ 1,822,997.86	\$ 492,649.77	\$	\$ (11,827,401.23)	\$
Public Safety	29,355,322.10	11,585,622.29	1,566,652.28		(16,203,047.53)	
Public Works	8,649,487.63	202,190.37	4,968,858.95		(3,478,438.31)	
Health and Welfare	2,373,533.20	525,163.58	49,748.96		(1,798,620.66)	
Culture and Recreation	530,133.00				(530,133.00)	
Conservation of Natural Resources	518,897.49	164,861.79	32,576.65		(321,459.05)	
Urban and Economic Development	815,807.60	116,205.44	267,949.76		(431,652.40)	
*Interest on Long-Term Debt	3,654,600.44				(3,654,600.44)	
Total Primary Government	\$ 60,040,830.32	\$ 14,417,041.33	\$ 7,378,436.37	\$ 0.00	(38,245,352.62)	
Component Units:						
Pennington County Housing	\$ 11,170,275.00	\$ 1,751,797.00	\$ 8,513,042.00	\$ 854,479.00		(50,957.00)
General Revenues:						
Taxes:						
Property Taxes						
911 Telephone Surcharge						
State Shared Revenues						
Grants and Contributions not Restricted to Specific Programs						
Unrestricted Investment Earnings						
Miscellaneous Revenue						
Total General Revenues						
Change in Net Assets						
Net Assets - Beginning						
NET ASSETS - ENDING						
					\$ 113,935,819.06	\$ 19,243,243.00

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

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

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 9,883,575.48	\$ 9,957,137.49	\$ 4,314,542.20	\$ 2,701,358.60	\$ 2,368,069.95	\$ 29,224,683.72
Investments	4,590,551.52			27,116,915.25		31,707,466.77
Taxes Receivable—Delinquent	543,491.09	62,437.80	56,903.09		32,863.43	695,695.41
Accounts Receivable, Net	48,261.26	6,797.81			209,388.14	264,447.21
Due from Other Government	1,313,826.65	722,200.16	26,733.00		183,752.25	2,246,512.06
Inventory of Supplies		1,197,916.63				1,197,916.63
Deposits	521,482.22					521,482.22
Restricted Cash and Cash Equivalents			212.14			212.14
TOTAL ASSETS	\$ 16,901,188.22	\$ 11,946,489.89	\$ 4,398,390.43	\$ 29,818,273.85	\$ 2,794,073.77	\$ 65,858,416.16
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 438,938.21	\$ 49,975.11	\$ 9,150.00	\$ 471,764.66	\$ 29,220.14	\$ 999,048.12
Deferred Revenue	757,127.59	62,437.80	83,636.09		32,863.45	936,064.93
Total Liabilities	1,196,065.80	112,412.91	92,786.09	471,764.66	62,083.59	1,935,113.05
Fund Balances:						
Nonspendable	521,482.22	1,197,916.63				1,719,398.85
Restricted		5,693,724.71	4,305,604.34	29,346,509.19	1,894,916.18	41,240,754.42
Assigned	6,133,297.11	4,942,435.64			837,074.00	11,912,806.75
Unassigned	9,050,343.09					9,050,343.09
Total Fund Balances	15,705,122.42	11,834,076.98	4,305,604.34	29,346,509.19	2,731,990.18	63,923,303.11
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,901,188.22	\$ 11,946,489.89	\$ 4,398,390.43	\$ 29,818,273.85	\$ 2,794,073.77	\$ 65,858,416.16

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 Assets
December 31, 2011

Total Fund Balances - Governmental Funds	\$ 63,923,303.11
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	110,231,019.97
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	(61,062,386.60)
Assets, such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	695,695.41
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 assets.	148,187.17
Net Assets - Governmental Activities	\$ 113,935,819.06

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

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

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
General Property Taxes--Current	\$ 27,562,398.78	\$ 1,543,360.55	\$ 3,496,566.12		\$ 1,206,860.97	\$ 33,809,186.42
General Property Taxes--Delinquent	337,096.44	32,329.28	28,548.81		18,687.88	416,662.41
Penalties and Interest	83,974.69	7,199.35	8,756.30		4,495.25	104,425.59
Telephone Tax (Outside)	4,255.04					4,255.04
Mobile Home Tax	61,277.08	7,083.06	8,020.74		3,442.35	79,823.23
911 Telephone Surcharge					959,020.13	959,020.13
Tax Deed Revenue	11,127.82	1,126.43	1,411.68		535.38	14,201.31
Other Taxes	687,033.47					687,033.47
Licenses and Permits	254,029.42	1,542.61			30,360.00	285,932.03
Intergovernmental Revenue:						
Federal Grants	1,083,581.58		790,019.79	10,403.50	891,195.89	2,775,200.76
Federal Shared Revenue	29,076.65	281,144.97			45,187.22	355,408.84
Federal Payments in Lieu of Taxes	1,087,401.00					1,087,401.00
State Grants	3,500.00					3,500.00
State Shared Revenue:						
Bank Franchise	287,220.07					287,220.07
Motor Vehicle Licenses		3,402,632.66				3,402,632.66
Liquor Tax Reversion	805.95					805.95
Court Appointed Attorney/Public Defender	140,600.32					140,600.32
Prorate/Port of Entry Fees		325,936.34				325,936.34
63 3/4% Mobile Home/Manufactured Home		44,811.09				44,811.09
Secondary Road Motor Vehicle Remittances		914,333.89				914,333.89
Telecommunications Gross Receipts Tax	616,628.19					616,628.19
Motor Vehicle 1/4%	17,846.70					17,846.70
Other State Shared Revenue					14,517.89	14,517.89
Other Payments in Lieu of Taxes	10,858.53		1,377.52		187.26	12,423.31
Other Intergovernmental Revenue	195,915.25		12,628.55		68,597.56	277,141.36
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	207,218.33					207,218.33
Register of Deeds' Fees	769,048.54					769,048.54
Legal Services	122,890.82					122,890.82
Clerk of Courts Fees	156,620.00					156,620.00
Other Fees	406,491.93				11,675.00	418,166.93
Public Safety:						
Law Enforcement	736,942.65					736,942.65
Prisoner Care	5,966,115.27					5,966,115.27
Sobriety Testing					316,670.90	316,670.90
Other	3,258,845.00				1,129,125.72	4,387,970.72
Public Works:						
Road Maintenance Contract Charges		200,159.48				200,159.48

Health and Welfare:							
Economic Assistance:							
Poor Lien Recoveries	426,283.85						426,283.85
Veterans Service Officer	4,687.50						4,687.50
Mental Health Services	70,507.23						70,507.23
Conservation of Natural Resources	96,394.67						96,394.67
Other Charges	58,276.68						58,276.68
Fines and Forfeits:							
Fines	1,200.00				350.00		1,550.00
Costs	32,949.06						32,949.06
Forfeits	800.00						800.00
Miscellaneous Revenue:							
Investment Earnings	64,874.66	44,642.78	23,859.01	2,411.99	10,656.26		146,444.70
Rent	800.00						800.00
Special Assessments	4,489.14						4,489.14
Contributions and Donations	47,649.69				100.00		47,749.69
Refund of Prior Year's Expenditures	15,703.91				4,340.00		20,043.91
Other	38,521.64	488.28			6,799.87		45,809.79
Total Revenues	44,961,937.55	6,806,790.77	4,371,188.52	12,815.49	4,722,805.53		60,875,537.86
Expenditures:							
General Government:							
Legislative:							
Board of County Commissioners	809,182.03						809,182.03
Elections	300,588.50						300,588.50
Judicial System	341,976.61						341,976.61
Financial Administration:							
Auditor	351,299.95						351,299.95
Treasurer	799,605.38						799,605.38
Data Processing	614,244.12						614,244.12
Legal Services:							
State's Attorney	2,150,950.22						2,150,950.22
Public Defender	1,644,913.24						1,644,913.24
Court Appointed Attorney	277,769.05						277,769.05
Abused and Neglected Child Defense	156,998.12						156,998.12
Other	539,890.30						539,890.30
Other Administration:							
General Government Building	3,135,178.78				97,929.68		3,233,108.46
Director of Equalization	1,085,089.39		712,132.20				1,797,221.59
Register of Deeds	440,764.27						440,764.27
Predatory Animal	3,338.84						3,338.84
Other	100,000.00						100,000.00
Public Safety:							
Law Enforcement:							
Sheriff	6,423,179.90				67,869.13		6,491,049.03
County Jail	8,357,725.32						8,357,725.32
Coroner	104,906.75						104,906.75
County-Wide Law Enforcement	835,192.33						835,192.33
Juvenile Detention	4,635,675.25						4,635,675.25
Other Law Enforcement	3,111,828.24						3,433,025.57
Protective and Emergency Services:							
Fire Protection					200,592.53		200,592.53
Emergency and Disaster Services	68,357.86				892,370.02		960,727.88
Flood Control	35,000.00						35,000.00
Communication Center					2,576,142.89		2,576,142.89

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

	General Fund	Road and Bridge Fund	Accumulated Building Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		5,622,355.10				5,622,355.10
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,277,296.16					1,277,296.16
Health Assistance:						
Health Services	173,465.00					173,465.00
Social Services:						
Care of Aged	14,446.00					14,446.00
Domestic Abuse					42,385.00	42,385.00
Mental Health Services:						
Mentally Ill	814,784.12					814,784.12
Culture and Recreation:						
Culture:						
Public Library					414,498.00	414,498.00
Recreation:						
County Fair					69,000.00	69,000.00
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	99,254.62					99,254.62
Soil Conservation Districts	59,142.00					59,142.00
Weed and Pest Control	252,833.19					252,833.19
Grasshopper and Pest Control	29,076.65					29,076.65
Water Conservation:					10,235.49	10,235.49
Drainage Commissions	35,552.82					35,552.82
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	374,108.70					374,108.70
Other	399,963.71					399,963.71
Economic Development:						
Tourism, Industrial or Recreational Development	35,000.00					35,000.00
Debt Service	789,174.94		4,538,979.77		462,993.94	5,791,148.65
Capital Outlay	422,704.27	2,079,268.07		5,087,974.97	261,394.63	7,851,341.94
Total Expenditures	<u>41,100,456.63</u>	<u>7,701,623.17</u>	<u>5,251,111.97</u>	<u>5,185,904.65</u>	<u>5,318,678.96</u>	<u>64,557,775.38</u>
Excess of Revenues Over (Under) Expenditures	<u>3,861,480.92</u>	<u>(894,832.40)</u>	<u>(879,923.45)</u>	<u>(5,173,089.16)</u>	<u>(595,873.43)</u>	<u>(3,682,237.52)</u>
Other Financing Sources (Uses):						
Transfers In	53,509.78	2,080,914.00	2,718,397.04		587,074.00	5,439,894.82
Transfers Out	(2,667,988.00)	(44,642.78)		(2,718,397.04)	(8,867.00)	(5,439,894.82)
General Long-Term Debt Issued			7,835,000.00		77,521.90	7,912,521.90
Sale of County Property	9,712.47	437,416.00				447,128.47

Payments to Refunded Debt Escrow Agent			(7,190,000.00)			(7,190,000.00)
Total Other Financing Sources (Uses)	<u>(2,604,765.75)</u>	<u>2,473,687.22</u>	<u>3,363,397.04</u>	<u>(2,718,397.04)</u>	<u>655,728.90</u>	<u>1,169,650.37</u>
Net Change in Fund Balance	1,256,715.17	1,578,854.82	2,483,473.59	(7,891,486.20)	59,855.47	(2,512,587.15)
Changes in Nonspendable		64,215.96				64,215.96
Fund Balance - Beginning	<u>14,448,407.25</u>	<u>10,191,006.20</u>	<u>1,822,130.75</u>	<u>37,237,995.39</u>	<u>2,672,134.71</u>	<u>66,371,674.30</u>
FUND BALANCE - ENDING	<u>\$ 15,705,122.42</u>	<u>\$ 11,834,076.98</u>	<u>\$ 4,305,604.34</u>	<u>\$ 29,346,509.19</u>	<u>\$ 2,731,990.18</u>	<u>\$ 63,923,303.11</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (2,512,587.15)

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

Governmental funds report capital outlays as expenditures, 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 (\$7,851,341.94) were more than depreciation expense (\$4,302,716.35) in the current period. 3,548,625.59

In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected. (750,872.36)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,136,548.21

The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available". (74,574.40)

Governmental funds reflect Inventory changes as Changes in Nonspendable Fund Balance, but the statement of activities reflects the change through expenditures. 64,215.96

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (160,944.40)

Governmental funds do not reflect the change in accrued OPEB, but the statement of activities reflects the change in accrued OPEB through expenditures. (228,049.00)

Payment to refunded bond escrow is an Other Financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 7,190,000.00

Proceeds of bond principal is a revenue in the Governmental Funds, but increases the long-term liabilities in the statement of net assets. (7,912,521.90)

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (92,578.94)

Change in Net Assets of Governmental Activities \$ 1,207,261.61

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

**PENNINGTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011**

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 164,482.39
Accounts Receivable, Net	103,704.78
TOTAL ASSETS	\$ 268,187.17
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 120,000.00
NET ASSETS:	
Unrestricted Net Assets	148,187.17
TOTAL LIABILITIES AND NET ASSETS	\$ 268,187.17

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

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

	Internal Service Funds Health Care Trust
Operating Revenues:	
Charges for Goods and Services	\$ 4,055,001.85
Stop Loss Insurance Claims and Rebates	2,089,486.35
Total Operating Revenues	6,144,488.20
Operating Expenses:	
Personal Services	828,662.89
Other Current Expense	119,355.31
Claims Paid - Gross	5,290,135.19
Total Operating Expenses	6,238,153.39
Operating Income (Loss)	(93,665.19)
Nonoperating Revenues (Expenses):	
Investment Earnings	1,086.25
Change in Net Assets	(92,578.94)
Net Assets - Beginning	240,766.11
NET ASSETS - ENDING	\$ 148,187.17

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, 2011**

	Internal Service Funds Health Care Trust
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	\$ 4,055,001.85
Stop Loss Insurance Claims and Rebate Receipts	2,004,930.33
Cash Payments to Administrator	(948,018.20)
Claims Paid	(5,323,135.19)
Net Cash Provided (Used) by Operating Activities	(211,221.21)
Cash Flows from Investing Activities:	
Interest Earnings	1,086.25
Net Increase (Decrease) in Cash and Cash Equivalents	(210,134.96)
Cash and Cash Equivalents at Beginning of Year	374,617.35
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 164,482.39
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (93,665.19)
Change in Assets and Liabilities:	
Receivables	(84,556.02)
Accounts and Other Payables	(33,000.00)
Net Cash Provided (Used) by Operating Activities	\$ (211,221.21)

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

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

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 4,916,603.85</u>
TOTAL ASSETS	<u><u>\$ 4,916,603.85</u></u>
LIABILITIES:	
Amounts Held for Others	\$ 2,005,359.50
Due to Other Governments	<u>2,911,244.35</u>
TOTAL LIABILITIES	<u><u>\$ 4,916,603.85</u></u>

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, SD 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. 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, a discretely-presented component unit. The five members of the Commission are appointed by 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 Housing and Redevelopment Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2011 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 Housing and Redevelopment Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1804 West Fulton Street, Rapid City, SD 57702-4358.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental activities and the discretely presented component unit. 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 – to account for funds credited to Accumulated Building projects in accordance with SDCL 7-25-1 allows for acquiring a site, constructing, renovating, improving, remodeling, altering, adding to, repairing, erecting, or maintaining certain county buildings. Pennington County has been working for some time on a Master Plan to address the space needs of Pennington County. This project is in beginning construction phase and the separate reporting of available funds for continuing

projects is an important function. The County has elected to report this fund as a major fund.

The remaining Special Revenue funds are not considered major funds: Library, Drug Seizure, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, 911 Services, County Fair, and 24/7. These funds are reported on the fund financial statements as "Other Governmental Funds".

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

TIF #2 and TIF #3 Debt Service Fund – to account for property taxes which may be used only for payment of the debt principal, interest, and related debt. These are not major 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).

Courthouse Complex Expansion Capital Projects Fund – to account for financial resources to be used to implement the County's Master Plan for the construction of a parking ramp, a City/County evidence building, an energy plant, and a new county administration building. This is a major fund.

Proprietary Funds:

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the primary government on a cost-reimbursement basis. The particular type of goods or services provided to other departments 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:

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and 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 Assets 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 30 days. The revenues which are accrued at December 31, 2011 are: highway billings, board of prisoners, and other receivables from various federal, state, and local governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred 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. 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 of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the 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.

f. Capital Assets:

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

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

Government-wide Financial Statements:

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

The total December 31, 2011 balances of governmental activities capital assets all represent original costs.

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." The County has reported all infrastructure assets on its December 31, 2011 statements.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Assets.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	all capitalized	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 50,000	Straight-line	99 years
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 Capital Outlay 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 statements. The long-term liabilities primarily consist of general obligation bonds, financing of capital acquisition leases, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues on 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 Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund, a proprietary fund, essentially has access to the entire amount of its cash resources on demand. Accordingly, the Health Care Trust 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 assets and is displayed in three components:

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

Fund Financial Statements:

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

l. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets 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 do not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the County Commissioners.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory in Road and Bridge Fund \$1,197,916.63.
- Amount legally or contractually required to be maintained intact such as SDPAA fund balance \$521,482.22.

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

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

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

Major Special Revenue Fund

Accumulated Building Fund
Road and Bridge Fund

Revenue Source

Taxes
Motor Vehicle Fees and Taxes

A schedule of fund balances is provided as follows:

**PENNINGTON COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Accumulated Building Fund</u>	<u>Courthouse Complex Expansion Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$	\$ 1,197,916.63	\$	\$	\$	\$ 1,197,916.63
South Dakota Public Assurance Alliance	521,482.22					521,482.22
Restricted For:						
Road and Bridge Purposes		5,693,724.71				5,693,724.71
Courthouse Building Purposes			4,305,604.34	29,346,509.19		33,652,113.53
911 Purposes					127,447.23	127,447.23
Library Purposes					126,420.38	126,420.38
Fire Purposes					135,227.01	135,227.01
Fair Purposes					118,008.96	118,008.96
Title III Purposes					738,465.38	738,465.38
Emergency Management Purposes					457,765.86	457,765.86
Hazardous Materials Purposes					4,204.87	4,204.87
24/7 Purposes					187,376.49	187,376.49
Assigned To:						
Applied to Next Year's Budget	4,996,143.00					4,996,143.00
Road and Bridge Purposes		4,942,435.64				4,942,435.64
Other Accumulations	1,137,154.11				837,074.00	1,974,228.11
Unassigned	9,050,343.09					9,050,343.09
Total Fund Balances	<u>\$ 15,705,122.42</u>	<u>\$ 11,834,076.98</u>	<u>\$ 4,305,604.34</u>	<u>\$ 29,346,509.19</u>	<u>\$ 2,731,990.18</u>	<u>\$ 63,923,303.11</u>

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The County is prohibited by statute from spending in excess of appropriated amounts at the department level. The Debt Service budget in the Accumulated Building Fund was over spent by \$499,989.77 due to new bond issues.

3. DEFICIT FUND BALANCES / FUND NET ASSETS

As of December 31, 2011 no funds had deficit fund balances.

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

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

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

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

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

As of December 31, 2011, the County had the following investments. All investments are in an internal deposit and investment pool.

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Market Value</u>
Government National Mortgage Assn.	AAA	\$ 37,443.47
Federal National Mortgage Assn.	AAA	7,225.88
US Treasury Bill	AAA	<u>27,116,915.28</u>
Subtotal		<u>27,161,584.63</u>
Mutual Funds:		
US Government Money Market Fund	Unrated	27,967.44
US Bank Commercial Paper	Unrated	204,254.30
First American Government Obligation Fund	Unrated	<u>2,531,138.58</u>
Subtotal		<u>2,763,360.32</u>
TOTAL		<u>\$ 29,924,944.95</u>

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County’s investments are in the following investments:

US Treasury Bills	90.62%
First America – Government Obligation Fund	8.46%

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect fair market value of an investment.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>Greater than 10 years</u>
GNMA	\$	\$	\$ 37,443.47
FNMA			7,225.88
US Treasury Bill		<u>27,116,915.28</u>	
Total		<u>27,116,915.28</u>	<u>44,669.35</u>
<u>Other Investments</u>			
Mutual Funds	<u>2,763,360.32</u>		
Total	<u>\$ 2,763,360.32</u>		

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 911 Service, Capital Projects, and the Health Care Trust fund which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. 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.

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year.

6. INVENTORY

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

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 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.

7. PROPERTY TAXES

Property taxes are levied on or before November 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.

8. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,218,648.00	\$	\$	\$ 3,218,648.00
Construction in Progress	159,523.00	5,087,975.00		5,247,498.00
Total Capital Assets not being Depreciated	3,378,171.00	5,087,975.00	0.00	8,466,146.00
Capital Assets being Depreciated:				
Infrastructure (Imp other than Bldgs)	74,393,283.20	1,627,544.40	(372,787.33)	75,648,040.27
Buildings	67,155,236.00	207,600.00		67,362,836.00
Machinery and Equipment	21,262,584.00	1,019,072.00	(1,635,133.00)	20,646,523.00
Total Capital Assets being Depreciated	162,811,103.20	2,854,216.4	(2,007,920.33)	163,657,399.27
TOTAL CAPITAL ASSETS	\$ 166,189,274.20	\$ 7,942,191.40	\$ (2,007,920.33)	\$ 172,123,545.27
Less Accumulated Depreciation for:				
Infrastructure	\$ (33,931,467.46)	\$ (1,643,421.35)	\$ 278,689.51	\$ (35,296,199.30)
Buildings	(16,557,985.00)	(1,184,333.00)		(17,742,318.00)
Machinery and Equipment	(8,266,555.00)	(1,474,962.00)	887,509.00	(8,854,008.00)
Total Accumulated Depreciation	(58,756,007.46)	(4,302,716.35)	1,166,198.51	(61,892,525.30)
Total Capital Assets being Depreciated, Net	104,055,095.74	(1,448,499.95)	(841,721.82)	101,764,873.97
Governmental Activity Capital Assets, Net	\$ 107,433,266.74	\$ 3,639,475.05	\$ (841,721.82)	\$ 110,231,019.97

Depreciation expense was charged to functions as follows:

	12/31/2011
General Government	\$ 272,578.00
Public Safety	1,517,469.00
Public Works	2,415,306.35
Health and Welfare	17,618.00
Culture and Recreation	56,635.00
Conservation of Natural Resources	18,967.00
Urban and Economic Development	4,143.00
Total Depreciation Expense-Governmental Activities	\$ 4,302,716.35

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

2011	Balance 4/1/2010	Additions	Deletions	Balance 3/31/2011
Land	\$ 1,979,446	\$	\$	\$ 1,979,446
Buildings	29,741,844	1,795,381		31,537,225
Furniture, Equipment and Machinery	2,896,806	54,752	(48,103)	2,903,455
Leasehold Improvements	3,581,770	97,233		3,679,003
TOTAL	\$ 38,199,866	\$ 1,947,366	\$ (48,103)	\$ 40,099,129

2010	Balance 4/1/2009	Additions	Deletions	Balance 3/31/2010
Land	\$ 1,980,045	\$	\$ (599)	\$ 1,979,446
Buildings	30,111,897	1,201,754	(1,571,807)	29,741,844
Furniture, Equipment and Machinery	1,297,737	1,628,991	(29,922)	2,896,806
Leasehold Improvements	3,523,050	58,720		3,581,770
TOTAL	\$ 36,912,729	\$ 2,889,465	\$ (1,602,328)	\$ 38,199,866

Accumulated depreciation activity for the years ended March 31, 2011 and 2010 was as follows:

2011	Balance 4/1/2010	Additions	Deletions	Balance 3/31/2011
Buildings	\$ 20,553,493	\$ 1,046,826	\$	\$ 21,600,319
Furniture, Equipment and Machinery	2,044,808	141,253	(46,031)	2,140,030
Leasehold Improvements	2,501,676	134,492		2,636,168
TOTAL	\$ 25,099,977	\$ 1,322,571	\$ (46,031)	\$ 26,376,517

2010	Balance 4/1/2009	Additions	Deletions	Balance 3/31/2010
Buildings	\$ 20,394,806	\$ 1,070,410	\$ (911,723)	\$ 20,553,493
Furniture, Equipment and Machinery	1,011,579	1,063,151	(29,922)	2,044,808
Leasehold Improvements	2,372,806	128,870		2,501,676
TOTAL	\$ 23,779,191	\$ 2,262,431	\$ (941,645)	\$ 25,099,977

10. LONG-TERM LIABILITIES, COMPONENT UNITS, COMPENSATED ABSENCES

A summary of changes in long-term liabilities follows:

Indebtedness	Long-Term Debt 1/1/2011	Additions	Deletions	Long-Term Debt 12/31/2011	Due In One Year
Governmental Long-Term Debt:					
Certificates of Participation:					
2011 Series A					
Matures 12/1/23	\$	\$ 7,835,000.00	\$	\$ 7,835,000.00	\$ 100,000.00
2010 Series A					
Matures 12/1/40	7,930,000.00			7,930,000.00	
2010 Series B					
Matures 12/1/37	27,435,000.00			27,435,000.00	
2010 Series C					
Matures 12/1/16	2,550,000.00		(200,000.00)	2,350,000.00	255,000.00
2009 COP Event Center					
Matures 12/17	2,095,000.00		(285,000.00)	1,810,000.00	290,000.00
2008A Series Matures 12/1/23	5,185,000.00		(320,000.00)	4,865,000.00	330,000.00
2004 Series Matures 5/1/13	420,000.00		(135,000.00)	285,000.00	140,000.00
2003A Refunded Series					
Matures 12/1/13	8,825,000.00		(7,715,000.00)	1,110,000.00	545,000.00
2000 JSC Series					
Matures 5/1/13	850,000.00		(275,000.00)	575,000.00	275,000.00
Honeywell Lease Matures					
7/11/16	2,464,927.47		(366,224.77)	2,098,702.70	383,002.64
Tax Increment Financing	220,467.20	77,521.90	(30,323.44)	267,665.66	22,134.30
Accrued Leave Liability					
at 12/31/11	3,265,048.84	1,336,361.98	(1,175,417.58)	3,425,993.24	1,164,837.70
Accrued OPEB Liability					
at 12/31/11	846,976.00	228,049.00		1,075,025.00	
Total Primary Government	62,087,419.51	9,476,932.88	(10,501,965.79)	61,062,386.60	3,504,974.64
Component Unit	2,412,524.00	1,196,530.00	(107,411.00)	3,501,643.00	107,521.00
GRAND TOTAL DEBT	\$ 64,499,943.51	\$ 10,673,462.88	\$ (10,609,376.79)	\$ 64,564,029.60	\$ 3,612,495.64

In 2011 the County issued \$7,835,000 in Certificates of Participation with an average interest rate of 2.5 percent to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2003	Law Enforcement Construction	3.6%	\$ 8,300,000

The entire proceeds of the refunding issue in the amount of \$7,727,725 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's records.

The County refunded the debt to reduce its total debt service payments over the next thirteen years by \$203,521 and to obtain an economic gain of \$174,669.

On December 31, 2011, the County had \$7,727,725 on deposit with the escrow agent in this irrevocable trust to retire \$7,190,000 of bonds still outstanding which are now considered defeased.

Debt payable at December 31, 2011 is comprised of the following:

Certificates of Participation:

2011 Series A Refunding Certificates of Participation – Interest Rates from .55 percent to 3.1 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	\$ 7,835,000.00
2010 Series A Recovery Zone Maturing 12/1/40 – Payable from Accumulated Building Fund	\$ 7,930,000.00
2010 Series B Build America Bond Maturing 12/1/37 – Payable from Accumulated Building Fund	\$ 27,435,000.00
2010 Series C Certificates of Participation – Maturing 12/1/16 – Payable from Accumulated Building Fund	\$ 2,350,000.00
2009 COP Series Event Center – Interest Rates from 1 percent to 3 percent – Maturing 12/1/17 – Payable from the County Fair Fund	\$ 1,810,000.00
2008A Series – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	\$ 4,865,000.00
2004 Series – Interest Rates from 1.25 percent to 3.4 percent – Maturing 5/1/13 – Payable from Accumulated Building Fund	\$ 285,000.00
2003A Refunding Series – Interest Rates from 3.5 percent to 3.45 percent – Maturing 12/1/13 – Payable from Accumulated Building Fund	\$ 1,110,000.00
2000 Series – Western South Dakota Juvenile Detention Center – Interest Rates from 4.5 percent to 5.4 percent – Maturing 5/1/13 – Payable from County General Regional Juvenile Service Center	\$ 575,000.00

Installment Contracts:

Honeywell Lease – Interest Rate of 4.53 percent – Maturing 7/11/16 –
Payable from County General Fund \$ 2,098,702.70

Compensated Absences:

Accrued Leave Liability at December 31, 2011 \$ 3,245,993.24
Payment will be made from the fund that payroll expenditures are charged to.

2002 Tax Increment Financing – Interest Rates of 10 percent –
Maturing 5/15/14 – Paid by Tax Increment District PC TID #2 \$ 57,555.36

2009 Tax Increment Financing Bank Loan –
Interest Rate of 8.5 percent – Maturity not finalized
Paid by Tax Increment District PC TID #3 \$ 210,110.30

Accrued OPEB Liability at 12/31/11 \$ 1,075,025.00

The annual requirements to amortize all debt outstanding as of December 31, 2011, except for compensated absences and OPEB liability are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2011

Year Ending December 31,	Certificates of Participation Payable		Installment Contract Payable	
	Principal	Interest	Principal	Interest
2012	\$ 1,935,000.00	\$ 2,743,089.38	\$ 383,002.64	\$ 90,782.30
2013	2,000,000.00	2,685,152.50	400,549.15	73,235.79
2014	1,935,000.00	2,629,268.75	418,899.51	54,885.43
2015	1,980,000.00	2,590,928.75	438,090.57	35,694.37
2016	1,655,000.00	2,546,553.75	458,160.83	15,624.12
2017-2021	11,400,000.00	11,782,258.75		
2022-2026	8,640,000.00	9,562,433.75		
2027-2031	7,185,000.00	7,512,733.75		
2032-2036	8,850,000.00	4,941,567.50		
2037-2041	8,615,000.00	1,447,977.50		
Total	<u>\$ 54,195,000.00</u>	<u>\$ 48,441,964.38</u>	<u>\$ 2,098,702.70</u>	<u>\$ 270,222.01</u>

Year Ending December 31,	Tax Increment Financing		Total	
	Principal	Interest	Principal	Interest
2012	\$ 267,665.66	\$ 26,611.37	\$ 2,585,668.30	\$ 2,860,483.05
2013			2,400,549.15	2,758,388.29
2014			2,353,899.51	2,684,154.18
2015			2,418,090.57	2,626,623.12
2016			2,113,160.83	2,562,177.87
2017-2021			11,400,000.00	11,782,258.75
2022-2026			8,640,000.00	9,562,433.75
2027-2031			7,185,000.00	7,512,733.75
2032-2036			8,850,000.00	4,941,567.50
2037-2041			8,615,000.00	1,447,977.50
Total	<u>\$ 267,665.66</u>	<u>\$ 26,611.37</u>	<u>\$ 56,561,368.36</u>	<u>\$ 48,738,797.76</u>

11. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, there were three.

Entity	Balance 12/31/2011
Black Hills Power and Light	\$ 2,050,000.00
Black Hills Workshop	1,528,622.90
United Blood Services	<u>38,415,000.00</u>
 Total	 <u>\$ 41,993,622.90</u>

12. RESTRICTED NET ASSETS

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

Major Funds:

Road and Bridge Purposes	\$ 11,474,891.07
Accumulated Building Purposes	<u>4,362,507.43</u>

Other Purposes:

County Fair Purposes	127,737.47
County Fire Purposes	393,914.04
911 Service Purposes	637,421.76
Emergency Management Purposes	520,152.22
Hazardous Materials Purposes	4,204.87
Library Purposes	140,703.96
Title III Purposes	738,465.38
24/7 Purposes	187,316.74
Tax Increment Financing Purposes	(267,665.66)
Insurance Purposes (SDPAA)	<u>521,482.22</u>

Total Other Purposes 3,003,733.00

Total Restricted Net Assets \$ 18,841,131.50

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

13. INTERFUND TRANSFERS

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

Transfers From:	Transfers To:				Total
	General Fund	Road and Bridge Fund	Accumulated Building Fund	Total Other Governmental Funds	
General Fund	\$	\$ 2,080,914.00	\$	\$ 587,074.00	\$ 2,667,988.00
Road and Bridge Fund	44,642.78				44,642.78
Courthouse Complex Expansion Capital Projects Fund			2,718,397.04		2,718,397.04
Other Governmental Funds	8,867.00				8,867.00
Total	\$ 53,509.78	\$ 2,080,914.00	\$ 2,718,397.04	\$ 587,074.00	\$ 5,439,894.82

The County typically budgets transfers to the Road and Bridge Fund, the Emergency Management Fund, and the 911 Service Fund to conduct the indispensable functions of the County. According to Commission policy, transfers to the General Fund are for the transfer of interest earnings. Transfer from Courthouse Complex Expansion Capital Projects Fund to Accumulated Building Fund is returning Law Enforcement Capital Projects Fund money.

14. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while law enforcement employees contribute at 8 percent. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's employer's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$1,814,672.95, \$1,827,215.74, and \$1,756,822.39, respectively, equal to the required contributions each year.

15. OTHER POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by Pennington County. The Pennington County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the Pennington County Health Care Trust Board and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the County are established and may be amended by the Pennington County Health Care Trust Board and the governing board. A benefited employee, who retires from the County on or after the age of 50 and with at least 10 years of consecutive service with the County, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 60% of the full active premium rates for either single, employee + 1, or family coverage.

Annual OPEB Cost and Net OPEB Obligation. The Entity's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

	2010	2011
Annual Required Contribution (ARC)	\$ 439,984	\$ 439,984
Interest on net OPEB obligation	22,076	0
Adjustment to annual required contribution	30,117	0
Annual OPEB Cost	431,943	439,984
Less Contributions made	(75,545)	(211,935)
Increase (Decrease) in net OPEB obligation	356,398	228,049
Net OPEB obligation – beginning of year	490,578	846,976
Net OPEB obligation – end of year	<u>\$ 846,976</u>	<u>\$ 1,075,025</u>

The entity's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	\$ 439,984	48.17	\$ 1,075,025
12/31/10	\$ 431,946	17.49	\$ 846,976
12/31/09	\$ 388,557	60.70	\$ 490,578

Funded Status and Funding Progress. Updated in even numbered year, so as of December 31, 2011, the most recent actuarial valuation date (December 31, 2010), the plan's statistics were as follows:

Actuarial Accrued Liability	\$ 3,683,407
Actuarial Value of Plan Assets	<u>0</u>
Unfunded Actuarial Accrued Liability	<u>\$ 3,683,407</u>
Funded Ratio	0%
Covered Payroll	\$ 26,192,806
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	14.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations

and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost trend rate of 10 percent for 2009 incrementally reduced by 1% forward through 2013. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

16. RELATED PARTY TRANSACTIONS

The Commission has a form to obtain information about related party and set a maximum limit amount per year. It is monitored monthly.

17. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2011, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

18. SUBSEQUENT EVENTS

On March 6, 2012 the County awarded a contract to J. Scull Construction Services for the Pennington County Campus Expansion project in the amount of \$22,506,000. This project is being paid for by the 2010 Build America Bonds, Recovery Zone Bonds, and Certificates of Participation.

19. RISK MANAGEMENT

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

Employee Health Care Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental 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 \$50,000 and any administrative costs relative to the processing of claims. Medical claims exceeding \$50,000 are covered through private re-insurance carriers and dental expenses are

maxed at \$750 per year. 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, 2011, the County had net assets in the amount of \$148,187.17.

Liability Insurance:

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

General Liability coverage,
Automobile coverage, and
Errors and Omissions of Officials' coverage

The agreement with the SDPAA provides that the above coverages will be provided to a \$5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2011, the County has vested balance in the cumulative reserve fund of \$521,482.22 less potential claims if the County were ever to withdraw from the pool.

The County carries a \$2,500 deductible for the General Liability coverage, \$2,500 to \$4,000 deductible for Errors & Omissions coverage, and \$500 deductible on Automobile coverage.

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

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The

County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

20. TAX INCREMENT FINANCING

During fiscal year 2011 the County did not create any new tax increment financing districts and as of December 31, 2011, outstanding indebtedness is \$267,665.66. The County reports the amount yet to be provided as Net Asset Invested in Capital Assets, Net of Related Debt in the negative amount. The funding for the negative Net Asset Invested in Capital Assets, Net of Related Debt will come from tax increment payments made by the tax increment district.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 27,850,495.48	\$ 27,850,495.48	\$ 27,562,398.78	\$ (288,096.70)
General Property Taxes--Delinquent	265,000.00	265,000.00	337,096.44	72,096.44
Penalties and Interest	66,000.00	66,000.00	83,974.69	17,974.69
Telephone Tax (Outside)	3,000.00	3,000.00	4,255.04	1,255.04
Mobile Home Tax	70,000.00	70,000.00	61,277.08	(8,722.92)
Tax Deed Revenue	0.00	0.00	11,127.82	11,127.82
Other Taxes	0.00	0.00	687,033.47	687,033.47
Licenses and Permits	240,000.00	240,000.00	254,029.42	14,029.42
Intergovernmental Revenue:				
Federal Grants	749,809.00	1,199,697.75	1,083,581.58	(116,116.17)
Federal Shared Revenue	500.00	32,500.00	29,076.65	(3,423.35)
Federal Payments in Lieu of Taxes	468,000.00	468,000.00	1,087,401.00	619,401.00
State Grants	26,000.00	26,000.00	3,500.00	(22,500.00)
State Shared Revenue:				
Bank Franchise	270,400.00	270,400.00	287,220.07	16,820.07
Liquor Tax Reversion	754.00	754.00	805.95	51.95
Court Appointed Attorney/Public Defender	180,000.00	180,000.00	140,600.32	(39,399.68)
Telecommunications Gross Receipts Tax	550,000.00	550,000.00	616,628.19	66,628.19
Motor Vehicle 1/4%	15,000.00	15,000.00	17,846.70	2,846.70
Other Payments in Lieu of Taxes	19,000.00	19,000.00	10,858.53	(8,141.47)
Other Intergovernmental Revenue	145,977.00	153,177.00	195,915.25	42,738.25
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	165,400.00	165,400.00	207,218.33	41,818.33
Register of Deeds' Fees	810,800.00	810,800.00	769,048.54	(41,751.46)
Legal Services	8,000.00	8,000.00	122,890.82	114,890.82
Clerk of Courts Fees	172,000.00	172,000.00	156,620.00	(15,380.00)
Other Fees	281,080.00	281,080.00	406,491.93	125,411.93
Public Safety:				
Law Enforcement	776,200.00	776,200.00	736,942.65	(39,257.35)
Prisoner Care	6,853,151.00	6,853,151.00	5,966,115.27	(887,035.73)
Other	3,427,738.00	3,434,698.00	3,258,845.00	(175,853.00)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	435,500.00	435,500.00	426,283.85	(9,216.15)
Veterans Service Officer	4,687.00	4,687.00	4,687.50	0.50
Mental Health Services	25,000.00	25,000.00	70,507.23	45,507.23
Conservation of Natural Resources	69,000.00	99,000.00	96,394.67	(2,605.33)
Other Charges	42,974.00	42,974.00	58,276.68	15,302.68
Fines and Forfeits:				
Fines	0.00	0.00	1,200.00	1,200.00
Costs	135,000.00	135,000.00	32,949.06	(102,050.94)
Forfeits	1,000.00	1,000.00	800.00	(200.00)
Miscellaneous Revenue:				
Investment Earnings	225,000.00	225,000.00	64,874.66	(160,125.34)
Rent	0.00	0.00	800.00	800.00
Special Assessments	0.00	0.00	4,489.14	4,489.14
Contributions and Donations	500.00	45,689.69	47,649.69	1,960.00
Refund of Prior Year's Expenditures	6,500.00	6,500.00	15,703.91	9,203.91

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Other	14,000.00	22,297.00	38,521.64	16,224.64
Total Revenues	44,373,465.48	44,953,000.92	44,961,937.55	8,936.63
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	888,099.00	888,099.00	809,182.03	78,916.97
Contingency	100,000.00	100,000.00		
Amount Transferred		(49,000.00)		51,000.00
Elections	301,145.00	301,145.00	300,588.50	556.50
Judicial System	348,113.00	348,113.00	341,976.61	6,136.39
Financial Administration:				
Auditor	352,958.00	352,958.00	351,299.95	1,658.05
Treasurer	838,015.00	838,015.00	799,605.38	38,409.62
Data Processing	611,234.00	645,234.00	631,449.12	13,784.88
Legal Services:				
State's Attorney	2,361,470.00	2,454,181.75	2,150,950.22	303,231.53
Public Defender	1,650,699.00	1,650,699.00	1,644,913.24	5,785.76
Court Appointed Attorney	336,183.00	336,183.00	277,769.05	58,413.95
Abused and Neglected Child Defense	224,672.00	224,672.00	156,998.12	67,673.88
Other	562,827.00	579,822.00	539,890.30	39,931.70
Other Administration:				
General Government Building	3,151,027.00	3,151,027.00	3,145,578.78	5,448.22
Director of Equalization	1,201,460.00	1,201,460.00	1,109,513.39	91,946.61
Register of Deeds	420,251.00	463,726.00	453,795.51	9,930.49
Predatory Animal	3,339.00	3,339.00	3,338.84	0.16
Other	100,000.00	100,000.00	100,000.00	0.00
Public Safety:				
Law Enforcement:				
Sheriff	6,806,019.00	6,896,019.00	6,716,004.59	180,014.41
County Jail	9,138,189.00	9,138,189.00	8,359,725.32	778,463.68
Coroner	121,200.00	121,200.00	104,906.75	16,293.25
County-Wide Law Enforcement	881,772.00	881,772.00	860,692.33	21,079.67
Juvenile Detention	5,738,261.00	5,770,761.00	4,658,901.94	1,111,859.06
Other Law Enforcement	3,393,647.00	3,393,647.00	3,119,828.24	273,818.76
Protective and Emergency Services:				
Emergency and Disaster Services	75,092.00	75,092.00	74,450.51	641.49
Flood Control	36,000.00	36,000.00	35,000.00	1,000.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,407,360.00	1,457,108.96	1,277,296.16	179,812.80
Health Assistance:				
Health Services	173,465.00	173,465.00	173,465.00	0.00
Social Services:				
Care of Aged	14,446.00	14,446.00	14,446.00	0.00
Mental Health Services:				
Mentally Ill	959,509.00	959,509.00	814,784.12	144,724.88
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	102,236.00	102,236.00	99,254.62	2,981.38
Soil Conservation Districts	59,142.00	59,142.00	59,142.00	0.00

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Weed and Pest Control	246,789.00	286,086.00	252,833.19	33,252.81
Grasshopper and Pest Control	0.00	32,000.00	29,076.65	2,923.35
Water Conservation:				
Drainage Commissions	95,000.00	95,000.00	35,552.82	59,447.18
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	381,037.00	381,037.00	374,108.70	6,928.30
Other	194,054.00	448,554.00	399,963.71	48,590.29
Economic Development:				
Tourism, Industrial or Recreational Development	20,000.00	35,000.00	35,000.00	0.00
Debt Service	789,485.00	789,485.00	789,174.94	310.06
Total Expenditures	<u>44,084,195.00</u>	<u>44,735,422.71</u>	<u>41,100,456.63</u>	<u>3,634,966.08</u>
Excess of Revenues Over (Under) Expenditures	<u>289,270.48</u>	<u>217,578.21</u>	<u>3,861,480.92</u>	<u>3,643,902.71</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	53,509.78	53,509.78
Transfers Out	(2,805,591.00)	(2,805,591.00)	(2,667,988.00)	137,603.00
Sale of County Property	30,000.00	30,000.00	9,712.47	(20,287.53)
Total Other Financing Sources (Uses)	<u>(2,775,591.00)</u>	<u>(2,775,591.00)</u>	<u>(2,604,765.75)</u>	<u>170,825.25</u>
Net Change in Fund Balance	<u>(2,486,320.52)</u>	<u>(2,558,012.79)</u>	<u>1,256,715.17</u>	<u>3,814,727.98</u>
Fund Balance - Beginning	<u>14,448,407.25</u>	<u>14,448,407.25</u>	<u>14,448,407.25</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 11,962,086.73</u>	<u>\$ 11,890,394.46</u>	<u>\$ 15,705,122.42</u>	<u>\$ 3,814,727.98</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 1,573,498.48	\$ 1,573,498.48	\$ 1,543,360.55	\$ (30,137.93)
General Property Taxes--Delinquent	20,000.00	20,000.00	32,329.28	12,329.28
Penalties and Interest	4,400.00	4,400.00	7,199.35	2,799.35
Mobile Home Tax	7,800.00	7,800.00	7,083.06	(716.94)
Tax Deed Revenue	0.00	0.00	1,126.43	1,126.43
Licenses and Permits	1,600.00	1,600.00	1,542.61	(57.39)
Intergovernmental Revenue:				
Federal Shared Revenue	271,356.00	271,356.00	281,144.97	9,788.97
State Shared Revenue:				
Motor Vehicle Licenses	3,050,000.00	3,050,000.00	3,402,632.66	352,632.66
Prorate/Port of Entry Fees	280,000.00	280,000.00	325,936.34	45,936.34
63 3/4% Mobile Home/Manufactured Home	50,000.00	50,000.00	44,811.09	(5,188.91)
Secondary Road Motor Vehicle Remittances	780,000.00	780,000.00	914,333.89	134,333.89
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	120,500.00	120,500.00	200,159.48	79,659.48
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	44,642.78	44,642.78
Other	15,000.00	15,000.00	488.28	(14,511.72)
Total Revenues	<u>6,174,154.48</u>	<u>6,174,154.48</u>	<u>6,806,790.77</u>	<u>632,636.29</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	8,460,134.00	8,460,134.00	7,701,623.17	758,510.83
Excess of Revenues Over (Under) Expenditures	<u>(2,285,979.52)</u>	<u>(2,285,979.52)</u>	<u>(894,832.40)</u>	<u>1,391,147.12</u>
Other Financing Sources (Uses):				
Transfers In	2,214,694.00	2,214,694.00	2,080,914.00	(133,780.00)
Transfers Out	0.00	0.00	(44,642.78)	(44,642.78)
Sale of County Property	21,213.00	21,213.00	437,416.00	416,203.00
Total Other Financing Sources (Uses)	<u>2,235,907.00</u>	<u>2,235,907.00</u>	<u>2,473,687.22</u>	<u>237,780.22</u>
Net Change in Fund Balance	<u>(50,072.52)</u>	<u>(50,072.52)</u>	<u>1,578,854.82</u>	<u>1,628,927.34</u>
Changes in Nonspendable	0.00	0.00	64,215.96	64,215.96
Fund Balance - Beginning	10,191,006.20	10,191,006.20	10,191,006.20	0.00
FUND BALANCE - ENDING	<u>\$ 10,140,933.68</u>	<u>\$ 10,140,933.68</u>	<u>\$ 11,834,076.98</u>	<u>\$ 1,693,143.30</u>

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ACCUMULATED BUILDING FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 3,533,125.05	\$ 3,533,125.05	\$ 3,496,566.12	\$ (36,558.93)
General Property Taxes--Delinquent	22,000.00	22,000.00	28,548.81	6,548.81
Penalties and Interest	5,200.00	5,200.00	8,756.30	3,556.30
Mobile Home Tax	4,600.00	4,600.00	8,020.74	3,420.74
Tax Deed Revenue	0.00	0.00	1,411.68	1,411.68
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	790,019.79	790,019.79
Other Payments in Lieu of Taxes	1,300.00	1,300.00	1,377.52	77.52
Other Intergovernmental Revenue	13,800.00	13,800.00	12,626.55	(1,171.45)
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	23,859.01	(16,140.99)
Total Revenues	<u>3,620,025.05</u>	<u>3,620,025.05</u>	<u>4,371,188.52</u>	<u>751,163.47</u>
Expenditures:				
General Government:				
Other Administration:				
General Government Building	300,000.00	1,076,680.90	712,132.20	364,548.70
Health and Welfare:				
Health Assistance:				
Hospital	0.00	10,000.00	0.00	10,000.00
Debt Service	3,142,970.00	4,038,990.00	4,538,979.77	(499,989.77)
Total Expenditures	<u>3,442,970.00</u>	<u>5,125,670.90</u>	<u>5,251,111.97</u>	<u>(125,441.07)</u>
Excess of Revenues Over (Under) Expenditures	<u>177,055.05</u>	<u>(1,505,645.85)</u>	<u>(879,923.45)</u>	<u>625,722.40</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	2,718,397.04	2,718,397.04
General Long-Term Debt Issued	0.00	0.00	7,835,000.00	7,835,000.00
Payments to Refunded Debt Escrow Agent	0.00	0.00	(7,190,000.00)	(7,190,000.00)
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>3,363,397.04</u>	<u>3,363,397.04</u>
Net Change in Fund Balance	177,055.05	(1,505,645.85)	2,483,473.59	3,989,119.44
Fund Balance - Beginning	<u>1,822,130.75</u>	<u>1,822,130.75</u>	<u>1,822,130.75</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,999,185.80</u>	<u>\$ 316,484.90</u>	<u>\$ 4,305,604.34</u>	<u>\$ 3,989,119.44</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. USGAAP/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 office 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 office patrol car would be reported as an expenditure of the Public Safety/Sheriff's Department function of government, along with all other current Sheriff's Department related expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF FUNDING PROGRESS
December 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (Unit Credit Cost Method) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2008	\$	\$ 3,217,353.00	\$ 3,217,353.00	0.0%	\$ 22,810,526.00	14.1%
December 31, 2010	\$	\$ 3,683,407.00	\$ 3,683,407.00	0.0%	\$ 26,192,806.00	14.1%

NOTE: Actuarial valuations are updated in each even numbered year.

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011
US Department of Agriculture:			
Schools and Roads Cluster:			
Direct Federal Funding:			
Schools and Roads - Grants to Counties (Note 2) (Note 3)	10.666		\$ 6,793.97
Indirect Federal Funding:			
SD State Auditor, Schools and Roads - Grants to States (Note 2) (Note 3) (Note 4)	10.665		<u>567,631.05</u>
Total for Schools and Roads Cluster			<u>574,425.02</u>
Child Nutrition Cluster:			
Indirect Federal Funding:			
SD Department of Education, School Breakfast Program (Note 2)	10.553		31,931.56
National School Lunch Program (Note 2)	10.555		<u>62,416.62</u>
Total for Child Nutrition Cluster			<u>94,348.18</u>
Total US Department of Agriculture			<u>668,773.20</u>
US Department of Housing and Urban Development:			
Indirect Federal Funding:			
City of Rapid City, Community Development Block Grants/Entitlement Grant	14.218		<u>7,247.27</u>
US Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management, Payment in Lieu of Taxes (97-258) (Note 2)	15.226		<u>1,087,401.00</u>
US Department of Justice:			
Direct Federal Funding:			
Equitable Sharing Program	16.922		37,334.09
Bureau of Justice Assistance, Bulletproof Vest Partnership Program	16.607		10,553.00
Edward Byrne Memorial Justice Assistance Grant Program	16.738		7,530.50
Violence Against Women Office, The Community-Defined Solutions to Violence Against Women Grant Program	16.590		42,002.06
Indirect Federal Funding:			
SD Department of Corrections, Juvenile Accountability Block Grants	16.523		70,072.98
Juvenile Justice and Delinquency Prevention-- Allocation to States	16.540		4,201.49
SD Department of Social Services, Crime Victim Assistance	16.575		71,476.08
Violence Against Women Formula Grants (Note 3)	16.588		148,146.14
SD Department of Public Safety, Enforcing Underage Drinking Laws Program	16.727		7,983.53
SD Teen Court Association, Enforcing Underage Drinking Laws Program	16.727		18,010.93
City of Rapid City, Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>23,287.14</u>
Total US Department of Justice			<u>440,597.94</u>
US Department of Transportation:			
Highway Safety Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety, State and Community Highway Safety	20.600		1,524.50
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		<u>7,542.82</u>
Total for Highway Safety Cluster			<u>9,067.32</u>

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2011
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety, Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		<u>44,296.88</u>
Total US Department of Transportation			<u>53,364.20</u>
US General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003		<u>36,217.90</u>
US Environmental Protection Agency:			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources, Nonpoint Source Implementation Grants (Note 3)	66.460		<u>218,888.76</u>
US Department of Energy:			
Direct Federal Funding:			
Recovery Act-Energy Efficiency and Conservation Block Grant Program	81.128		<u>10,403.50</u>
US Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Health, Public Health Emergency Preparedness	93.069		1,032.71
University of Cincinnati, Drug Abuse and Addiction Research Programs	93.279		21,403.96
SD Department of Social Services, Promoting Safe and Stable Families	93.556		<u>12,937.50</u>
Total US Department of Health and Human Services			<u>35,374.17</u>
US Executive Office of the President:			
Indirect Federal Funding:			
SD Attorney General, High Intensity Drug Trafficking Area	95.001		<u>120,472.37</u>
US Department of Homeland Security:			
Homeland Security Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Emergency Management, Homeland Security Grant Program (Note 4)	97.067		892,728.20
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Emergency Management, Emergency Management Performance Grant	97.042		<u>92,183.60</u>
Total US Department of Homeland Security			<u>984,911.80</u>
GRAND TOTAL			<u>\$ 3,663,652.11</u>

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

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

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

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures 2011</u>
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Note 3: This represents a Major Federal Financial Assistance Program.

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Schools and Roads-Grants to States	10.665	\$ 274,351.00
Homeland Security Grant Program	94.067	\$ 535,989.10

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

**PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2011**

Beginning Balance - January 1, 2011 \$ 0.00

Revenues:

School Lunch Program	94,348.18	
Pennington County	1,895,762.50	
Butte County	28,595.00	
Harding County	3,870.00	
Lawrence County	39,560.00	
Meade County	85,032.50	
Custer County	76,217.50	
Fall River County	18,167.50	
Room and Board-Other Counties	84,671.18	
Room and Board-State	453,572.50	
Room and Board-Federal	1,330,281.38	
Fees and Charges	7,655.25	
Pay Phone Charges	14,099.51	
Total Revenues	4,131,833.00	4,131,833.00

Expenditures:

Salaries	2,819,881.59	
OASI	203,008.20	
Retirement	215,682.08	
Workman's Compensation	53,987.00	
Group Insurance	280,803.98	
Liability Insurance (Auto)	39,192.46	
Service and Fees	115,252.52	
Repairs and Maintenance	10,944.03	
Supplies	83,232.28	
Training and Travel	10,972.77	
Utilities	124,008.34	
Food Service	96,882.11	
Data Processing	834.70	
Furniture and Equipment	40,359.10	
Medical Supplies	17,480.88	
Total Expenditures	4,112,522.04	4,112,522.04

Excess of Revenues Over Expenditures 19,310.96

Amounts Due from Participating Counties (19,310.96)

Ending Balance - December 31, 2011 \$ 0.00