

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2017

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2017

Board of Commissioners:

Ron Buskerud
Mark DiSanto
George Ferebee
Deb Hadcock
Lloyd LaCroix

Auditor:
Julie A. Pearson

Treasurer:
Janet Saylor

State's Attorney:
Mark Vargo

Register of Deeds:
Donna Mayer

Sheriff:
Kevin Thom

PENNINGTON COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Pennington County
Rapid City, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 21, 2018.

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

August 21, 2018



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

County Commission
Pennington County
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Pennington County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

The County's basic financial statements include the operations of the Pennington County Housing Redevelopment Commission, a discretely presented component unit of the County, which expended \$9,750,593 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2017. Our audit, described above, did not include the operations of the Pennington County Housing and Redevelopment Commission because the Pennington County Housing and Redevelopment Commission engaged other auditors to perform an audit in accordance with Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

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

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

Opinion on Each Major Federal Program

In our opinion, Pennington County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

August 21, 2018

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

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

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:
 - Payment in Lieu of Taxes CFDA # 15.226
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Pennington County did qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Pennington County Housing and Redevelopment Commission, which represent 100 percent of the assets, liabilities, net position, expenses, and revenues of the discretely presented component unit of the County. Those statements were audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pennington County Housing and Redevelopment Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditor's, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Funding Progress – Healthcare Plan, the Schedule of the County Contributions, and the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) on pages 49 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA
Auditor General

August 21, 2018

PENNINGTON COUNTY
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government Governmental Activities	Component Unit
ASSETS:		
Cash and Cash Equivalents	\$ 28,666,191.15	\$ 2,013,855.00
Investments	34,782,726.49	8,359,578.00
Accounts Receivable, Net	9,049,792.18	90,514.00
Inventories	892,491.58	25,341.00
Other Assets	521,482.22	155,106.00
Restricted Assets:		
Cash and Cash Equivalents		629,258.00
Net Pension Asset	168,360.50	
Capital Assets:		
Land, Improvements and Construction in Progress	17,248,824.14	1,979,446.00
Other Capital Assets, Net of Depreciation	139,014,240.96	9,608,529.00
TOTAL ASSETS	\$ 230,344,109.22	\$ 22,861,627.00
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Related Deferred Outflows	\$ 16,967,752.20	\$ 542,094.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 16,967,752.20	\$ 542,094.00
LIABILITIES:		
Accounts Payable	\$ 2,060,012.08	\$ 27,567.00
Other Current Liabilities	2,302,917.64	451,664.00
Unearned Revenue	4,864,890.69	28,143.00
Noncurrent Liabilities:		
Due Within One Year	6,314,449.41	178,946.00
Due in More than One Year	87,220,258.99	4,034,380.00
TOTAL LIABILITIES	\$ 102,762,528.81	\$ 4,720,700.00
DEFERRED INFLOWS OF RESOURCES:		
Pension Related Deferred Inflows	\$ 3,385,623.53	\$
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,385,623.53	\$ 0.00

PENNINGTON COUNTY
STATEMENT OF NET POSITION
December 31, 2017
(Continued)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
NET POSITION: (See Note 10)		
Net Investment in Capital Assets	\$ 96,655,279.95	\$ 7,877,896.00
Restricted For:		
Road and Bridge Purposes	4,608,389.57	
SDRS Pension Purposes	13,750,489.17	308,079.00
Accumulated Building Purposes	6,915,407.35	
Other Purposes	4,226,153.23	629,258.00
Unrestricted	<u>15,007,989.81</u>	<u>9,867,788.00</u>
TOTAL NET POSITION	<u><u>\$ 141,163,709.08</u></u>	<u><u>\$ 18,683,021.00</u></u>

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

**PENNINGTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 20,069,863.44	\$ 2,946,908.02	\$ 980,329.18	\$	\$ (16,142,626.24)	\$
Public Safety	33,096,559.04	17,320,256.54	2,587,866.52		(13,188,435.98)	
Public Works	9,970,153.51	187,133.14	7,336,401.12		(2,446,619.25)	
Health and Welfare	1,735,506.19	217,514.98	121,153.25		(1,396,837.96)	
Culture and Recreation	943,269.53		7,596.95		(935,672.58)	
Conservation of Natural Resources	609,961.18	253,871.07	86,001.47		(270,088.64)	
Urban and Economic Development	561,470.49	160,614.80	10,113.95		(390,741.74)	
*Interest on Long-Term Debt	3,495,866.23				(3,495,866.23)	
Total Primary Government	\$ 70,482,649.61	\$ 21,086,298.55	\$ 11,129,462.44	\$ 0.00	(38,266,888.62)	
Component Unit:						
Pennington County Housing	\$ 12,291,087.00	\$ 2,520,191.00	\$ 9,069,089.00	\$ 681,505.00		(20,302.00)
General Revenues:						
Taxes:						
Property Taxes						
					40,231,583.86	
State Shared Revenues						
					910,010.96	
Grants and Contributions not Restricted to Specific Programs						
					2,350,379.08	
Unrestricted Investment Earnings						
					103,249.15	(50,967.00)
Miscellaneous Revenue						
					41,349.01	188,981.00
Special Item Cash Donation (See Note 17)						
					1,500,000.00	
Total General Revenues and Special Item						
					45,136,572.06	138,014.00
Change in Net Position						
					6,869,683.44	117,712.00
Net Position - Beginning						
					134,294,025.64	18,565,309.00
NET POSITION - ENDING						
					\$ 141,163,709.08	\$ 18,683,021.00

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

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

**PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Accumulated Building Fund</u>	<u>County Building Expansion Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 2,048,289.54	\$ 14,089,563.40	\$ 6,991,660.83	\$ 1,500,000.00	\$ 1,550,941.78	\$ 26,180,455.55
Investments	5,560,848.42		25,053,947.95	4,167,930.12		34,782,726.49
Taxes Receivable--Delinquent	217,600.93	31,070.02	33,267.97		12,261.30	294,200.22
Accounts Receivable, Net	110,169.91	7,357.61			5,678.00	123,205.52
Due from Other Government	2,697,152.29	788,543.95	4,562,378.04		294,169.66	8,342,243.94
Inventory of Supplies		892,491.58				892,491.58
Deposits	521,482.22					521,482.22
TOTAL ASSETS	<u>\$ 11,155,543.31</u>	<u>\$ 15,809,026.56</u>	<u>\$ 36,641,254.79</u>	<u>\$ 5,667,930.12</u>	<u>\$ 1,863,050.74</u>	<u>\$ 71,136,805.52</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 1,162,010.26	\$ 122,775.43	\$ 104,190.22		\$ 34,173.02	\$ 1,423,148.93
Accrued Wages Payable	1,028,916.12	79,128.78			102,525.57	1,210,570.47
Contracts Payable - Retained Percentage				781,700.27		781,700.27
Unearned Revenue	175,679.84		4,262,378.04		426,832.81	4,864,890.69
Total Liabilities	<u>2,366,606.22</u>	<u>201,904.21</u>	<u>4,366,568.26</u>	<u>781,700.27</u>	<u>563,531.40</u>	<u>8,280,310.36</u>
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes	217,600.93	31,070.02	33,267.97		12,261.30	294,200.22
Fund Balances: (See Note 1.m.)						
Nonspendable	521,482.22	892,491.58				1,413,973.80
Restricted	22,969.69	3,755,085.04	32,241,418.56	4,886,229.85	797,068.17	41,702,771.31
Assigned	8,026,884.25	10,928,475.71			490,189.87	19,445,549.83
Total Fund Balances	<u>8,571,336.16</u>	<u>15,576,052.33</u>	<u>32,241,418.56</u>	<u>4,886,229.85</u>	<u>1,287,258.04</u>	<u>62,562,294.94</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,155,543.31</u>	<u>\$ 15,809,026.56</u>	<u>\$ 36,641,254.79</u>	<u>\$ 5,667,930.12</u>	<u>\$ 1,863,050.74</u>	<u>\$ 71,136,805.52</u>

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

PENNINGTON COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017

Total Fund Balances - Governmental Funds \$ 62,562,294.94

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 156,263,065.10

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 168,360.50

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 16,967,752.20

Long-term liabilities, including bonds payable, accrued leave payable, and net pension liability are not due and payable in the current period and therefore are not reported in the funds. (91,508,491.40)

Unamortized premiums on long-term debt issued are a component of long-term liabilities and are not reported in the funds. (2,026,217.00)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. 294,200.22

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. 2,139,014.95

Liabilities such as accrued interest payable are not reported as expenditures in the funds. (310,646.90)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (3,385,623.53)

Net Position of Governmental Activities \$ 141,163,709.08

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

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	Road and Bridge Fund	Accumulated Building Fund	County Building Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
General Property Taxes--Current	\$ 31,832,050.83	\$ 1,704,014.90	\$ 5,090,946.56		\$ 1,209,457.67	\$ 39,836,469.96
General Property Taxes--Delinquent	137,364.78	12,111.77	22,301.54		6,606.08	178,384.17
Penalties and Interest	56,458.68	4,201.04	9,007.18		2,506.51	72,173.41
Telephone Tax (Outside)	3,009.00					3,009.00
Mobile Home Tax	32,423.85	3,484.62	5,198.42		1,567.89	42,674.78
Tax Deed Revenue	17,870.64		2,858.08		353.33	21,082.05
Other Taxes	96,535.16	51.46	15,442.79		2,857.26	114,886.67
Licenses and Permits	196,094.30	135,367.01			29,700.00	361,161.31
Intergovernmental Revenue:						
Federal Grants	958,987.34		776,122.82		213,261.42	1,948,371.58
Federal Shared Revenue	43,165.67	161,652.22				204,817.89
Federal Payments in Lieu of Taxes	1,536,559.00					1,536,559.00
State Grants	95,815.88					95,815.88
State Shared Revenue:						
Bank Franchise	492,156.45					492,156.45
Motor Vehicle Licenses		5,539,406.56				5,539,406.56
State Highway Fund (former 10% game)		32,014.21				32,014.21
Court Appointed Attorney/Public Defender	135,445.73					135,445.73
Prorate License Fees		301,705.40				301,705.40
Abused and Neglected Child Defense	20,419.24					20,419.24
63 3/4% Mobile Home/Manufactured Home		70,334.37				70,334.37
Secondary Road Motor Vehicle Remittances		1,198,863.39				1,198,863.39
Telecommunications Gross Receipts Tax	417,854.51					417,854.51
Motor Vehicle 1/4%	32,728.44					32,728.44
Motor Fuel Tax		32,424.97				32,424.97
911 Remittances					1,228,941.23	1,228,941.23
Liquor Tax Reversion (25%)	372,108.08					372,108.08
Other State Shared Revenue					3,520.72	3,520.72
Other Payments in Lieu of Taxes	22,973.31		3,674.16		382.60	27,030.07
Other Intergovernmental Revenue	237,892.44		590,058.48		115,510.00	943,460.92
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	565,653.28					565,653.28

Register of Deeds' Fees	1,189,281.46				60,017.45	1,249,298.91
Legal Services	417,532.89				9,625.00	427,157.89
Clerk of Courts Fees	138,798.18					138,798.18
Other Fees	355,873.41					355,873.41
Public Safety:						
Law Enforcement	1,094,850.39					1,094,850.39
Prisoner Care	10,886,189.82					10,886,189.82
Sobriety Testing					534,372.20	534,372.20
Other	2,484,677.73				1,812,328.15	4,297,005.88
Public Works:						
Road Maintenance Contract Charges		177,682.51				177,682.51
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	209,071.48					209,071.48
Veterans Service Officer	4,687.50					4,687.50
Mental Health Services	16,441.00					16,441.00
Urban and Economic Development	55,845.00					55,845.00
Conservation of Natural Resources	120,551.07					120,551.07
Other Charges	32,767.19					32,767.19
Fines and Forfeits:						
Fines	6,073.00				3,165.42	9,238.42
Costs	37,987.57					37,987.57
Miscellaneous Revenue:						
Investment Earnings	90,858.15	100,234.85	(125,303.78)	28,703.95	11,060.06	105,553.23
Contributions and Donations	115,780.00		7,596.95		13,372.26	136,749.21
Refund of Prior Year's Expenditures	13,675.17				1,328.00	15,003.17
Other	11,255.36	7,403.62			3,981.51	22,640.49
Total Revenues	<u>54,585,762.98</u>	<u>9,480,952.90</u>	<u>6,397,903.20</u>	<u>28,703.95</u>	<u>5,263,914.76</u>	<u>75,757,237.79</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners	936,206.63					936,206.63
Elections	356,723.75					356,723.75
Judicial System	480,448.62					480,448.62

Financial Administration:

Auditor	564,835.10					564,835.10
Treasurer	1,140,842.40					1,140,842.40

Legal Services:

State's Attorney	4,893,079.71				40,607.94	4,933,687.65
Public Defender	2,684,874.94					2,684,874.94
Court Appointed Attorney	1,037,965.60					1,037,965.60
Abused and Neglected Child Defense	362,066.81					362,066.81

Other Administration:

General Government Building	4,194,842.12		451,817.01	102,385.95		4,749,045.08
Director of Equalization	1,533,998.93					1,533,998.93
Register of Deeds	486,594.48				80,342.42	566,936.90

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017
(Continued)

	General Fund	Road and Bridge Fund	Accumulated Building Fund	County Building Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	3,283.65					3,283.65
Geographic Information System	100,000.00					100,000.00
Information Technology	879,450.32					879,450.32
Human Resources	208,940.66					208,940.66
Public Safety:						
Law Enforcement:						
Sheriff	9,312,415.35					9,312,415.35
County Jail	13,190,346.77		245,707.00	97.20		13,436,150.97
Juvenile Detention	5,203,721.56					5,203,721.56
Other Law Enforcement	2,940,119.95				502,898.21	3,443,018.16
Protective and Emergency Services:						
Fire Protection					250,681.21	250,681.21
Emergency and Disaster Services	150,761.04				405,931.08	556,692.12
Communication Center					3,370,197.97	3,370,197.97
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		6,592,484.06				6,592,484.06
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,600,493.62					1,600,493.62
Health Assistance:						
Health Services	96,540.00					96,540.00
Social Services:						
Care of Aged	19,446.00					19,446.00
Domestic Abuse					42,490.42	42,490.42
Mental Health Services:						
Mentally Ill	100,948.00					100,948.00
Culture and Recreation:						
Culture:						
Public Library					452,808.00	452,808.00
Recreation:						
County Fair			249,294.20		183,503.00	432,797.20
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	89,117.51					89,117.51
Soil Conservation Districts	59,836.00					59,836.00

Weed and Pest Control	321,341.06					321,341.06
Grasshopper and Pest Control	148,326.51				14,613.00	162,939.51
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	507,959.16					507,959.16
Other	123,085.80					123,085.80
Debt Service	267,213.00		5,878,985.61		500,983.60	6,647,182.21
Capital Outlay	850,775.20	1,689,318.72		13,526,275.23	34,572.00	16,100,941.15
Total Expenditures	<u>54,846,600.25</u>	<u>8,281,802.78</u>	<u>6,825,803.82</u>	<u>13,628,758.38</u>	<u>5,879,628.85</u>	<u>89,462,594.08</u>
Excess of Revenues Over (Under) Expenditures	<u>(260,837.27)</u>	<u>1,199,150.12</u>	<u>(427,900.62)</u>	<u>(13,600,054.43)</u>	<u>(615,714.09)</u>	<u>(13,705,356.29)</u>
Other Financing Sources (Uses):						
Transfers In	159,607.55			1,000,000.00	822,686.75	1,982,294.30
Transfers Out	(824,990.83)	(1,100,234.85)	(49,747.21)		(9,625.49)	(1,984,598.38)
General Long-Term Debt Issued - Par Amount			23,695,000.00			23,695,000.00
General Long-Term Debt - Original Issue Premium			2,026,217.00			2,026,217.00
Insurance Proceeds		4,979.28			2,442.69	7,421.97
Sale of County Property	1,282.30	2,614.79				3,897.09
Total Other Financing Sources (Uses)	<u>(664,100.98)</u>	<u>(1,092,640.78)</u>	<u>25,671,469.79</u>	<u>1,000,000.00</u>	<u>815,503.95</u>	<u>25,730,231.98</u>
Special Item - Cash Donation (See Note 17)				1,500,000.00		1,500,000.00
Net Change in Fund Balance	(924,938.25)	106,509.34	25,243,569.17	(11,100,054.43)	199,789.86	13,524,875.69
Change in Nonspendables:						
Change in Inventory		(25,342.30)				(25,342.30)
Fund Balance - Beginning	<u>9,496,274.41</u>	<u>15,494,885.29</u>	<u>6,997,849.39</u>	<u>15,986,284.28</u>	<u>1,087,468.18</u>	<u>49,062,761.55</u>
FUND BALANCE - ENDING	<u>\$ 8,571,336.16</u>	<u>\$ 15,576,052.33</u>	<u>\$ 32,241,418.56</u>	<u>\$ 4,886,229.85</u>	<u>\$ 1,287,258.04</u>	<u>\$ 62,562,294.94</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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 13,524,875.69
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 were more than depreciation expense in the current period.	10,347,534.73
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(561,692.98)
The receipt of donated capital assets is not reported in the governmental fund statements, but is reported as a program revenue on the government-wide statements.	123,386.55
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	3,206,361.08
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."	(37,096.18)
Governmental funds reflect inventory changes as Changes in Reserves to Fund Balance, but the Statement of Activities reflects the change through expenditures.	(25,342.30)
Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures.	45,042.51
Governmental funds do not reflect the change in accrued OPEB, but the Statement of Activities reflects the change in accrued OPEB through expenditures.	(493,669.71)
Proceeds of bond principal is a revenue in the Governmental Funds, but increases the long-term liabilities in the Statement of Net Position.	(23,695,000.00)
Premium on long-term debt issued is reported as an other financing source in the governmental funds, but the Statement of Activities reflects the amortization of the premium as a component of interest expense over the life to the long-term debt.	(2,026,217.00)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities.	398,582.03
Governmental funds do not reflect the change in accrued interest, but the Statement of Activities reflects the change in accrued interest through expenditures.	(55,045.10)
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	6,117,964.12
Change in Net Position of Governmental Activities	<u>\$ 6,869,683.44</u>

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

**PENNINGTON COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017**

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,485,735.60
Accounts Receivable, Net	290,142.50
TOTAL ASSETS	\$ 2,775,878.10
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 23,572.24
Incurred but Not Reported Claims	613,290.91
TOTAL LIABILITIES	\$ 636,863.15
NET POSITION:	
Unrestricted Net Position	\$ 2,139,014.95
TOTAL NET POSITION	\$ 2,139,014.95

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

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Internal Service Funds Health Care Trust
Operating Revenues:	
Charges for Goods and Services	\$ 6,508,606.36
Stop Loss Insurance Claims and Rebates	819,090.66
Total Operating Revenues	7,327,697.02
Operating Expenses:	
Health and Dental Premiums	1,612,495.25
Other Current Expense	280,757.60
Claims Paid Gross	5,055,728.14
Total Operating Expenses	6,948,980.99
Operating Income (Loss)	378,716.03
Nonoperating Revenues (Expenses):	
Investment Earnings	17,561.92
Income (Loss) Before Transfers	396,277.95
Transfer In	2,304.08
Change in Net Position	398,582.03
Net Position - Beginning	1,740,432.92
NET POSITION - ENDING	\$ 2,139,014.95

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, 2017**

	<u>Internal Service Funds Health Care Trust</u>
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	\$ 6,509,111.36
Stop Loss Insurance Claims and Rebate Receipts	848,365.03
Cash Payments to Administrator	(1,892,013.35)
Claims Paid	<u>(5,034,675.97)</u>
Net Cash Provided (Used) by Operating Activities	430,787.07
Cash Flows from Noncapital Financing Activities:	
Transfers In	2,304.08
Cash Flows from Investing Activities:	
Interest Earnings	<u>17,561.92</u>
Net Increase (Decrease) in Cash and Cash Equivalents	450,653.07
Cash and Cash Equivalents at Beginning of Year	<u>2,035,082.53</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,485,735.60</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 378,716.03
Change in Assets and Liabilities:	
Receivables	29,779.37
Accounts and Other Payables	<u>22,291.67</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 430,787.07</u></u>

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

**PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2017**

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 6,632,212.71
TOTAL ASSETS	\$ 6,632,212.71
LIABILITIES:	
Amounts Held for Others	\$ 3,450,575.77
Due to Other Governments	3,181,636.94
TOTAL LIABILITIES	\$ 6,632,212.71

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

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

The Housing and Redevelopment Commission of Pennington County, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the County Commission's Chairperson with the approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2017 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and the Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1804 West Fulton St., Rapid City, SD 57702.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

The remaining special revenue funds are not considered major funds: Drug Seizure, 911 Service, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Library, County Fair, 24/7 Sobriety, MacArthur Grant, and

Modernization and Preservation Relief. These funds are reported on the fund financial statements as “Other Governmental Funds.”

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

County Building Expansion Capital Projects Fund – to account for financial resources to be used for the construction of a highway shop, a health building, the courthouse remodel and other projects outlined in the master plan. This is a major fund.

Proprietary Funds:

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

Fiduciary Funds:

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

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 60 days. The revenues which are accrued at December 31, 2017 are federal grants, state shared revenue, and various charges for goods and services.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

Investments classified in the financial statements consist of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of investment authorized by SDCL 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, 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, 2017 balance of governmental activities capital assets are all valued at original cost.

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 expenditures of the appropriate governmental fund upon acquisition.

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as inventory of \$892,491.58.
- Amount legally or contractually required to be maintained intact such as SDPAA deposit balance of \$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 County *does not* have a formal minimum fund balance policy.

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

Major Special Revenue Fund

Road and Bridge Fund
Accumulated Building Fund

Revenue Source

Motor Vehicle Fees and Taxes
Taxes and Intergovernmental Revenues

A schedule of fund balances is provided as follows:

**PENNINGTON COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Accumulated Building Fund</u>	<u>County Building Expansion Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$	\$ 892,491.58	\$	\$	\$	\$ 892,491.58
South Dakota Public Assurance Alliance	521,482.22					521,482.22
Restricted For:						
Road and Bridge Purposes		3,427,601.23				3,427,601.23
Snow Removal Purposes		327,483.81				327,483.81
Health and Human Services Purposes	22,969.69					22,969.69
Accumulated Building Purposes			7,187,249.38			7,187,249.38
Debt Service Purposes			25,054,169.18			25,054,169.18
Capital Project Purposes				3,386,229.85		3,386,229.85
Behavioral Health Center Purposes				1,500,000.00		1,500,000.00
Library Purposes					106,181.92	106,181.92
Drug Seizure Purposes					17,894.63	17,894.63
County Fire Purposes					130,128.16	130,128.16
County Fair Purposes					120,168.33	120,168.33
Title III Purposes					60,849.58	60,849.58
Hazardous Materials Purposes					193.95	193.95
24/7 Sobriety Purposes					269,125.51	269,125.51
Modernization and Preservation Relief Purposes					92,526.09	92,526.09
Assigned To:						
Applied to Next Year's Budget	7,197,556.25					7,197,556.25
Catastrophic Health Care Purposes	150,000.00					150,000.00
Technology Equipment Purposes	100,000.00					100,000.00
Transportation/Inmate Bus Purposes	300,000.00					300,000.00
Election Equipment Purposes	175,000.00					175,000.00
Comprehensive Plan/Overlay Districts Purposes	104,328.00					104,328.00
Road and Bridge Purposes		10,547,633.57				10,547,633.57
Drainage Purposes		380,842.14				380,842.14
911 Service Purposes					355,005.79	355,005.79
Emergency Management Purposes					135,184.08	135,184.08
Total Fund Balances	<u>\$ 8,571,336.16</u>	<u>\$ 15,576,052.33</u>	<u>\$ 32,241,418.56</u>	<u>\$ 4,886,229.85</u>	<u>\$ 1,287,258.04</u>	<u>\$ 62,562,294.94</u>

n. Pensions:

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

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

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

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

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

Fair Value Measurement – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2017:

- Mutual Funds, Level 1.
- U.S. Treasury Notes, Level 2.
- U.S. Agencies Securities, Level 2.

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, 2017, the County had the following investments:

<u>Investment</u>	<u>Credit Rating (Standards & Poor/Moody's)</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury Note	N/A	5/31/2018	\$ 273,020.00
U.S. Treasury Note	N/A	5/31/2020	279,225.12
Federal National Mortgage Association (FNMA)	AA+/Aaa	11/27/2018	273,567.08
FNMA	AA+/Aaa	11/26/2019	278,056.98
FNMA	AA+/Aaa	11/30/2020	23,670,102.13
Federal Home Loan Mortgage Corporation Medium Term Notes (FHLMC)	AA+/Aaa	5/30/2019	276,592.81
Federal Home Loan Bank Bonds	AA+/Aaa	9/28/2018	1,998,435.56
Subtotals			27,048,999.68
Mutual Funds:			
First American Government Obligation Fund Class D	AAAm/Aaa-mf		4,167,930.12
First American Government Obligation Fund Class Y	AAAm/Aaa-mf		3,383.83
TOTAL INVESTMENTS			\$ 31,220,313.63

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2017, the County's deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>% Under- Collateralized</u>	<u>At-Risk Amount</u>
First National Bank	2.23%	\$ 34,363.23

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:

FNMA	77.58%
Federal Home Loan Bank Bonds	6.40%
First American Government Obligation Fund Class D	13.35%

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

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

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year, except for \$4,147,545.93 of receivables for the sublease of the Public Safety Building, Evidence Lab, Energy Plant, and the Parking Ramp in the Accumulated Building Fund.

4. INVENTORY

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

5. PROPERTY TAXES

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

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

6. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 4,626,290.74	\$	\$	\$ 4,626,290.74
Construction in Progress	5,155,267.45	13,351,539.79	(5,884,273.84)	12,622,533.40
Total Capital Assets not being Depreciated	9,781,558.19	13,351,539.79	(5,884,273.84)	17,248,824.14
Capital Assets being Depreciated:				
Infrastructure (Improvements Other Than Buildings)	92,403,008.62	1,338,754.10	(269,720.65)	93,472,042.07
Buildings	99,763,772.00	5,884,273.84	(827,584.00)	104,820,461.84
Machinery and Equipment	24,806,203.37	1,583,033.81	(446,486.00)	25,942,751.18
Total Capital Assets being Depreciated	216,972,983.99	8,806,061.75	(1,543,790.65)	224,235,255.09
TOTAL CAPITAL ASSETS	\$ 226,754,542.18	\$ 22,157,601.54	\$ (7,428,064.49)	\$ 241,484,079.23
Less Accumulated Depreciation for:				
Infrastructure (Improvements Other Than Buildings)	\$ (42,159,589.17)	\$ (2,367,258.04)	\$ 168,338.31	\$ (44,358,508.90)
Buildings	(24,525,094.27)	(1,510,424.11)	401,378.20	(25,634,140.18)
Machinery and Equipment	(13,716,021.94)	(1,924,724.27)	412,381.16	(15,228,365.05)
Total Accumulated Depreciation	(80,400,705.38)	(5,802,406.42)	982,097.67	(85,221,014.13)
Total Capital Assets being Depreciated, Net	136,572,278.61	3,003,655.33	(561,692.98)	139,014,240.96
Governmental Activity Capital Assets, Net	\$ 146,353,836.80	\$ 16,355,195.12	\$ (6,445,966.82)	\$ 156,263,065.10

Depreciation expense was charged to functions as follows:

General Government	\$ 568,939.95
Public Safety	1,837,354.92
Public Works	3,291,822.46
Health and Welfare	20,343.07
Culture and Recreation	58,541.21
Conservation of Natural Resources	19,873.73
Urban and Economic Development	5,531.10
Total Depreciation Expense-Governmental Activities	\$ 5,802,406.44

Construction Work in Progress at December 31, 2017 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2017</u>	<u>Committed</u>	<u>Required Future Financing</u>
Courthouse Entrance	\$ 2,626,400.00	\$ 2,191,938.38	\$ 434,461.62	\$
County Health Building	14,296,119.47	9,648,894.75	3,733,468.50	913,756.22
TOTAL	\$ 16,922,519.47	\$ 11,840,833.13	\$ 4,167,930.12	\$ 913,756.22

7. CHANGES IN COMPONENT UNIT FIXED ASSETS

A summary of changes in component unit fixed assets for the year ended March 31, 2017 is as follows:

	<u>Balance 4/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/2017</u>
Land	\$ 1,979,446.00	\$	\$	\$ 1,979,446.00
Buildings	35,097,902.00	646,898.00	(4,487.00)	35,740,313.00
Furniture, Equipment and Machinery	3,582,567.00	69,370.00	(163,283.00)	3,488,654.00
Site Improvements	3,870,158.00	258,108.00		4,128,266.00
TOTAL	\$ 44,530,073.00	\$ 974,376.00	\$ (167,770.00)	\$ 45,336,679.00

A summary of changes in component unit accumulated depreciation for the year ended March 31, 2017 is as follows:

	<u>Balance 4/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/2017</u>
Buildings	\$ 26,801,190.00	\$ 884,878.00	\$ (2,427.00)	\$ 27,683,641.00
Furniture, Equipment and Machinery	2,672,051.00	171,604.00	(159,473.00)	2,684,182.00
Site Improvements	3,273,718.00	107,272.00	(109.00)	3,380,881.00
TOTAL	\$ 32,746,959.00	\$ 1,163,754.00	\$ (162,009.00)	\$ 33,748,704.00

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2017	Additions	Deletions	Ending Balance 12/31/2017	Due Within One Year
Primary Government:					
Governmental Activities:					
Certificates of Participation:					
2017 Series A Matures 6/1/2037	\$	\$ 23,695,000.00	\$	\$ 23,695,000.00	\$
Unamortized Premium		2,026,217.00		2,026,217.00	
2016 Series A Matures 12/1/2033	9,645,000.00		(220,000.00)	9,425,000.00	220,000.00
2016 Series B Matures 12/1/2023	5,505,000.00		(740,000.00)	4,765,000.00	765,000.00
2015 Series A Matures 12/1/2035	9,350,000.00		(410,000.00)	8,940,000.00	410,000.00
2014 Series A Matures 12/1/2023	3,310,000.00		(450,000.00)	2,860,000.00	455,000.00
2010 Series A (Recovery Zone Economic Development Bonds) Matures 12/1/2040	7,930,000.00			7,930,000.00	
2010 Series B (Build America Bonds) Matures 12/1/2037	27,430,000.00		(645,000.00)	26,785,000.00	990,000.00
2009 COP Events Center Matures 12/1/2017	320,000.00		(320,000.00)		
Honeywell Lease Matures 03/01/2018	521,254.00		(258,456.00)	262,798.00	262,798.00
Honeywell Lease Matures 08/01/2018	330,143.68		(162,905.08)	167,238.60	167,238.60
Total Debt	64,341,397.68	25,721,217.00	(3,206,361.08)	86,856,253.60	3,270,036.60
Accrued Leave Liability at 12/31/2017	3,865,362.60	2,999,519.09	(3,044,561.60)	3,820,320.09	3,044,413.08
Accrued OPEB Liability at 12/31/2017	2,364,465.00	493,669.71		2,858,134.71	
Net Pension Liability (SDRS) at 12/31/2017	6,259,485.36		(6,259,485.36)		
TOTAL PRIMARY GOVERNMENT	\$ 76,830,710.64	\$ 29,214,405.80	\$ (12,510,408.04)	\$ 93,534,708.40	\$ 6,314,449.68
Component Unit:					
Bonds Payable:					
Revenue	\$ 4,003,075.00	\$	\$ (292,997.00)	\$ 3,710,078.00	\$ 169,241.00
Accrued Compensated Absences	262,015.00	139,456.00	(132,238.00)	269,233.00	9,705.00
TOTAL COMPONENT UNIT	\$ 4,265,090.00	\$ 139,456.00	\$ (425,235.00)	\$ 3,979,311.00	\$ 178,946.00

In 2017 the County issued \$23,695,000.00 in 2017A Certificates of Participation with an average interest rate of 3.9782302 percent to refund the following:

<u>Date Issued</u>	<u>Project</u>	<u>Average Interest Rate</u>	<u>Unpaid Principal At Time of Refunding</u>
2010	Build America Bonds with 35% Federal Rebate	6.5683853%	\$ 23,740,000.00

The entire proceeds of the refunding issue, less underwriters discount and cost of issuance in the amount of \$ 25,517,084.25 were deposited in an irrevocable trust with an escrow agent to provide for the payment of interest on the refunding issue until December 1, 2020, the crossover date, and the principal on the refunded issue due on the future debt service requirements on the refunded certificates of participation. Since this is considered a crossover refunding the liability for those certificates of participation has not been removed from the County's Governmental Funds records.

The County refunded the debt to reduce its total debt service payments over the next nineteen and one half years by \$1,168,733.82 and to obtain an economic gain of \$810,879.75.

Debt payable at December 31, 2017 is comprised of the following:

Certificates of Participation:

2017 Series A Certificates of Participation – Interest Rates From 3.00 percent to 5.00 percent – Maturing 6/1/2037 – Payable from Accumulated Building Fund	\$ 23,695,000.00
2016 Series A Certificates of Participation – Interest Rates From .50 percent to 4.00 percent – Maturing 12/1/2035 – Payable from Accumulated Building Fund	\$ 9,425,000.00
2016 Series B Certificates of Participation – Interest Rates From .70 percent to 2.00 percent – Maturing 12/1/2023 – Payable from Accumulated Building Fund	\$ 4,765,000.00
2015 Series A Certificates of Participation – Interest Rates from .50 percent to 3.5 percent – Maturing 12/1/35 – Payable from Accumulated Building Fund	\$ 8,940,000.00
2014 Series A Refunding Certificates of Participation – Interest Rates from .55 percent to 2.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	\$ 2,860,000.00
2010 Series A Recover Zone – Interest Rates 7.3 percent – Maturing 12/1/40 – Payable from Accumulated Building Fund	\$ 7,930,000.00
2010 Series B Build America Bond – Interest Rates from 3.0 percent to 7.2 percent – Maturing 6/1/37 – Payable from Accumulated Building Fund	\$ 26,785,000.00
Installment Contracts:	
Motorola Lease – 1.68 Percent Interest, Final Maturity 3/1/18 – Payment made from Accumulated Building Fund	\$ 262,798.00

Motorola Lease – 2.66 Percent Interest, Final Maturity 8/1/18 –
 Payment made from Accumulated Building Fund \$ 167,238.60

Compensated Absences:

Accrued Leave Liability at December 31, 2017 – Payment to be
 made by the fund that the payroll expenditures are charged to. \$ 3,820,320.09

Accrued OPEB Liability at December 31, 2017 \$ 2,858,134.71

The annual requirements to amortize all debt outstanding as of December 31, 2017, except for
 accrued leave liability and accrued OPEB liability, are as follows:

Year Ending Dec. 31,	Certificates of Participation		Installment Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,840,000.00	\$ 3,772,222.50	\$ 430,036.60	\$ 8,862.42	\$ 3,270,036.60	\$ 3,781,084.92
2019	3,220,000.00	3,714,072.50			3,220,000.00	3,714,072.50
2020	27,015,000.00	3,645,972.50			27,015,000.00	3,645,972.50
2021	3,355,000.00	2,068,465.00			3,355,000.00	2,068,465.00
2022	3,440,000.00	2,000,370.00			3,440,000.00	2,000,370.00
2023-2027	12,960,000.00	8,789,190.00			12,960,000.00	8,789,190.00
2028-2032	14,020,000.00	6,312,160.00			14,020,000.00	6,312,160.00
2033-2037	10,960,000.00	3,726,770.00			10,960,000.00	3,726,770.00
2038-2040	6,590,000.00	855,925.00			6,590,000.00	855,925.00
TOTAL	\$ 84,400,000.00	\$ 34,885,147.50	\$ 430,036.60	\$ 8,862.42	\$ 84,830,036.60	\$ 34,894,009.92

Year Ending Dec. 31,	Certificates of Participation		Installment Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,785,000.00	\$ 2,906,280.38	\$ 421,361.08	\$ 17,538.88	\$ 3,206,361.08	\$ 2,923,819.26
2019	2,840,000.00	2,844,372.50	430,036.60	8,863.55	3,270,036.60	2,853,236.05
2020	3,220,000.00	2,786,222.50			3,220,000.00	2,786,222.50
2021	3,275,000.00	2,718,122.50			3,275,000.00	2,718,122.50
2022	3,345,000.00	2,633,875.00			3,345,000.00	2,633,875.00
2023-2027	13,920,000.00	11,675,936.25			13,920,000.00	11,675,936.25
2028-2032	13,445,000.00	8,759,273.75			13,445,000.00	8,759,273.75
2033-2037	12,045,000.00	5,153,722.50			12,045,000.00	5,153,722.50
2038-2040	8,615,000.00	1,447,977.50			8,615,000.00	1,447,977.50
TOTAL	\$ 63,490,000.00	\$ 40,925,782.88	\$ 851,397.68	\$ 26,402.43	\$ 64,341,397.68	\$ 40,952,185.31

9. 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, 2017, there were two series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$19,207,354.90.

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2017, was as follows:

Major Purposes:

Road and Bridge Purposes	\$ 4,608,389.57
Accumulated Building Purpose	6,915,407.35
SDRS Pension Purposed	<u>13,750,489.17</u>

Other Purposes:

Health and Human Services Purposes	22,969.69
Behavioral Health Center Purposes	1,500,000.00
Debt Service Purposes	1,359,169.18
Library Purposes	111,948.15
Drug Seizure Purposes	17,894.63
County Fire Purposes	137,876.30
County Fair Purposes	123,677.41
Title III Purposes	60,849.58
Hazardous Materials Purposes	193.95
24/7 Sobriety Purposes	276,282.62
Jail Purposes	1,283.41
Modernization and Preservation Relief Purposes	92,526.09
Insurance Purposes	<u>521,482.22</u>

Total Other Purposes 4,226,153.23

Total Restricted Net Position \$ 29,500,439.32

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

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>				Total
	General Fund	County Building Expansion Fund	Other Governmental Funds	Health Care Trust Fund	
Major Funds:					
General Fund	\$	\$	\$ 822,686.75	\$ 2,304.08	\$ 824,990.83
Road and Bridge Fund	100,234.85	1,000,000.00			1,100,234.85
Accumulated Building Fund	49,747.21				49,747.21
Other Governmental Funds	<u>9,625.52</u>				<u>9,625.52</u>
Total	<u>\$ 159,607.58</u>	<u>\$ 1,000,000.00</u>	<u>\$ 822,686.75</u>	<u>\$ 2,304.08</u>	<u>\$ 1,984,598.41</u>

The County typically budgets transfers to the 911 Service Fund and the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County. The

County also uses transfers to transfer earnings on deposits from special revenue funds to the General Fund, where it is deemed appropriate. The transfer to the Health Care Trust Fund was to correct the error from 2016 when the interest was transferred to the General Fund. The County transferred from the Assigned Fund Balance of the Road and Bridge Fund for the County expansion of the Highway Building.

12. TAX ABATEMENTS

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

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

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

The amount of general property taxes levied for these three tax increment districts during the calendar year ended December 31, 2017 was \$1,316,630.08. Based on the percentage of Pennington County's property tax levy in relation to the total levy, the amount of general property taxes not available to Pennington County was approximately \$287,486.00.

The Municipality of Keystone has one (1) active tax increment district. Because the general property taxes on tax increment district are allocated to the district, the taxes are not available to Pennington County during the life of the tax increment district.

The amount of general property taxes levied for this tax increment district during the calendar year ended December 31, 2017 was \$93,645.62. Based on the percentage of Pennington County's property tax levy in relation to the total levy, the amount of general property taxes not available to Pennington County was approximately \$21,257.00.

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

The amount of general property taxes levied for these twenty tax increment districts during the calendar year ended December 31, 2017 was \$8,634,797.63. Based on the percentage of Pennington County's property tax levy in relation to the total levy, the amount of general property taxes not available to Pennington County was approximately \$2,170,896.00.

13. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The

right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the calendar years ended December 31, 2017, 2016, and 2015, equal to the required contributions each year, were as follows:

Year	Amount
2017	\$ 2,291,254.68
2016	\$ 2,200,484.16
2015	\$ 2,035,313.52

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

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2017 and reported by the County as of December 31, 2017 are as follows:

Proportionate share of total pension liability	\$ 215,850,807.36
Less proportionate share of net position restricted for pension benefits	<u>216,019,167.86</u>
Proportionate share of net pension asset	<u>\$ (168,360.50)</u>

At December 31, 2017, the County reported an asset of \$168,360.50 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the County's proportion was 1.8551911%, which is an increase (decrease) of 0.0021220% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense (reduction of expense) of \$(3,826,706.44). At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$ 2,697,598.24	\$
Changes in assumption	13,072,146.44	
Net Difference between projected and actual earnings on pension plan investments		3,236,897.83
Changes in proportion and difference between County contributions and proportionate share of contributions	52,025.55	148,725.70
County contributions subsequent to the measurement date	<u>1,145,981.97</u>	
TOTAL	<u>\$ 16,697,752.20</u>	<u>\$ 3,385,623.53</u>

\$1,145,981.97 reported as deferred outflow of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred

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

Year Ended Dec. 31,	
2018	\$ 3,373,661.97
2019	5,660,764.59
2020	4,171,252.93
2021	<u>(769,532.79)</u>
TOTAL	<u>\$ 12,436,146.70</u>

Actuarial Assumptions:

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was

projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 30,835,197.13	\$ (168,360.50)	\$ (25,415,338.78)

Pension Plan Fiduciary Net Position:

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

14. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by the County. The Pennington County Health Care Trust Plan provides medical insurance, dental insurance and life insurance benefits to eligible retirees and their spouses as permitted by SDCL 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 long-term benefited employee with at least twenty years of cumulative service with the County, the last ten consecutive years an active member of the County Health Care Plan and eligible for full retirement benefits under the provision of SDRS, may be eligible for retiree health, dental and life insurance coverage. Coverage ceases when the retiree becomes entitled to Medicare. The retiree will pay the established premium by the Health Care Trust Board which is currently 60% of the healthcare cost of the full active premium rates for either single or employee plus one. (pay-as-you-go basis).

Annual OPEB Cost and Net OPEB Obligation. The County'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:

Annual Required Contribution (ARC)	\$ 438,906.00
Interest on net OPEB obligation	106,401.00
Adjustment to annual required contribution	<u>(145,157.00)</u>
Annual OPEB Cost	\$ 400,150.00
Contributions made	<u>93,519.71</u>
Increase (Decrease) in net OPEB obligation	\$ 493,669.71
Net OPEB obligation – beginning of year	<u>2,364,465.00</u>
Net OPEB obligation – end of year	<u>\$ 2,858,134.71</u>

The County'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
2017	\$ 400,150.00	(23.37)%	\$ 2,858,134.71
2016	\$ 313,887.00	(12.72)%	\$ 2,364,465.00
2015	\$ 313,887.00	94.24%	\$ 2,010,662.00

Funded Status and Funding Progress. As of December 31, 2017, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	\$ 4,438,663.00
Actuarial Value of Benefit Assets	0.00
Unfunded Actuarial Accrued Liability	<u>\$ 4,438,663.00</u>
 Funded Ratio	 0.00%
 Covered Payroll	 \$ 33,470,595.00
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	13.30%

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, 2017, actuarial valuation, the entry age method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost trend rate of 5.0% percent for all years. Both rates include a 3.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2017, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

16. 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, 2017, the County managed its risks as follows:

Employee Health Insurance:

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

The County has established a group health self-insurance fund to pay for medical claims of County employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of claims. Medical claims exceeding \$60,000 are covered through private re-insurance carriers. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2017, the County had Net Position in the amount of \$2,139,014.95.

Liability Insurance:

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

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

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, 2017, the County has vested balance in the cumulative reserve fund of \$521,482.22.

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

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

17. SPECIAL ITEM

An anonymous donation in the amount of \$1,500,000.00 was received in 2017 with the stipulations that it be used to complete the second floor of the former National American University building so the Behavioral Health Center can be moved to that location.

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 31,970,270.40	\$ 31,970,270.40	\$ 31,832,050.83	\$ (138,219.57)
General Property Taxes--Delinquent	110,000.00	110,000.00	137,364.78	27,364.78
Penalties and Interest	55,000.00	55,000.00	56,458.68	1,458.68
Telephone Tax (Outside)	5,200.00	5,200.00	3,009.00	(2,191.00)
Mobile Home Tax	68,000.00	68,000.00	32,423.85	(35,576.15)
Tax Deed Revenue	0.00	0.00	17,870.64	17,870.64
Other Taxes	75,000.00	75,000.00	96,535.16	21,535.16
Licenses and Permits	173,500.00	173,500.00	196,094.30	22,594.30
Intergovernmental Revenue:				
Federal Grants	1,017,498.00	1,017,498.00	958,987.34	(58,510.66)
Federal Shared Revenue	90,000.00	90,000.00	43,165.67	(46,834.33)
Federal Payments in Lieu of Taxes	1,475,000.00	1,475,000.00	1,536,559.00	61,559.00
State Grants	29,470.00	104,470.00	95,815.88	(8,654.12)
State Shared Revenue:				
Bank Franchise	375,000.00	375,000.00	492,156.45	117,156.45
Liquor Tax Reversion (Unincorporated Town)	800.00	800.00	0.00	(800.00)
Court Appointed Attorney/Public Defender	125,000.00	125,000.00	135,445.73	10,445.73
Abused and Neglected Child Defense	15,000.00	15,000.00	20,419.24	5,419.24
Telecommunications Gross Receipts Tax	515,000.00	515,000.00	417,854.51	(97,145.49)
Motor Vehicle 1/4%	30,000.00	30,000.00	32,728.44	2,728.44
Liquor Tax Reversion (25%)	362,900.00	362,900.00	372,108.08	9,208.08
Other Payments in Lieu of Taxes	20,000.00	20,000.00	22,973.31	2,973.31
Other Intergovernmental Revenue	251,475.00	251,475.00	237,892.44	(13,582.56)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	328,800.00	328,800.00	565,653.28	236,853.28
Register of Deeds' Fees	1,078,500.00	1,078,500.00	1,189,281.46	110,781.46
Legal Services	346,900.00	346,900.00	417,532.89	70,632.89
Clerk of Courts Fees	135,500.00	135,500.00	138,798.18	3,298.18
Other Fees	318,324.00	318,324.00	355,873.41	37,549.41
Public Safety:				
Law Enforcement	1,066,974.00	1,066,974.00	1,094,850.39	27,876.39
Prisoner Care	9,006,649.00	9,895,649.00	10,886,189.82	990,540.82
Other	3,038,564.00	3,088,914.00	2,484,677.73	(604,236.27)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	245,250.00	245,250.00	209,071.48	(36,178.52)
Veterans Service Officer	4,687.00	4,687.00	4,687.50	0.50
Other	6,600.00	6,600.00	0.00	(6,600.00)
Mental Health Services	16,000.00	16,000.00	16,441.00	441.00
Urban and Economic Development	53,000.00	53,000.00	55,845.00	2,845.00
Conservation of Natural Resources	125,500.00	125,500.00	120,551.07	(4,948.93)
Other Charges	38,300.00	38,300.00	32,767.19	(5,532.81)

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2017
(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>
Fines and Forfeits:				
Fines	3,000.00	3,000.00	6,073.00	3,073.00
Costs	7,400.00	7,400.00	37,987.57	30,587.57
Miscellaneous Revenue:				
Investment Earnings	15,000.00	15,000.00	90,858.15	75,858.15
Contributions and Donations	201,000.00	260,750.00	115,780.00	(144,970.00)
Refund of Prior Year's Expenditures	11,000.00	11,000.00	13,675.17	2,675.17
Other	11,000.00	11,000.00	11,255.36	255.36
Total Revenues	<u>52,822,061.40</u>	<u>53,896,161.40</u>	<u>54,585,762.98</u>	<u>689,601.58</u>
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	1,066,850.00	1,070,379.00	936,206.63	134,172.37
Contingency	828,580.00	828,580.00		
Amount Transferred		(728,580.00)		100,000.00
Elections	466,100.00	469,515.00	356,723.75	112,791.25
Judicial System	493,544.00	643,544.00	480,448.62	163,095.38
Financial Administration:				
Auditor	604,100.00	610,985.00	564,835.10	46,149.90
Treasurer	1,225,009.00	1,239,531.00	1,140,842.40	98,688.60
Legal Services:				
State's Attorney	4,671,509.00	5,070,010.00	4,893,079.71	176,930.29
Public Defender	2,902,524.00	2,935,619.00	2,684,874.94	250,744.06
Court Appointed Attorney	770,000.00	845,000.00	1,037,965.60	(192,965.60)
Abused and Neglected Child Defense	250,000.00	325,000.00	362,066.81	(37,066.81)
Other Administration:				
General Government Building	4,407,521.00	4,437,780.00	4,334,518.22	103,261.78
Director of Equalization	1,712,913.00	1,732,121.00	1,558,998.92	173,122.08
Register of Deeds	502,145.00	508,625.00	486,594.48	22,030.52
Predatory Animal	3,284.00	3,284.00	3,283.65	0.35
Geographic Information System	100,000.00	100,000.00	100,000.00	0.00
Information Technology	902,713.00	914,458.00	888,450.32	26,007.68
Human Resources	242,646.00	244,903.00	208,940.66	35,962.34
Public Safety:				
Law Enforcement:				
Sheriff	9,486,475.00	9,610,696.00	9,544,669.35	66,026.65
County Jail	12,472,875.00	13,584,528.00	13,381,846.77	202,681.23
Juvenile Detention	5,390,267.00	5,442,165.00	5,216,221.56	225,943.44
Other Law Enforcement	3,534,393.00	3,576,571.00	2,950,119.95	626,451.05
Protective and Emergency Services:				
Emergency and Disaster Services	150,818.00	260,868.00	260,544.21	323.79
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,755,912.00	1,804,943.22	1,649,287.81	155,655.41

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2017
(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>
Health Assistance:				
Health Services	96,540.00	96,540.00	96,540.00	0.00
Social Services:				
Care of Aged	19,446.00	19,446.00	19,446.00	0.00
Mental Health Services:				
Mentally Ill	100,948.00	100,948.00	100,948.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	91,169.00	91,806.00	89,117.51	2,688.49
Soil Conservation Districts	59,836.00	59,836.00	59,836.00	0.00
Weed and Pest Control	361,640.00	363,897.00	355,122.06	8,774.94
Grasshopper and Pest Control	170,623.00	197,283.00	186,813.26	10,469.74
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	597,396.00	663,471.00	507,959.16	155,511.84
Other	227,764.00	228,921.00	123,085.80	105,835.20
Debt Service	267,213.00	267,213.00	267,213.00	0.00
Total Expenditures	<u>55,932,753.00</u>	<u>57,619,886.22</u>	<u>54,846,600.25</u>	<u>2,773,285.97</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,110,691.60)</u>	<u>(3,723,724.82)</u>	<u>(260,837.27)</u>	<u>3,462,887.55</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	159,607.55	159,607.55
Transfers Out	(792,746.00)	(824,990.83)	(824,990.83)	0.00
Sale of County Property	0.00	0.00	1,282.30	1,282.30
Total Other Financing Sources (Uses)	<u>(792,746.00)</u>	<u>(824,990.83)</u>	<u>(664,100.98)</u>	<u>160,889.85</u>
Net Change in Fund Balance	(3,903,437.60)	(4,548,715.65)	(924,938.25)	3,623,777.40
Fund Balance - Beginning	<u>9,496,274.41</u>	<u>9,496,274.41</u>	<u>9,496,274.41</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 5,592,836.81</u>	<u>\$ 4,947,558.76</u>	<u>\$ 8,571,336.16</u>	<u>\$ 3,623,777.40</u>

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2017

	<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	\$ 1,717,783.07	\$ 1,717,783.07	\$ 1,704,014.90	\$ (13,768.17)
General Property Taxes--Delinquent	14,183.00	14,183.00	12,111.77	(2,071.23)
Penalties and Interest	5,500.00	5,500.00	4,201.04	(1,298.96)
Mobile Home Tax	6,000.00	6,000.00	3,484.62	(2,515.38)
Other Taxes	0.00	0.00	51.46	51.46
Licenses and Permits	141,800.00	141,800.00	135,367.01	(6,432.99)
Intergovernmental Revenue:				
Federal Shared Revenue	250,000.00	250,000.00	161,652.22	(88,347.78)
State Shared Revenue:				
Motor Vehicle Licenses	5,690,000.00	5,690,000.00	5,539,406.56	(150,593.44)
State Highway Fund (former 10% game)	32,000.00	32,000.00	32,014.21	14.21
Prorate License Fees	305,000.00	305,000.00	301,705.40	(3,294.60)
63 3/4% Mobile Home/Manufactured Home	60,000.00	60,000.00	70,334.37	10,334.37
Secondary Road Motor Vehicle Remittances	1,101,250.00	1,101,250.00	1,198,863.39	97,613.39
Motor Fuel Tax	32,500.00	32,500.00	32,424.97	(75.03)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	100,000.00	100,000.00	177,682.51	77,682.51
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	100,234.85	100,234.85
Other	5,000.00	5,000.00	7,403.62	2,403.62
Total Revenues	9,461,016.07	9,461,016.07	9,480,952.90	19,936.83
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	10,494,875.00	10,494,875.00	8,281,802.78	2,213,072.22
Excess of Revenues Over (Under) Expenditures	(1,033,858.93)	(1,033,858.93)	1,199,150.12	2,233,009.05
Other Financing Sources (Uses):				
Transfers Out	0.00	(1,000,000.00)	(1,100,234.85)	(100,234.85)
Insurance Proceeds	0.00	0.00	4,979.28	4,979.28
Sale of County Property	0.00	0.00	2,614.79	2,614.79
Total Other Financing Sources (Uses)	0.00	(1,000,000.00)	(1,092,640.78)	(92,640.78)
Net Change in Fund Balance	(1,033,858.93)	(2,033,858.93)	106,509.34	2,140,368.27
Change in Nonspendables:				
Change in Inventory	0.00	0.00	(25,342.30)	(25,342.30)
Fund Balance - Beginning	15,494,885.29	15,494,885.29	15,494,885.29	0.00
FUND BALANCE - ENDING	\$ 14,461,026.36	\$ 13,461,026.36	\$ 15,576,052.33	\$ 2,115,025.97

**REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ACCUMULATED BUILDING FUND
For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 5,113,011.30	\$ 5,113,011.30	\$ 5,090,946.56	\$ (22,064.74)
General Property Taxes--Delinquent	15,642.00	15,642.00	22,301.54	6,659.54
Penalties and Interest	8,000.00	8,000.00	9,007.18	1,007.18
Mobile Home Tax	10,000.00	10,000.00	5,198.42	(4,801.58)
Tax Deed Revenue	0.00	0.00	2,858.08	2,858.08
Other Taxes	13,000.00	13,000.00	15,442.79	2,442.79
Intergovernmental Revenue:				
Federal Grants	765,000.00	765,000.00	776,122.82	11,122.82
Other Payments in Lieu of Taxes	3,500.00	3,500.00	3,674.16	174.16
Other Intergovernmental Revenue	590,058.00	590,058.00	590,058.48	0.48
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	(125,303.78)	(125,303.78)
Contributions and Donations	0.00	10,000.00	7,596.95	(2,403.05)
Total Revenues	<u>6,518,211.30</u>	<u>6,528,211.30</u>	<u>6,397,903.20</u>	<u>(130,308.10)</u>
Expenditures:				
General Government:				
Other Administration:				
General Government Building	800,000.00	800,000.00	451,817.01	348,182.99
Public Safety:				
Law Enforcement:				
County Jail	0.00	278,582.00	245,707.00	32,875.00
Culture and Recreation:				
Recreation:				
County Fair	0.00	295,235.00	249,294.20	45,940.80
Debt Service	5,406,254.00	5,971,264.00	5,878,985.61	92,278.39
Total Expenditures	<u>6,206,254.00</u>	<u>7,345,081.00</u>	<u>6,825,803.82</u>	<u>519,277.18</u>
Excess of Revenues Over (Under) Expenditures	<u>311,957.30</u>	<u>(816,869.70)</u>	<u>(427,900.62)</u>	<u>388,969.08</u>
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(49,747.21)	(49,747.21)
General Long-Term Debt Issued - Par Amount	0.00	0.00	23,695,000.00	23,695,000.00
General Long-Term Debt - Original Issue Premium	0.00	0.00	2,026,217.00	2,026,217.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>25,671,469.79</u>	<u>25,671,469.79</u>
Net Change in Fund Balance	311,957.30	(816,869.70)	25,243,569.17	26,060,438.87
Fund Balance - Beginning	<u>6,997,849.39</u>	<u>6,997,849.39</u>	<u>6,997,849.39</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 7,309,806.69</u>	<u>\$ 6,180,979.69</u>	<u>\$ 32,241,418.56</u>	<u>\$ 26,060,438.87</u>

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

Note 1. Budgets and Budgetary Accounting:

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

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

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF FUNDING PROGRESS - HEALTHCARE PLAN
December 31, 2017

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%
December 31, 2013	\$	\$ 3,506,507.00	\$ 3,506,507.00	0.0%	\$ 27,002,855.00	13.0%
December 31, 2015	\$	\$ 3,149,488.00	\$ 3,149,488.00	0.0%	\$ 30,449,195.00	10.3%
December 31, 2017	\$	\$ 4,438,663.00	\$ 4,438,663.00	0.0%	\$ 33,470,595.00	13.3%

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

South Dakota Retirement System

* Last 10 Calendar Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,291,254.68	\$ 2,200,484.16	\$ 2,035,313.52	\$ 1,925,154.75
Contributions in relation to the contractually required contribution	<u>2,291,254.68</u>	<u>2,200,484.16</u>	<u>2,035,313.52</u>	<u>1,925,154.75</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
County's covered-employee payroll	\$ 34,135,968.21	\$ 32,820,887.27	\$ 30,419,109.61	\$ 28,757,139.04
Contributions as a percentage of covered-employee payroll	6.71%	6.70%	6.69%	6.69%

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

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

South Dakota Retirement System

*Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	1.8551911%	1.8530691%	1.7983698%	1.8368102%
County's proportionate share of net pension liability (asset)	\$ (168,360.50)	\$ 6,259,485.36	\$ (7,627,400.19)	\$ (13,233,466.31)
County's covered-employee payroll	\$ 33,720,017.64	\$ 31,581,178.72	\$ 29,408,793.82	\$ 28,769,460.23
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.50%	19.82%	-25.94%	-46.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.1%	96.9%	104.1%	107.3%

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

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

Changes of benefit terms:

No significant changes.

Changes of assumptions:

No significant changes.

**SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2017
Schools and Roads Cluster:				
US Department of Agriculture - Direct Programs: Schools and Roads - Grants to Counties (Note 3)	10.666		\$ 0.00	\$ 15,474.26
Subtotal US Department of Agriculture - Direct Programs			0.00	15,474.26
US Department of Agriculture Pass-Through Programs From: SD State Auditor, Schools and Roads - Grants to States (Note 3)	10.665		146,177.97	330,861.79
Subtotal US Department of Agriculture - Pass-Through Programs			146,177.97	330,861.79
Total for Schools and Roads Cluster			146,177.97	346,336.05
Child Nutrition Cluster:				
Indirect Federal Funding: SD Department of Education, School Breakfast Program (Note 3)	10.553	183SD310N1099		31,984.17
National School Lunch Program (Note 3)	10.555	183SD310N1099		60,299.29
Total for Nutrition Cluster			0.00	92,283.46
Total US Department of Agriculture			146,177.97	438,619.51
US Department of Housing and Urban Development - Pass-Through Programs:				
City of Rapid City, Community Development Block Grant/Entitlement Grants	14.218	B17MC46002		36,153.25
Total US Department of Housing and Urban Development			0.00	36,153.25
US Department of Interior - Direct Programs:				
Bureau of Land Management, Payments in Lieu of Taxes (Note 3) (Note 4)	15.226			1,536,559.00
Total US Department of the Interior			0.00	1,536,559.00
US Department of Justice - Direct Programs:				
Criminal Division Office, Equitable Sharing Program (Note 3)	16.922			3,165.67
US Department of Justice - Pass-Through Programs:				
SD Department of Corrections, Juvenile Justice and Delinquency Prevention	16.540	2013MUF0130		609.82
SD Department of Social Services, Crime Victim Assistance	16.575	180815656 / 180815641		171,004.46
Violence Against Women Formula Grants	16.588	18815682		117,449.45
City of Rapid City, Edward Byrne Memorial Justice Assistance Grant Program	16.738			26,990.00
Total US Department of Justice			0.00	319,219.40
Highway Safety Cluster:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety, State and Community Highway Safety	20.600	2018.00.55		16,568.18
National Priority Safety Programs	20.616	2018.00.83		19,144.80
Total Highway Safety Cluster			0.00	35,712.98
Other Programs:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety, Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608	2017.02.20		174,976.30
SD Teen Court Association, Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608	2017.02.21		4,757.00
SD Department of Public Safety, Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0485-15-01-00		353.99
Total US Department of Transportation			0.00	215,800.27
US General Services Administration - Pass-Through Programs:				
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003			8,184.08
Total US General Services Administration			0.00	8,184.08
US Environmental Protection Agency - Pass-Through Programs:				
SD Department of Environment and Natural Resources, Nonpoint Source Implementation Grants	66.460			10,113.95
Total US Environmental Protection Agency			0.00	10,113.95

**SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017
(Continued)**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2017
US Department of Health and Human Services - Pass-Through Programs: SD Department of Social Services, Promoting Safe and Stable Families	93.556	18.0842.202	<u> </u>	29,182.50
Total US Department of Health and Human Services			<u>0.00</u>	<u>29,182.50</u>
US Executive Office of the President - Pass-Through Programs: SD Attorney General, High Intensity Drug Trafficking Areas Program	95.001	G17MW0004A	<u> </u>	121,980.53
Total US Executive Office of the President			<u>0.00</u>	<u>121,980.53</u>
US Department of Homeland Security - Pass-Through Programs: SD Department of Public Safety - Office of Emergency Management, Emergency Management Performance Grants Homeland Security Grant Program	97.042 97.067	EMD2017-EP-00001-SO1 2016-SS-00029-SO1	<u> </u>	161,294.43 179,659.15
Total US Department of Homeland Security			<u>0.00</u>	<u>340,953.58</u>
GRAND TOTAL (Note 6)			<u>\$ 146,177.97</u>	<u>\$ 3,056,766.07</u>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Reimbursement

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

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 5: Federal Surplus Property

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

Note 6: Reporting Entity

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