

BROWN COUNTY

AUDIT REPORT

For the Year Ended December 31, 2021

BROWN COUNTY
COUNTY OFFICIALS
December 31, 2021

Board of Commissioners:

Doug Fjeldheim
Dennis Feickert
Duane Sutton
Mike Wiese
Mike Gage

Auditor:
Cathy McNickle

Treasurer:
Patty VanMeter

State's Attorney:
Ernest Thompson

Register of Deeds:
Roberta Nichols

Sheriff:
Mark Milbrandt

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

RUSSELL A. OLSON
AUDITOR GENERAL

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

Independent Auditor's Report

County Commission
Brown County
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2021, 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 1, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Russell A. Olson
Auditor General

August 1, 2023

BROWN COUNTY
SCHEDULE OR PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

There are no written current financial statement audit findings to report.



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RUSSELL A. OLSON
AUDITOR GENERAL

Independent Auditor's Report

County Commission
Brown County
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, South Dakota (County), as of December 31, 2021, 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.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term Debt are presented for purposes of additional

analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term Debt are 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 1, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.



Russell A. Olson
Auditor General

August 1, 2023

BROWN COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 19,508,539.97	\$ 1,320,563.15	\$ 20,829,103.12
Investments	801,756.73	1,331,995.06	2,133,751.79
Restricted Assets:			
Investments		1,588,356.41	1,588,356.41
TOTAL ASSETS	<u>\$ 20,310,296.70</u>	<u>\$ 4,240,914.62</u>	<u>\$ 24,551,211.32</u>
NET POSITION:			
Restricted For: (See Note 8)			
Road and Bridge Purposes	\$ 423,243.27	\$	\$ 423,243.27
American Rescue Plan Act Purposes	3,770,010.00		3,770,010.00
Landfill Closure and Postclosure Purposes		1,588,356.41	1,588,356.41
Other Purposes	565,160.22		565,160.22
Unrestricted	15,551,883.21	2,652,558.21	18,204,441.42
TOTAL NET POSITION	<u>\$ 20,310,296.70</u>	<u>\$ 4,240,914.62</u>	<u>\$ 24,551,211.32</u>

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

BROWN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 5,942,390.19	\$ 1,284,115.91	\$ 5,995,662.50	\$ 1,337,388.22	\$	\$ 1,337,388.22
Public Safety	7,020,565.20	577,913.78	1,375,526.07	(5,067,125.35)		(5,067,125.35)
Public Works	8,537,141.15	20,865.00	4,685,793.21	(3,830,482.94)		(3,830,482.94)
Health and Welfare	349,266.22	105,338.11		(243,928.11)		(243,928.11)
Culture and Recreation	2,006,412.43	1,225,588.80	90.00	(780,733.63)		(780,733.63)
Conservation of Natural Resources	237,103.65	29,916.37	10,885.69	(196,301.59)		(196,301.59)
Urban and Economic Development	699,695.78			(699,695.78)		(699,695.78)
**Interest on Long-Term Debt	435,457.40			(435,457.40)		(435,457.40)
Total Governmental Activities	25,228,032.02	3,243,737.97	12,067,957.47	(9,916,336.58)	0.00	(9,916,336.58)
Business-Type Activities:						
Landfill	4,064,143.56	3,058,401.44	45,452.29		(960,289.83)	(960,289.83)
Total Primary Government	<u>\$ 29,292,175.58</u>	<u>\$ 6,302,139.41</u>	<u>\$ 12,113,409.76</u>	<u>(9,916,336.58)</u>	<u>(960,289.83)</u>	<u>(10,876,626.41)</u>
General Revenues:						
Taxes:						
Property Taxes				16,370,735.83		16,370,735.83
Wheel Tax				822,625.43		822,625.43
State Shared Revenues				489,596.36		489,596.36
Grants and Contributions not Restricted to Specific Programs				498,631.09		498,631.09
Unrestricted Investment Earnings				26,110.45	3,474.15	29,584.60
Miscellaneous Revenue				161,166.76	26,715.00	187,881.76
Total General Revenues				<u>18,368,865.92</u>	<u>30,189.15</u>	<u>18,399,055.07</u>
Change in Net Position				8,452,529.34	(930,100.68)	7,522,428.66
Net Position - Beginning				11,857,767.36	5,171,015.30	17,028,782.66
NET POSITION - ENDING				<u>\$ 20,310,296.70</u>	<u>\$ 4,240,914.62</u>	<u>\$ 24,551,211.32</u>

**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.

**BROWN COUNTY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2021**

	General Fund	Road and Bridge Fund	Brown County TIF #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 15,051,029.44	\$ 2,973,322.32	\$ 1,081.68	\$ 1,483,106.53	\$ 19,508,539.97
Investments	801,756.73				801,756.73
TOTAL ASSETS	\$ 15,852,786.17	\$ 2,973,322.32	\$ 1,081.68	\$ 1,483,106.53	\$ 20,310,296.70
⁶ FUND BALANCES: (See Note 1.k.)					
Restricted	\$ 3,799,962.48	\$ 423,243.27	\$ 1,081.68	\$ 534,126.06	\$ 4,758,413.49
Assigned	5,914,250.81	2,550,079.05		951,999.36	9,416,329.22
Unassigned	6,138,572.88			(3,018.89)	6,135,553.99
TOTAL FUND BALANCES	\$ 15,852,786.17	\$ 2,973,322.32	\$ 1,081.68	\$ 1,483,106.53	\$ 20,310,296.70

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

BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Road and Bridge Fund	Brown County TIF #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	\$ 15,282,423.07	\$	\$ 892,354.48	\$	\$ 16,174,777.55
General Property Taxes--Delinquent	149,138.64				149,138.64
Penalties and Interest	41,318.11				41,318.11
Telephone Tax (Outside)	1,345.84				1,345.84
Mobile Home Tax	1,041.80				1,041.80
Wheel Tax		822,625.43			822,625.43
Tax Deed Revenue	3,113.89				3,113.89
Licenses and Permits	163,928.55	3,390.00		6,690.00	174,008.55
Intergovernmental Revenue:					
Federal Grants	5,791,386.52	140,828.12		942,132.40	6,874,347.04
Federal Shared Revenue	16,031.82				16,031.82
Federal Payments in Lieu of Taxes	230.00				230.00
State Grants	35,187.65	543,455.39		6,462.32	585,105.36
State Shared Revenue:					
Bank Franchise	226,101.34				226,101.34
Motor Vehicle Licenses		3,678,715.53			3,678,715.53
Court Appointed Attorney/Public Defender	42,640.21				42,640.21
Prorate License Fees		189,460.88			189,460.88
Abused and Neglected Child Defense	4,544.09				4,544.09
63 3/4% Mobile Home		18,321.91			18,321.91
Telecommunications Gross Receipts Tax	93,953.29				93,953.29
Motor Vehicle 1/4%	13,046.10				13,046.10
Motor Fuel Tax		17,717.72			17,717.72
911 Remittances				454,645.83	454,645.83
Liquor Tax Reversion (25%)	164,282.89				164,282.89
Other State Shared Revenue				97,293.66	97,293.66
Other Payments in Lieu of Taxes	5,258.84				5,258.84
Other Intergovernmental Revenue	25,869.27			454,500.00	480,369.27
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	168,064.11				168,064.11
Register of Deeds' Fees	548,008.00			29,033.43	577,041.43

Driver's License Exam				2,475.00	2,475.00
Legal Services	159,190.07				159,190.07
Clerk of Courts Fees	43,370.52				43,370.52
Other Fees	24,157.09				24,157.09
Public Safety:					
Law Enforcement	187,521.52				187,521.52
Prisoner Care	267,867.10				267,867.10
Sobriety Testing				60,209.00	60,209.00
Public Works:					
Road Maintenance Contract Charges		60.00			60.00
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	105,338.11				105,338.11
Veterans Service Officer	4,375.00				4,375.00
Culture and Recreation	1,225,588.80				1,225,588.80
Conservation of Natural Resources	29,916.37				29,916.37
Other Charges	13,646.28				13,646.28
Fines and Forfeits:					
Fines	789.22				789.22
Costs	51,901.94				51,901.94
Forfeits	1,765.00				1,765.00
Miscellaneous Revenue:					
Investment Earnings	20,471.05	3,732.98	168.53	1,737.89	26,110.45
Rent	146,452.86				146,452.86
Contributions and Donations	61,780.00			2,500.00	64,280.00
Refund of Prior Year's Expenditures	2,762.08				2,762.08
Other	8,014.01	10,838.66	11,884.68	36,337.57	67,074.92
Total Revenues	<u>25,131,821.05</u>	<u>5,429,146.62</u>	<u>904,407.69</u>	<u>2,094,017.10</u>	<u>33,559,392.46</u>

Expenditures:

General Government:

Legislative:

 Board of County Commissioners

229,947.80

229,947.80

Elections

53,023.47

53,023.47

Judicial System

57,687.87

57,687.87

Financial Administration:

 Auditor

350,559.65

350,559.65

 Treasurer

573,288.39

573,288.39

Legal Services:

 State's Attorney

980,577.85

980,577.85

 Court Appointed Attorney

690,650.72

690,650.72

 Abused and Neglected Child Defense

15,924.60

15,924.60

 Other Legal Services

102,582.04

102,582.04

BROWN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021
(Continued)

	General Fund	Road and Bridge Fund	Brown County TIF #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other General Government:					
General Government Building	1,023,217.39				1,023,217.39
Director of Equalization	587,164.44				587,164.44
Register of Deeds	340,252.19			23,973.13	364,225.32
Veterans Service Officer	149,814.85				149,814.85
Predatory Animal	4,198.38				4,198.38
Geographic Information System	98,667.27				98,667.27
Information Technology	481,701.17				481,701.17
Human Resources	179,158.98				179,158.98
Public Safety:					
Law Enforcement:					
Sheriff	1,919,418.38				1,919,418.38
County Jail	2,203,527.08			75,127.11	2,278,654.19
Coroner	34,887.96				34,887.96
County-Wide Law Enforcement	216,096.17				216,096.17
Juvenile Detention	920,141.97				920,141.97
Protective and Emergency Services:					
Fire Protection	16,991.68				16,991.68
Emergency and Disaster Services				231,577.45	231,577.45
Communication Center				1,402,827.19	1,402,827.19
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		8,535,188.39		1,922.97	8,537,111.36
Health and Welfare:					
Economic Assistance:					
Support of Poor	140,412.88				140,412.88
Health Assistance:					
County Nurse	19,617.00				19,617.00
Social Services:					
Domestic Abuse				9,727.92	9,727.92
Mental Health Services:					
Mentally Ill	72,007.17				72,007.17
Developmentally Disabled	12,760.00				12,760.00
Drug Abuse	25,000.00				25,000.00

Mental Health Centers	37,080.00				37,080.00
Mental Illness Board	32,661.25				32,661.25
Culture and Recreation:					
Culture:					
Public Library	15,800.00				15,800.00
Historical Museum	359,195.83				359,195.83
Recreation:					
Recreational Programs	5,000.00				5,000.00
Parks	72,675.92				72,675.92
Exhibition Building	369,776.67				369,776.67
County Fair	1,180,417.04				1,180,417.04
Other	3,500.00				3,500.00
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	64,426.46				64,426.46
Weed Control	172,724.16				172,724.16
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	187,094.65				187,094.65
Urban and Rural Development	28,069.38				28,069.38
Economic Development:					
Tourism, Industrial or Recreational Development	15,750.00				15,750.00
Debt Service			904,239.15		904,239.15
Total Expenditures	<u>13,940,866.67</u>	<u>8,535,188.39</u>	<u>904,239.15</u>	<u>1,847,737.81</u>	<u>25,228,032.02</u>
Excess of Revenues Over (Under) Expenditures	<u>11,190,954.38</u>	<u>(3,106,041.77)</u>	<u>168.54</u>	<u>246,279.29</u>	<u>8,331,360.44</u>
Other Financing Sources (Uses):					
Transfers In		3,962,400.00		657,933.97	4,620,333.97
Transfers Out	(4,620,333.97)				(4,620,333.97)
Insurance Proceeds	29,839.14				29,839.14
Sale of County Property	58.68	91,271.08			91,329.76
Total Other Financing Sources (Uses)	<u>(4,590,436.15)</u>	<u>4,053,671.08</u>	<u>0.00</u>	<u>657,933.97</u>	<u>121,168.90</u>
Net Change in Fund Balance	6,600,518.23	947,629.31	168.54	904,213.26	8,452,529.34
Fund Balance - Beginning	<u>9,252,267.94</u>	<u>2,025,693.01</u>	<u>913.14</u>	<u>578,893.27</u>	<u>11,857,767.36</u>
FUND BALANCE - ENDING	<u>\$ 15,852,786.17</u>	<u>\$ 2,973,322.32</u>	<u>\$ 1,081.68</u>	<u>\$ 1,483,106.53</u>	<u>\$ 20,310,296.70</u>

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

BROWN COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds
	Landfill
	Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,320,563.15
Investments	1,331,995.06
Total Current Assets	2,652,558.21
Noncurrent Assets:	
Restricted Investments	1,588,356.41
TOTAL ASSETS	\$ 4,240,914.62
NET POSITION:	
Restricted For:	
Landfill Closure and Postclosure Costs	\$ 1,588,356.41
Unrestricted	2,652,558.21
TOTAL NET POSITION	\$ 4,240,914.62

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

BROWN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds
	Landfill Fund
Operating Revenues:	
Charges for Goods and Services	\$ 2,338,938.08
Miscellaneous	719,463.36
	3,058,401.44
Operating Expenses:	
Personal Services	548,619.42
Other Current Expense	1,323,062.37
Capital Assets	2,192,461.77
	4,064,143.56
Total Operating Expenses	4,064,143.56
Operating Income (Loss)	(1,005,742.12)
Nonoperating Revenues (Expenses):	
Operating Grants	45,452.29
Investment Earnings	3,474.15
Rental Revenue	17,415.00
Sale of County Property	9,300.00
	75,641.44
Total Nonoperating Revenues (Expenses)	75,641.44
Change in Net Position	(930,100.68)
Net Position - Beginning	5,171,015.30
NET POSITION - ENDING	\$ 4,240,914.62

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

**BROWN COUNTY
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2021**

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	\$ 1,012,335.09
TOTAL ASSETS	\$ 1,012,335.09
NET POSITION:	
Restricted For:	
Individuals, Organizations, and Other Governments	\$ 1,012,335.09
TOTAL NET POSITION	\$ 1,012,335.09

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

BROWN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS:	
Property Tax Collections for Other Governments	\$ 47,903,656.89
State Shared Revenue Collections for Other Governments	13,353,825.97
Other Additions	164,611.95
Total Additions	61,422,094.81
DEDUCTIONS:	
Payments of Property Tax to Other Governments	48,044,616.75
Payments of State Shared Revenue to Other Governments	13,399,883.45
Other Deductions	875,011.49
Total Deductions	62,319,511.69
Change in Net Position	(897,416.88)
Net Position - Beginning	1,909,751.97
NET POSITION - ENDING	\$ 1,012,335.09

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

BROWN COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Brown 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 County has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. Brown County organized the Brown County Housing and Redevelopment Commission solely for abdicating its authority over the non-municipal housing projects within Brown County to the Housing and Redevelopment Commission of the Municipality of Aberdeen. Therefore, this component unit's financial activity was not included on the County's annual report. This financial activity of the component unit is to be included as a component unit on the Municipality of Aberdeen's annual report.

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 business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and 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 meets the following criteria:

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

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

Governmental Funds:

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

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

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

The remaining special revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Teen Court, Richmond Youth Camp, State Grants, Juvenile Detention Grants, 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as “Other Governmental Funds.”

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

Brown County TIF #1 Debt Service Fund – to account for tax increment property taxes which may be used only for the payment of the debt principal, interest, and related costs. The County has elected to report this as a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Solid Waste Fund – financed primarily by user charges this fund accounts for the Solid waste operating of the county as provided by SDCL 34A-6. This is a major fund.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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

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

Basis of Accounting:

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

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

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation

by recording capital assets arising from cash transactions and depreciating those assets where appropriate, so any capital assets owned by the County and the related depreciation are not reported on the financial statements of the County.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds and Accrued Landfill Closure and Postclosure Care Costs.

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

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

g. Program Revenues:

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

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

h. 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 as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-wide Financial Statements:

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

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

Fund Financial Statements:

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

j. Application of Net Position:

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

k. 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 nor committed. Fund Balance may be assigned by the County Commissioners.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

Revenue Source

Wheel Tax, State Grants, and Motor Vehicle Licenses

A schedule of fund balances is provided as follows:

**BROWN COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Brown County TIF #1 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Restricted For:					
Centennial Village Purposes	\$ 29,604.55	\$	\$	\$	\$ 29,604.55
Employee Picnic Purposes	347.93				347.93
American Rescue Plan Act Purposes	3,770,010.00				3,770,010.00
Snow Removal Purposes		423,243.27			423,243.27
Debt Service Purposes			1,081.68		1,081.68
911 Service Purposes				292,434.26	292,434.26
Rural Infrastructure Purposes				95,415.63	95,415.63
Domestic Abuse Purposes				1,547.40	1,547.40
Emergency Management Purposes				13,000.00	13,000.00
Point of Dispensing Purposes				32.17	32.17
Richmond Youth Camp Purposes				21,916.96	21,916.96
Modernization and Preservation Relief Purposes				109,779.64	109,779.64
Assigned To:					
Fairgrounds Purposes	71,152.17				71,152.17
Fairground Capital Improvement Purposes	250,000.00				250,000.00
Maintenance Purposes	250,000.00				250,000.00
Capital Improvement Purposes	3,336,440.68				3,336,440.68
Applied to next year's Budget	2,006,657.96				2,006,657.96
Road and Bridge Purposes		2,550,079.05			2,550,079.05
911 Service Purposes				740,095.33	740,095.33
Emergency Management Purposes				157,574.19	157,574.19
Teen Court Purposes				4,141.26	4,141.26
24/7 Sobriety Purposes				50,188.58	50,188.58
Unassigned	<u>6,138,572.88</u>			<u>(3,018.89)</u>	<u>6,135,553.99</u>
Total Fund Balances	<u>\$ 15,852,786.17</u>	<u>\$ 2,973,322.32</u>	<u>\$ 1,081.68</u>	<u>\$ 1,483,106.53</u>	<u>\$ 20,310,296.70</u>

2. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2021, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

Juvenile Detention Grants Fund	\$ 3,018.89
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The Board of County Commissioners plans to take the following actions to address the deficit fund balance/deficit net position:

The Juvenile Detention Grants Fund was opened to track the revenues and expenditures of a Juvenile Deferral grant. The revenues of the fund consist of participation fees that are charged and grant reimbursements. No funds were transferred to this fund to cover initial costs, so at December 31, 2021, the County had a negative fund balance and was waiting on reimbursement to eliminate the deficit fund balance.

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

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

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

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

As of December 31, 2021, the investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has an investment policy that would further limit its investment choices to the highest rate of interest possible at said time on available monies at financial institutions, as designated by the Brown County Commission.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the County’s deposits may not be returned to it. As of December 31, 2021, the County’s deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

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

4. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 1,588,356.41	South Dakota Department of Environment and Natural Resources required Landfill Closure and Postclosure Costs

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. 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, 2021, there were 2 series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$15,517,003.82.

7. LANDFILLS

The landfill operation is handled as an Enterprise Fund by the County. The plan for the operation of the disposal site is based on Administrative Rules of the State of South Dakota (ARSD) 74:27:13. Plans for the operation and various contingencies have been prepared for and are available at the office of the county auditor.

The County is required to recognize the cost of closure and postclosure care as the landfill is used (landfill capacity used to date). The County is also required to take into account the possibilities of higher or lower costs due to inflation, changes in technology, or changes in regulations. The County is in compliance with the funding requirements set forth for closure and Postclosure.

Unit #1 was closed in 2014 eliminating the closure portion of the liability. The estimated liability (financial assurance) for the landfill closure costs for Unit #1 was \$1,015,096.00.

The County completed construction on Unit 2 in 2010 and began using Cell 1 in 2011. The total lifespan of Unit 2 is currently estimated at 81.9 years, with an estimated total capacity of 5,196,049 tons. Construction of Unit 2 Cell 2 was completed in 2014, which was a continuation of Cell 1.

The estimated liability for landfill closure and postclosure costs for Unit #2, based on the most recent assessment and landfill capacity used to date information, was \$573,260.41 on December 31, 2021.

Financial assurances for corrective action are only required at facilities with known releases of contaminants. Brown County has not had any known releases of contaminants. The closure and postclosure requirements, based on the most recent assessment.

	Unit 1	Unit 2	Total
Closure	\$	\$ 253,064.94	\$ 253,064.94
Postclosure	1,015,096.00	320,195.47	1,335,291.47
Total	<u>\$ 1,015,096.00</u>	<u>\$ 573,260.41</u>	<u>\$ 1,588,356.41</u>

The County has \$1,588,356.41 set aside in an account for closure and postclosure costs, as required by ARSD 74:27:16:05, for financial assurance as of December 31, 2021. In compliance with ARSD 74:27:16:05, the State of South Dakota Department of Environment and Natural Resources as listed on the account.

Due to the County changing the basis of accounting to the modified cash basis of accounting (see Note 1.c.), the financial statements do not reflect this liability. However, the County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt, along with related notes, which includes details of the Accrued Landfill Closure and Postclosure Care Cost.

The county commissioners have also earmarked \$240,000.00 to meet any potential remediation costs.

8. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2021 was as follows:

Major Purposes:

Road and Bridge Purposes	\$ 423,243.27
Landfill Closure/Postclosure Cost Purposes	1,588,356.41
American Rescue Plan Act Purposes	<u>3,770,010.00</u>

Other Purposes:

911 Service Purposes	292,434.26
Domestic Abuse Purposes	1,547.40
Emergency Management Purposes	13,000.00
Debt Service Purposes	1,081.68
Point of Dispensing Purposes	32.17
Richmond Youth Camp Purposes	21,916.96
Modernization and Preservation	
Relief Purposes	109,779.64
Rural Infrastructure Purposes	95,415.63
Centennial Village Purposes	29,604.55
Employee Picnic Purposes	<u>347.93</u>

Total Other Purposes	<u>565,160.22</u>
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Total Restricted Net Position	<u>\$ 6,346,769.90</u>
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These balances are restricted due to federal grant and statutory requirements.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:			
General Fund	\$ 3,962,400.00	\$ 657,933.97	\$ 4,620,333.97

The County typically budgets transfers to the Road and Bridge Fund (Major Fund) and the 911 Service Fund, Emergency Management Fund and 24/7 Sobriety Fund (Other Governmental Funds) to conduct the indispensable functions of the County.

10. BROWN COUNTY TAX INCREMENT FINANCING #1 DEBT SERVICE FUND

The County is reporting the Tax Increment Financing #1 Debt Service Fund as a Major Fund because of public interest in the fund's operation. As of December 31, 2021, \$4,000,133.05 in Tax Incremental Series 2011 Revenue Bonds remain outstanding.

11. TAX ABATEMENTS

Brown County:

In 2006, the County created the Brown County Tax Increment District No. 1 under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

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

In 2011, the County entered into a development agreement with Northern Beef Packers Limited Partnership. The County agreed to issue Tax Increment Revenue Bonds and award the bond proceeds to the developer as a discretionary grant to assist in funding the costs of the project.

In 2012, the County issued the Brown County Tax Increment Revenue Bonds, Series 2011 in the amount of \$6,950,000. The positive tax increments received from the district are allocated to pay the principal and interest on the bonds until they are paid off or 20 years whichever is earlier.

The amount of general property taxes collected from the tax increment district during the calendar year ended December 31, 2021 was \$892,354.48. Based on the percentage of Brown County's property tax levy in relation to the total levy, the amount of general property taxes not available to Brown County was estimated to be \$194,599.15.

Municipality of Aberdeen:

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

The estimated proportionate share of the general property taxes collected from these tax increment districts that were not available to Brown County, during the year ended December 31, 2021 was \$343,581.44.

12. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the calendar years ended December 31, 2021, 2020, and 2019, equal to the required contributions each year, were as follows:

Year	Amount
2021	\$ 536,078.44
2020	\$ 562,527.00
2019	\$ 547,282.17

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

At June 30, 2021, SDRS is 105.53% 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, 2021 are as follows:

Proportionate share of total pension liability	\$ 55,769,154.24
Less proportionate share of net position restricted for pension benefits	<u>58,849,241.31</u>
Proportionate share of net pension asset	<u>\$ (3,080,087.07)</u>

The net pension asset was measured as of June 30, 2021 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, 2021, the County's proportion was 0.4021900%, which is a decrease of 0.0067470% from its proportion measured as of June 30, 2020.

Actuarial Assumptions:

The total pension asset in the June 30, 2021 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% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (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%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.9%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 4,987,427.27	\$ (3,080,087.07)	\$ (9,629,030.74)

Pension Plan Fiduciary Net Position:

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

13. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2021, the County was not involved in any litigation.

14. 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, 2021, the County managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-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,
Wrongful Acts,
Law Enforcement Liability,
Automobile Physical Damage, and
Property and Building Coverage

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The County carries various deductibles for the above coverages.

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	<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	\$ 15,336,103.00	\$ 15,336,103.00	\$ 15,282,423.07	\$ (53,679.93)
General Property Taxes--Delinquent	100,000.00	100,000.00	149,138.64	49,138.64
Penalties and Interest	1,500.00	1,500.00	41,318.11	39,818.11
Telephone Tax (Outside)	1,000.00	1,000.00	1,345.84	345.84
Mobile Home Tax	0.00	0.00	1,041.80	1,041.80
Tax Deed Revenue	3,500.00	3,500.00	3,113.89	(386.11)
Other Taxes	34,000.00	34,000.00	0.00	(34,000.00)
Licenses and Permits	64,500.00	64,500.00	163,928.55	99,428.55
Intergovernmental Revenue:				
Federal Grants	0.00	1,977,354.36	5,791,386.52	3,814,032.16
Federal Shared Revenue	18,500.00	18,500.00	16,031.82	(2,468.18)
Federal Payments in Lieu of Taxes	200.00	200.00	230.00	30.00
State Grants	15,000.00	15,000.00	35,187.65	20,187.65
State Shared Revenue:				
Bank Franchise	185,000.00	185,000.00	226,101.34	41,101.34
Court Appointed Attorney/Public Defender	25,000.00	25,000.00	42,640.21	17,640.21
Abused and Neglected Child Defense	6,000.00	6,000.00	4,544.09	(1,455.91)
Telecommunications Gross Receipts Tax	145,000.00	145,000.00	93,953.29	(51,046.71)
Motor Vehicle 1/4%	12,500.00	12,500.00	13,046.10	546.10
Liquor Tax Reversion (25%)	140,000.00	140,000.00	164,282.89	24,282.89
Other Payments in Lieu of Taxes	4,500.00	4,500.00	5,258.84	758.84
Other Intergovernmental Revenue	26,500.00	26,500.00	25,869.27	(630.73)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	163,600.00	163,600.00	168,064.11	4,464.11
Register of Deeds' Fees	380,000.00	380,000.00	548,008.00	168,008.00
Legal Services	128,000.00	128,000.00	159,190.07	31,190.07
Clerk of Courts Fees	55,000.00	55,000.00	43,370.52	(11,629.48)
Other Fees	27,500.00	27,500.00	24,157.09	(3,342.91)
Public Safety:				
Law Enforcement	170,500.00	170,500.00	187,521.52	17,021.52
Prisoner Care	187,100.00	187,100.00	267,867.10	80,767.10
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	100,000.00	100,000.00	105,338.11	5,338.11
Veterans Service Officer	4,375.00	4,375.00	4,375.00	0.00
Culture and Recreation	1,051,100.00	1,051,100.00	1,225,588.80	174,488.80
Urban and Economic Development	8,000.00	8,000.00	0.00	(8,000.00)
Conservation of Natural Resources	47,000.00	47,000.00	29,916.37	(17,083.63)
Other Charges	18,000.00	18,000.00	13,646.28	(4,353.72)
Fines and Forfeits:				
Fines	300.00	300.00	789.22	489.22
Costs	40,000.00	40,000.00	51,901.94	11,901.94
Forfeits	2,000.00	2,000.00	1,765.00	(235.00)
Miscellaneous Revenue:				
Investment Earnings	26,000.00	26,000.00	20,471.05	(5,528.95)
Rent	134,000.00	134,000.00	146,452.86	12,452.86
Special Assessments	34,000.00	34,000.00	0.00	(34,000.00)
Contributions and Donations	5,000.00	5,000.00	61,780.00	56,780.00
Refund of Prior Year's Expenditures	0.00	0.00	2,762.08	2,762.08
Other	5,000.00	5,000.00	8,014.01	3,014.01
Total Revenues	18,705,278.00	20,682,632.36	25,131,821.05	4,449,188.69
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	284,600.00	284,600.00	229,947.80	54,652.20
Contingency	250,000.00	250,000.00		
Amount Transferred		(156,001.00)		93,999.00
Elections	64,300.00	64,300.00	53,023.47	11,276.53
Judicial System	70,000.00	70,000.00	57,687.87	12,312.13
Financial Administration:				
Auditor	363,800.00	363,800.00	350,559.65	13,240.35
Treasurer	565,000.00	585,000.00	573,288.39	11,711.61
Legal Services:				
State's Attorney	939,206.35	982,105.12	980,577.85	1,527.27

SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2021
(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>
Court Appointed Attorney	698,500.00	698,500.00	690,650.72	7,849.28
Abused and Neglected Child Defense	35,000.00	35,000.00	15,924.60	19,075.40
Other General Government:				
General Government Building	1,111,085.00	1,111,085.00	1,023,217.39	87,867.61
Director of Equalization	620,046.30	620,046.30	587,164.44	32,881.86
Register of Deeds	361,520.00	361,520.00	340,252.19	21,267.81
Veterans Service Officer	166,682.46	166,682.46	149,814.85	16,867.61
Predatory Animal	4,198.37	4,199.37	4,198.38	0.99
Geographic Information System	110,984.09	110,984.09	98,667.27	12,316.82
Information Technology	455,511.52	485,511.52	481,701.17	3,810.35
Human Resources	158,809.00	188,809.00	179,158.98	9,650.02
Public Safety:				
Law Enforcement:				
Sheriff	2,009,698.44	2,009,698.44	1,919,418.38	90,280.06
County Jail	2,419,907.29	2,419,907.29	2,203,527.08	216,380.21
Coroner	41,830.00	41,830.00	34,887.96	6,942.04
County-Wide Law Enforcement	227,748.36	227,748.36	216,096.17	11,652.19
Juvenile Detention	957,803.53	957,803.53	920,141.97	37,661.56
Protective and Emergency Services:				
Fire Protection	17,000.00	17,000.00	16,991.68	8.32
Health and Welfare:				
Economic Assistance:				
Support of Poor	253,177.65	253,177.65	140,412.88	112,764.77
Health Assistance:				
County Nurse	19,000.00	20,000.00	19,617.00	383.00
Ambulance	1,500.00	1,500.00	0.00	1,500.00
Mental Health Services:				
Mentally Ill	75,000.00	75,000.00	72,007.17	2,992.83
Developmentally Disabled	14,428.00	14,428.00	12,760.00	1,668.00
Drug Abuse	25,000.00	25,000.00	25,000.00	0.00
Mental Health Centers	37,080.00	37,080.00	37,080.00	0.00
Mental Illness Board	30,000.00	40,000.00	32,661.25	7,338.75
Culture and Recreation:				
Culture:				
Public Library	15,800.00	15,800.00	15,800.00	0.00
Historical Museum	355,235.28	362,235.28	359,195.83	3,039.45
Recreation:				
Recreational Programs	5,000.00	5,000.00	5,000.00	0.00
Parks	92,748.54	92,748.54	72,675.92	20,072.62
Exhibition Building	370,798.58	370,798.58	369,776.67	1,021.91
County Fair	1,160,035.42	1,185,035.42	1,180,417.04	4,618.38
Other	3,500.00	3,500.00	3,500.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	83,919.80	83,919.80	64,426.46	19,493.34
Weed Control	195,519.64	195,519.64	172,724.16	22,795.48
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	185,984.34	195,984.34	187,094.65	8,889.69
Urban and Rural Development	28,069.38	28,069.38	28,069.38	0.00
Economic Development:				
Tourism, Industrial or Recreational Development	15,750.00	15,750.00	15,750.00	0.00
Total Expenditures	<u>14,900,777.34</u>	<u>14,920,676.11</u>	<u>13,940,866.67</u>	<u>979,809.44</u>
Excess of Revenues Over (Under) Expenditures	<u>3,804,500.66</u>	<u>5,761,956.25</u>	<u>11,190,954.38</u>	<u>5,428,998.13</u>
Other Financing Sources (Uses):				
Transfers Out	(4,424,514.66)	(4,620,333.97)	(4,620,333.97)	0.00
Insurance Proceeds	10,000.00	10,000.00	29,839.14	19,839.14
Sale of County Property	3,100.00	3,100.00	58.68	(3,041.32)
Total Other Financing Sources (Uses)	<u>(4,411,414.66)</u>	<u>(4,607,233.97)</u>	<u>(4,590,436.15)</u>	<u>16,797.82</u>
Net Change in Fund Balance	(606,914.00)	1,154,722.28	6,600,518.23	5,445,795.95
Fund Balance - Beginning	9,252,267.94	9,252,267.94	9,252,267.94	0.00
FUND BALANCE - ENDING	\$ 8,645,353.94	\$ 10,406,990.22	\$ 15,852,786.17	\$ 5,445,795.95

SUPPLEMENTARY INFORMATION
BROWN COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Wheel Tax	\$ 800,000.00	\$ 800,000.00	\$ 822,625.43	\$ 22,625.43
Licenses and Permits	7,000.00	7,000.00	3,390.00	(3,610.00)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	140,828.12	140,828.12
State Grants	430,000.00	430,000.00	543,455.39	113,455.39
State Shared Revenue:				
Motor Vehicle Licenses	3,400,000.00	3,400,000.00	3,678,715.53	278,715.53
Prorate License Fees	160,000.00	160,000.00	189,460.88	29,460.88
63 3/4% Mobile Home	10,000.00	10,000.00	18,321.91	8,321.91
Motor Fuel Tax	17,500.00	17,500.00	17,717.72	217.72
Other Intergovernmental Revenue	100.00	100.00	0.00	(100.00)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	2,000.00	2,000.00	60.00	(1,940.00)
Miscellaneous Revenue:				
Investment Earnings	1,500.00	1,500.00	3,732.98	2,232.98
Other	500.00	500.00	10,838.66	10,338.66
Total Revenues	<u>4,828,600.00</u>	<u>4,828,600.00</u>	<u>5,429,146.62</u>	<u>600,546.62</u>
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	8,804,180.69	9,000,000.00	8,535,188.39	464,811.61
Excess of Revenues Over (Under) Expenditures	<u>(3,975,580.69)</u>	<u>(4,171,400.00)</u>	<u>(3,106,041.77)</u>	<u>1,065,358.23</u>
Other Financing Sources (Uses):				
Transfers In	3,766,580.69	3,962,400.00	3,962,400.00	0.00
Insurance Proceeds	1,000.00	1,000.00	0.00	(1,000.00)
Sale of County Property	8,000.00	8,000.00	91,271.08	83,271.08
Total Other Financing Sources (Uses)	<u>3,775,580.69</u>	<u>3,971,400.00</u>	<u>4,053,671.08</u>	<u>82,271.08</u>
Net Change in Fund Balance	(200,000.00)	(200,000.00)	947,629.31	1,147,629.31
Fund Balance - Beginning	<u>2,025,693.01</u>	<u>2,025,693.01</u>	<u>2,025,693.01</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,825,693.01</u>	<u>\$ 1,825,693.01</u>	<u>\$ 2,973,322.32</u>	<u>\$ 1,147,629.31</u>

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

Note 1. Budgets and Budgetary Accounting:

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

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

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

South Dakota Retirement System

*Last 10 Years

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.4021900%	0.4089370%	0.4383187%	0.4149934%	0.4027032%	0.3995879%	0.3995089%	0.3937353%
County's proportionate share of net pension liability (asset)	\$ (3,080,087.07)	\$ (17,760.05)	\$ (46,449.78)	\$ (9,678.60)	\$ (36,545.73)	\$ 1,349,768.67	\$ (1,694,431.40)	\$ (2,836,702.00)
County's covered payroll	\$ 8,353,020.66	\$ 8,290,867.70	\$ 8,292,097.43	\$ 7,888,097.52	\$ 7,501,357.59	\$ 6,991,019.88	\$ 6,706,066.23	\$ 6,332,667.00
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-36.87%	-0.21%	-0.56%	-0.12%	-0.49%	19.31%	-25.27%	-44.79%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes

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

**SUPPLEMENTARY INFORMATION
BROWN COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2021**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2021</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2021</u>
Governmental Long-Term Debt:				
Revenue Bonds Payable	\$ 4,468,914.30	\$	\$ 468,781.25	\$ 4,000,133.05
Enterprise Long-Term Debt:				
Accrued Landfill Closure and Postclosure Care Costs	<u>1,400,479.44</u>	<u>187,876.97</u>		<u>1,588,356.41</u>
Total	<u>\$ 5,869,393.74</u>	<u>\$ 187,876.97</u>	<u>\$ 468,781.25</u>	<u>\$ 5,588,489.46</u>

Note 1 - Long-Term Debt:

Debt payable at December 31, 2021, is comprised of the following:

Revenue Bonds:

Tax Increment Revenue Bonds - Series 2011 - New Angus LLC Increment Financing - Interest Rate of 10 Percent - Maturing April 20, 2027 - Payments made from the Brown County TIF #1 Debt Service Fund.	\$ 4,000,133.05
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Accrued Landfill Closure and Postclosure Care Costs:

The County is required to estimate landfill closure and postclosure care costs. This will be paid from the Solid Waste Fund.	\$ 1,588,356.41
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