

**CODINGTON COUNTY**

**AUDIT REPORT**

**For the Two Years Ended December 31, 2016**

CODINGTON COUNTY  
COUNTY OFFICIALS  
December 31, 2016

Board of Commissioners:  
Elmer Brinkman – Chairman  
Brenda Hanten – Vice Chair  
Lee Gabel  
Tyler McElhany  
Myron Johnson

Auditor:  
Cindy Brugman

Treasurer:  
Carol Maloney

State's Attorney:  
Patrick McCann

Register of Deeds:  
Ann Rasmussen

Sheriff:  
Toby Wishard

Coroner:  
Dr. Alan Lawrence

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

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  
Codington County  
Watertown, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Codington County, South Dakota (County), as of December 31, 2016, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 27, 2018.

***Internal Control Over Financial Reporting***

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

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

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

We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item No. 2016-001 to be a significant deficiency.

### ***Compliance and Other Matters***

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

### ***County's Response to Findings***

The County's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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

February 27, 2018

CODINGTON COUNTY  
SCHEDULE OF 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 Finding:**

***Internal Control-Related Finding - Significant Deficiency:***

Sheriff's Department Internal Accounting Controls and Record Keeping

Finding No. 2016-001:

Deficiencies were noted in internal accounting control and record keeping in the sheriff's department resulting in a diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded.

Analysis:

United States Government Accountability Office, Government Auditing Standards, 2011 Revision, states:

Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse.

The following deficiencies in internal control over financial reporting and record keeping were noted:

- a. The sheriff's department did not assign or track pre-numbered receipt books by collection area and type of fee collected to allow for an adequate reconciliation of total receipts to proper reporting and deposit of fees collected.
- b. The sheriff's department used a collections lock box for the deposit of the cash collections and a copy of the receipt. The sheriff's department did not perform a dual verification of the cash and receipts deposited in collections lock box.
- c. The sheriff's department did not perform a proper reconciliation of the cash collections to the receipts issued. In addition, the sheriff's department should include a dual verification of the cash collections to receipts issued.
- d. The sheriff's department did not include documentation of deposit of cash collections to the county treasurer's office or other applicable agency.

RECOMMENDATIONS:

1. We recommend the sheriff's department assign and track pre-numbered receipt books by collection area and type of fee collected.
2. We recommend the sheriff's department require a dual verification of the cash collections and receipts contained in collections lock box.

3. We recommend the sheriff's department perform a reconciliation of cash collections to the receipts issued.
4. We recommend the sheriff's department document the deposit of the cash collections to the county treasurer's office or other applicable agency.

Management's Response:

Codington County has implemented the above recommendations from Legislative Audit. These additional procedures were put in place as soon as possible after Legislative Audit made the Auditor's and Sheriff's offices aware of the problem.





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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Codington County  
Watertown, South Dakota

### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Codington County, South Dakota (County), as of December 31, 2016, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of Codrington County as of December 31, 2016, and the respective changes in financial position for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### ***Basis of Accounting***

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

### ***Other Matters***

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Martin L. Guindon, CPA  
Auditor General

February 27, 2018

**CODINGTON COUNTY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2016**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 16,668,499.94
Investments	200,000.00
<b>TOTAL ASSETS</b>	<b>\$ 16,868,499.94</b>
<b>NET POSITION:</b>	
Restricted For: (See Note 4)	
Road and Bridge Purposes	\$ 239,156.02
Other Purposes	215,610.21
Unrestricted	16,413,733.71
<b>TOTAL NET POSITION</b>	<b>\$ 16,868,499.94</b>

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

**CODINGTON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,589,128.43	\$ 651,532.89	\$ 44,671.87	\$ (2,892,923.67)
Public Safety	3,587,494.56	607,738.69	351,956.89	(2,627,798.98)
Public Works	3,869,642.13	143,859.23	2,398,439.32	(1,327,343.58)
Health and Welfare	457,725.59	80,624.51	12,500.00	(364,601.08)
Culture and Recreation	633,368.63	112,548.52	1,170.00	(519,650.11)
Conservation of Natural Resources	318,460.74	139,849.15	11,800.00	(166,811.59)
Urban and Economic Development	102,819.92	32,797.77		(70,022.15)
Intergovernmental	30,996.97			(30,996.97)
*Interest on Long-Term Debt	14,599.43			(14,599.43)
<b>Total Primary Government</b>	<b>\$ 12,604,236.40</b>	<b>\$ 1,768,950.76</b>	<b>\$ 2,820,538.08</b>	<b>(8,014,747.56)</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes				7,671,549.93
Wheel Tax				309,969.56
State Shared Revenues				272,494.70
Grants and Contributions not Restricted to Specific Programs				17,024.00
Unrestricted Investment Earnings				123,935.85
Miscellaneous Revenue				45,420.88
<b>Total General Revenues</b>				<b>8,440,394.92</b>
<b>Change in Net Position</b>				<b>425,647.36</b>
<b>Net Position - Beginning</b>				<b>16,442,852.58</b>
<b>NET POSITION - ENDING</b>				<b>\$ 16,868,499.94</b>

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

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

**CODINGTON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,276,074.28	\$ 576,821.62	\$ 33,444.17	\$ (2,665,808.49)
Public Safety	3,430,125.88	543,017.02	424,197.84	(2,462,911.02)
Public Works	3,144,974.84	131,609.64	3,084,232.50	70,867.30
Health and Welfare	395,218.31	54,428.26	7,911.00	(332,879.05)
Culture and Recreation	465,338.27	108,502.12	1,355.00	(355,481.15)
Conservation of Natural Resources	312,329.51	141,700.43	5,900.00	(164,729.08)
Urban and Economic Development	111,833.23	40,246.30		(71,586.93)
Intergovernmental	37,958.61			(37,958.61)
*Interest on Long-Term Debt	19,826.60			(19,826.60)
<b>Total Primary Government</b>	<b>\$ 11,193,679.53</b>	<b>\$ 1,596,325.39</b>	<b>\$ 3,557,040.51</b>	<b>(6,040,313.63)</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes				7,428,167.83
Wheel Tax				302,107.29
State Shared Revenues				243,755.71
Grants and Contributions not Restricted to Specific Programs				16,192.00
Unrestricted Investment Earnings				67,966.19
Miscellaneous Revenue				52,020.80
<b>Total General Revenues</b>				<b>8,110,209.82</b>
<b>Change in Net Position</b>				<b>2,069,896.19</b>
<b>Net Position - Beginning</b>				<b>14,372,956.39</b>
<b>NET POSITION - ENDING</b>				<b>\$ 16,442,852.58</b>

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

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

**CODINGTON COUNTY**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 11,050,979.99	\$ 5,349,679.68	\$ 267,840.27	\$ 16,668,499.94
Investments	200,000.00			200,000.00
<b>TOTAL ASSETS</b>	<u>\$ 11,250,979.99</u>	<u>\$ 5,349,679.68</u>	<u>\$ 267,840.27</u>	<u>\$ 16,868,499.94</u>
<b>FUND BALANCES: (See Note 1.j.)</b>				
Restricted		\$ 239,156.02	\$ 215,610.21	\$ 454,766.23
Assigned	7,018,647.00	5,110,523.66	52,230.06	12,181,400.72
Unassigned	4,232,332.99			4,232,332.99
<b>TOTAL FUND BALANCES</b>	<u>\$ 11,250,979.99</u>	<u>\$ 5,349,679.68</u>	<u>\$ 267,840.27</u>	<u>\$ 16,868,499.94</u>

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

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**CODINGTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes--Current	\$ 7,604,253.69	\$	\$	\$ 7,604,253.69
General Property Taxes--Delinquent	44,596.27			44,596.27
Penalties and Interest	17,543.03			17,543.03
Telephone Tax (Outside)	514.39			514.39
Mobile Home Tax	201.00			201.00
Wheel Tax		309,969.56		309,969.56
Licenses and Permits	46,108.77		6,330.00	52,438.77
Intergovernmental Revenue:				
Federal Grants	14,716.28		59,801.90	74,518.18
Federal Shared Revenue	17,024.00			17,024.00
State Grants	47,341.23	228,744.17		276,085.40
State Shared Revenue:				
Bank Franchise	108,241.11	3,600.92		111,842.03
Motor Vehicle Licenses		2,046,465.10		2,046,465.10
Court Appointed Attorney/Public Defender	15,376.75			15,376.75
Prorate License Fees		103,643.85		103,643.85
63 3/4% Mobile Home		8,763.73		8,763.73
Telecommunications Gross Receipts Tax	126,405.60			126,405.60
Motor Vehicle 1/4%	8,443.89			8,443.89
Motor Fuel Tax		10,822.47		10,822.47
911 Remittances			276,418.71	276,418.71
Liquor Tax Reversion (25%)	34,247.07			34,247.07
Other Payments in Lieu of Taxes	4,441.55			4,441.55
Other Intergovernmental Revenue	776.74			776.74
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	75,447.00			75,447.00
Register of Deeds' Fees	291,527.50		19,590.96	311,118.46
Legal Services	167,296.83		3,581.00	170,877.83
Clerk of Courts Fees	37,346.00			37,346.00
Other Fees	23,739.10			23,739.10
Public Safety:				
Law Enforcement	101,818.82			101,818.82



Prisoner Care	342,364.79		342,364.79
Sobriety Testing		64,282.00	64,282.00
Other		25,542.01	25,542.01
Public Works:			
Road Maintenance Contract Charges			45,493.10
Other			98,366.13
Health and Welfare:			
Economic Assistance:			
Poor Lien Recoveries	40,284.73		40,284.73
Veterans Service Officer	4,375.00		4,375.00
Health Assistance:			
County Nurse	989.07		989.07
Women, Infants and Children		31,590.71	31,590.71
Culture and Recreation	112,548.52		112,548.52
Conservation of Natural Resources	57,714.15		57,714.15
Fines and Forfeits:			
Fines	343.60		343.60
Costs	42,553.45		42,553.45
Forfeits	10,150.00		10,150.00
Miscellaneous Revenue:			
Investment Earnings	78,813.86	2,557.35	123,935.85
Rent	98,757.57		98,757.57
Contributions and Donations	11,935.00	8,874.95	20,809.95
Refund of Prior Year's Expenditures	6,374.00		6,580.36
Other	7,197.81		7,197.81
Total Revenues	9,601,808.17	498,569.59	12,999,017.79
<b>Expenditures:</b>			
General Government:			
Legislative:			
Board of County Commissioners	298,253.07		298,253.07
Elections	74,928.04		74,928.04
Judicial System	56,271.43		56,271.43
Financial Administration:			
Auditor	261,551.26		261,551.26
Treasurer	366,349.51		366,349.51
Other (Credit Bureau Payments)	23,656.57		23,656.57
Legal Services:			
State's Attorney and Legal Catastrophic	570,493.27	73,451.37	643,944.64
Public Defender	243,930.17		243,930.17
Court Appointed Attorney	103,843.63		103,843.63
Other Administration:			
General Government Building	496,220.95		496,220.95
Director of Equalization	537,259.51		537,259.51
Register of Deeds	248,531.29		248,531.29

**CODINGTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**  
**(Continued)**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Veterans Service Officer	121,706.31			121,706.31
Predatory Animal	6,117.68			6,117.68
Self-Insurance Plan (Unemployment)	4,026.00			4,026.00
Other (Watertown Transit)	25,000.00			25,000.00
Public Safety:				
Law Enforcement:				
Sheriff	1,253,450.34			1,253,450.34
County Jail	1,728,987.65			1,728,987.65
Coroner	19,119.97		66,228.53	19,119.97
Other Law Enforcement	5,000.00			5,000.00
Protective and Emergency Services:				
Emergency and Disaster Services			201,137.61	201,137.61
Communication Center			265,752.58	265,752.58
Other Protective and Emergency			47,817.88	47,817.88
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		3,869,642.13		3,869,642.13
Health and Welfare:				
Economic Assistance:				
Support of Poor	167,752.99			167,752.99
Public Welfare	1,498.93			1,498.93
Health Assistance:				
County Nurse	66,046.83			66,046.83
Women, Infants and Children			44,309.38	44,309.38
Other (West Nile Prevention)	3,293.88			3,293.88
Social Services:				
Care of Aged	15,845.00			15,845.00
Domestic Abuse	12,000.00		9,898.00	21,898.00
Other	2,500.00			2,500.00
Mental Health Services:				
Mentally Ill	28,455.65			28,455.65
Developmentally Disabled	4,320.00			4,320.00
Mental Health Centers	76,883.00			76,883.00
Mental Illness Board	24,921.93			24,921.93

Culture and Recreation:				
Culture:		7,670.00		7,670.00
Historical Museum				
Recreation:				
Recreational Programs	15,000.00			15,000.00
Parks	217,889.12			217,889.12
Exhibition Building	377,809.51			377,809.51
Other	15,000.00			15,000.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	139,276.56			139,276.56
Weed and Pest Control	158,493.18			158,493.18
Other (Waterfowl Production)	11,891.00			11,891.00
Water Conservation:				
Geological Survey	8,800.00			8,800.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	67,069.92			67,069.92
Economic Development:				
Tourism, Industrial or Recreational Development	750.00			750.00
Other	35,000.00			35,000.00
Intergovernmental Revenue			30,996.97	30,996.97
Debt Service	92,137.80			92,137.80
Total Expenditures	7,995,001.95		3,900,639.10	12,604,236.40
			708,595.35	
Excess of Revenues Over (Under) Expenditures	1,606,806.22		(1,001,999.07)	394,781.39
			(210,025.76)	
<b>Other Financing Sources (Uses):</b>				
Transfers In	44,803.07		847,606.00	1,117,021.07
Transfers Out	(1,072,218.00)		(42,564.64)	(1,117,021.07)
Sale of County Property	4,186.78		26,679.19	30,865.97
Total Other Financing Sources (Uses)	(1,023,228.15)		831,720.55	30,865.97
			222,373.57	
Net Change in Fund Balance	583,578.07		(170,278.52)	425,647.36
Fund Balance - Beginning	10,667,401.92		5,519,958.20	16,442,852.58
FUND BALANCE - ENDING	\$ 11,250,979.99		\$ 5,349,679.68	\$ 16,868,499.94

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

**CODINGTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2015

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes--Current	\$ 7,368,874.17	\$		\$ 7,368,874.17
General Property Taxes--Delinquent	39,166.19		6.23	39,172.42
Penalties and Interest	17,556.10		4.15	17,560.25
Telephone Tax (Outside)	658.29			658.29
Mobile Home Tax	1,902.70			1,902.70
Wheel Tax		302,107.29		302,107.29
Licenses and Permits	48,992.30		6,690.00	55,682.30
<b>Intergovernmental Revenue:</b>				
Federal Grants	14,280.79		97,033.03	111,313.82
Federal Shared Revenue	16,192.00			16,192.00
State Grants	17,284.00	1,050,112.59	16,500.00	1,083,896.59
State Shared Revenue:				
Bank Franchise	97,636.18	3,248.12		100,884.30
Motor Vehicle Licenses	14,607.53	1,931,144.55		1,931,144.55
Court Appointed Attorney/Public Defender		100,246.99		100,246.99
Prorate License Fees	155.38			155.38
Abused and Neglected Child Defense		2,728.37		2,728.37
63 3/4% Mobile Home				
Telecommunications Gross Receipts Tax	140,457.65	10,816.91		140,457.65
Motor Vehicle 1/4%	7,864.35			7,864.35
911 Remittances	2,413.76			2,413.76
Other Payments in Lieu of Taxes	624.40		285,765.46	285,765.46
Other Intergovernmental Revenue				
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	42,229.00			42,229.00
Register of Deeds' Fees	303,938.00		20,215.30	324,153.30
Legal Services	145,835.70		4,059.67	149,895.37
Clerk of Courts Fees	35,099.88			35,099.88
Other Fees	14,278.13	55.94		14,334.07
Public Safety:				
Law Enforcement	76,219.33			76,219.33
Prisoner Care	337,073.39			337,073.39
Sobriety Testing			52,728.00	52,728.00

Other	332.33			24,916.19
Public Works:				
Road Maintenance Contract Charges				
Other		33,423.67		33,423.67
Health and Welfare:		98,185.97		98,185.97
Economic Assistance:				
Poor Lien Recoveries	12,422.91			12,422.91
Veterans Service Officer	4,375.00			4,375.00
Health Assistance:				
Women, Infants and Children			33,768.16	33,768.16
Other	1,547.19			1,547.19
Culture and Recreation	108,502.12			108,502.12
Conservation of Natural Resources	59,245.49			59,245.49
Other Charges	5.00			5.00
Fines and Forfeits:				
Fines	209.00			209.00
Costs	34,257.20			34,257.20
Forfeits	10,769.66			10,769.66
Miscellaneous Revenue:				
Investment Earnings	45,927.84	20,683.16	1,355.19	67,966.19
Rent	87,283.19			87,283.19
Contributions and Donations	20,839.20		8,500.56	29,339.76
Refund of Prior Year's Expenditures	8,868.88			8,868.88
Other	7,320.36			7,320.36
Total Revenues	9,145,244.59	3,552,753.56	551,209.61	13,249,207.76

**Expenditures:**

General Government:				
Legislative:				
Board of County Commissioners	292,012.08			292,012.08
Elections	11,604.03			11,604.03
Judicial System	37,893.23			37,893.23
Financial Administration:				
Auditor	236,721.66			236,721.66
Treasurer	353,409.49			353,409.49
Other (Credit Bureau Payments)	6,145.53			6,145.53
Legal Services:				
State's Attorney and Legal Catastrophic	519,026.19		72,054.45	591,080.64
Public Defender	231,377.33			231,377.33
Court Appointed Attorney	80,791.62			80,791.62
Abused and Neglected Child Defense	1,828.00			1,828.00
Other Administration:				
General Government Building	368,354.61		30,000.00	398,354.61
Director of Equalization	581,474.37			581,474.37
Register of Deeds	233,519.72			233,519.72
Veterans Service Officer	116,431.89			116,431.89

**CODINGTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**  
**(Continued)**

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Predatory Animal	6,117.68			6,117.68
Other (Watertown Transit)	25,000.00			25,000.00
Public Safety:				
Law Enforcement:				
Sheriff	1,169,417.93			1,169,417.93
County Jail	1,647,532.59		60,031.79	1,707,564.38
Coroner	7,290.52			7,290.52
Juvenile Detention	90.00			90.00
Other Law Enforcement	1,075.00			1,075.00
Protective and Emergency Services:				
Emergency and Disaster Services		236,103.43		236,103.43
Communication Center		273,975.07		273,975.07
Other Protective and Emergency		34,609.55		34,609.55
Public Works:				
Highways and Bridges:		3,144,974.84		3,144,974.84
Highways, Roads and Bridges		3,144,974.84		3,144,974.84
Health and Welfare:				
Economic Assistance:				
Support of Poor	103,975.84			103,975.84
Public Welfare	1,495.35			1,495.35
Health Assistance:				
County Nurse	66,007.21			66,007.21
Women, Infants and Children			35,272.36	35,272.36
Other (West Nile Prevention)	4,138.63			4,138.63
Social Services:				
Care of Aged	15,767.00			15,767.00
Domestic Abuse	12,000.00		10,818.00	22,818.00
Other	2,500.00			2,500.00
Mental Health Services:				
Mentally Ill	22,718.65			22,718.65
Developmentally Disabled	4,620.00			4,620.00
Mental Health Centers	74,395.00			74,395.00
Mental Illness Board	41,510.27			41,510.27
Culture and Recreation:				
Historical Museum	7,235.63			7,235.63

Recreation:					
Recreational Programs	12,000.00				12,000.00
Parks	187,296.46				187,296.46
Exhibition Building	243,806.18				243,806.18
Other	15,000.00				15,000.00
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	144,661.85				144,661.85
Weed and Pest Control	147,794.27				147,794.27
Other (Waterfowl Production)	11,375.39				11,375.39
Water Conservation:					
Geological Survey	8,498.00				8,498.00
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	76,083.23				76,083.23
Economic Development:					
Tourism, Industrial or Recreational Development	750.00				750.00
Other	35,000.00				35,000.00
Intergovernmental Revenue	7,747.87		30,210.74		37,958.61
Debt Service	92,139.00				92,139.00
Total Expenditures	<u>7,265,629.30</u>		<u>3,175,185.58</u>	<u>752,864.65</u>	<u>11,193,679.53</u>
Excess of Revenues Over (Under) Expenditures	<u>1,879,615.29</u>		<u>377,567.98</u>	<u>(201,655.04)</u>	<u>2,055,528.23</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	21,895.49		969,371.00	196,599.00	1,187,865.49
Transfers Out	(1,165,970.00)		(20,683.16)	(1,212.33)	(1,187,865.49)
Sale of County Property	31.69		916.27	13,420.00	14,367.96
Total Other Financing Sources (Uses)	<u>(1,144,042.82)</u>		<u>949,604.11</u>	<u>208,806.67</u>	<u>14,367.96</u>
Net Change in Fund Balance	735,572.47		1,327,172.09	7,151.63	2,069,896.19
Fund Balance - Beginning	9,931,829.45		4,192,786.11	248,340.83	14,372,956.39
FUND BALANCE - ENDING	<u>\$ 10,667,401.92</u>		<u>\$ 5,519,958.20</u>	<u>\$ 255,492.46</u>	<u>\$ 16,442,852.58</u>

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

**CODINGTON COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2016**

	<b>Agency Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 960,369.56
<b>TOTAL ASSETS</b>	\$ 960,369.56
<b>NET POSITION:</b>	
Net Position Held in Agency Capacity	\$ 960,369.56
<b>TOTAL NET POSITION</b>	\$ 960,369.56

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



CODINGTON 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 general accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, have not been applied, to the extent they are applicable to the modified cash basis of accounting. If those pronouncements conflict with or contradict GASB pronouncements, GASB pronouncements prevail.

a. Financial Reporting Entity:

The reporting entity of Codington 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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 (HRC) under the authority of SDCL 11-7-7. The County created this HRC solely for the purpose of abdicating its power or authority over the housing projects within Codington County to the Watertown Housing and Redevelopment Commission of the Municipality of Watertown organized by the Municipality of Watertown. The County Commission, though, retains the statutory authority for the County Commissioner's Chairperson with the approval of the Board of County Commissioners appointment of the five members of the HRC for five year, staggered terms. The HRC elects its own Chairperson and recruits and employs its own management personnel and other workers. The County Commission also retains the statutory authority to approve or deny or otherwise modify the HRC'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 HRC. Because Codington County abdicated their power and authority over this HRC to the Housing and Redevelopment Commission of the Municipality of Watertown organized by the Municipality of Watertown, this component unit's financial activity is not included on Codington County's annual report. The financial activity of this component unit would be included as a component unit on the Municipality of Watertown's annual report.

The County participates in a cooperative unit with Hamlin County. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion

in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

The County and the Municipality of Watertown jointly govern the Watertown-Codington Regional Railroad Authority. See detailed note entitled “Jointly Governed Organization” for specific disclosures.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into 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.*

County Road and Bridge Fund – to account for funds credited to the county 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.

The remaining Special Revenue funds are not considered major funds: 911 Service, Emergency Management, Domestic Abuse, Courthouse Building, Victims of Crime, Women, Infants and Children, 24/7 Sobriety, Search and Rescue, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as “Other Governmental Funds”.

### **Fiduciary Funds:**

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

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

### c. Measurement Focus and Basis of Accounting:

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

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

#### *Measurement Focus:*

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

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

#### *Basis of Accounting:*

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of

accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

f. Long-Term Liabilities:

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

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

recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the County. The County does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

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

g. Program Revenues:

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

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

h. Equity Classifications:

*Government-wide Statements:*

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

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

*Fund Financial Statements:*

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

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

**Major Special Revenue Fund**  
Road and Bridge Fund

**Revenue Source**  
Motor Vehicle License/Taxes

A schedule of fund balances is provided as follows:

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>				
Restricted For:				
Road and Bridge Purposes	\$	228,744.17	\$	228,744.17
Snow Removal Purposes		8,078.62		8,078.62
Highway and Bridge Reserve Purposes		2,333.23		2,333.23
Courthouse Building Purposes			1,393.18	1,393.18
911 Service Purposes			52,638.63	52,638.63
Domestic Abuse Purposes			1,905.00	1,905.00
Modernization and Preservation Relief Purposes			88,935.56	88,935.56
24/7 Sobriety Purposes			39,305.48	39,305.48
Search and Rescue Purposes			31,432.36	31,432.36
Assigned To:				
Applied to Next Year's Budget	1,018,647.00			1,018,647.00
Capital Outlay Accumulations	6,000,000.00			6,000,000.00
Road and Bridge Purposes		5,110,523.66		5,110,523.66
Emergency Management Purposes			3,157.77	3,157.77
Women, Infants and Children Purposes			27,633.98	27,633.98
Victims of Crime Purposes			21,438.31	21,438.31
Unassigned	4,232,332.99			4,232,332.99
<b>Total Fund Balances</b>	<b>\$ 11,250,979.99</b>	<b>\$ 5,349,679.68</b>	<b>\$ 267,840.27</b>	<b>\$ 16,868,499.94</b>

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

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

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

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

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

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

As of December 31, 2016, the County had the following deposit in an external investment pool, which is reported as a Cash and Cash Equivalent.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
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External Investment Pools:

SDFIT	Unrated	\$ 6,973.70
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The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The SDFIT money market is not considered an investment for reporting purposes.

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

**Interest Rate Risk** – The County’s formal investment policy limits investment maturities to 18 months as allowed by SDCL 4-5-6.1. Plus investments are to be chosen based on the highest rate of interest possible after attempting to secure three quotes.



**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 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. 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 January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

4. RESTRICTED NET POSITION

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

**Major Funds:**

Road and Bridge Purposes	<u>\$ 239,156.02</u>
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**Other Purposes:**

911 Service Purposes	52,638.63
Domestic Abuse Purposes	1,905.00
Courthouse Building Purposes	1,393.18
24/7 Sobriety Purposes	39,305.48
Modernization and Preservation Relief Purposes	88,935.56
Search and Rescue Purposes	<u>31,432.36</u>

Total Other Purposes	<u>215,610.21</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 454,766.23</u></b>
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These balances are restricted due to federal grant and statutory requirements.

5. INTERFUND TRANSFERS

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

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>			<b>Total</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	
Major Funds:				
General Fund	\$	\$ 847,606.00	\$ 224,612.00	\$ 1,072,218.00
Road and Bridge Fund	42,564.64			42,564.64
Other Governmental Funds	2,238.43			2,238.43
<b>Total</b>	<b>\$ 44,803.07</b>	<b>\$ 847,606.00</b>	<b>\$ 224,612.00</b>	<b>\$ 1,117,021.07</b>

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

<b><u>Transfers From:</u></b>	<b><u>Transfers To:</u></b>			<b>Total</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Other Governmental Funds</b>	
Major Funds:				
General Fund	\$	\$ 969,371.00	\$ 196,599.00	\$ 1,165,970.00
Road and Bridge Fund	20,683.16			20,683.16
Other Governmental Funds	1,212.33			1,212.33
<b>Total</b>	<b>\$ 21,895.49</b>	<b>\$ 969,371.00</b>	<b>\$ 196,599.00</b>	<b>\$ 1,187,865.49</b>

The County typically budgets transfers to the Road and Bridge Fund and Other Government Funds; Emergency Management Fund, Victims of Crime Fund, and Women, Infants and Children Fund, to conduct the indispensable functions of the County.

The County typically transfers from the Road and Bridge Fund and Other Governmental Funds (except 911 Service) to the General Fund for the allowable cash transfer relating to interest revenue generated by these funds.

6. TAX ABATEMENTS

Municipality of Watertown

The Municipality of Watertown has created several 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 Watertown has five (5) active tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Codington County during the life of the tax increment district.

The amount of general property taxes collected from the tax increment districts that were not available to Codington County, during the calendar year ended December 31, 2015 and December 31, 2016 was \$85,230.00 and \$88,085.00, respectively.

## 7. PENSION PLAN

### **Plan Information:**

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

### **Benefits Provided:**

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

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

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

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

### **Contributions:**

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

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

Year	Amount
2016	\$ 271,501.81
2015	\$ 262,189.91
2014	\$ 253,169.65

**Pension Liabilities:**

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

Proportionate share of total pension liability	\$ 25,293,542.08
Less Proportionate share of net position restricted for pension benefits	<u>24,506,175.81</u>
Proportionate share of net pension liability	<u>\$ 787,366.27</u>

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the County's proportion was .2330933%, which is a decrease of .0033262% from its proportion measured as of June 30, 2015.

**Actuarial Assumptions:**

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

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

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

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

allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 4,406,091	\$ 787,366	\$ (2,164,093)

**Pension Plan Fiduciary Net Position:**

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

8. JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with the Municipality of Watertown (members), created the Watertown-Codington County Regional Railroad Authority (Authority). The Authority was created to maintain and improve the railroad to and in their respective jurisdictions. The Authority was created as allowed by SDCL 49-17A and was incorporated on June 17, 2002. The Authority board is comprised of five commissioners, two commissioners appointed by each of the members and one commissioner appointed by the joining agreement of the members. The political subdivisions which are members of the Authority and their commissioners, officers, and agents shall not be liable for any obligations of the Authority. The Authority shall not certify to any of the governing bodies of the members any tax levy as allowed by SDCL 49-17A-21 without first having received the approval for such certification from the governing body to which the certification shall be made. The Authority

shall not issue bonds or notes as allowed by SDCL 49-17A-27 for which it or any other entity shall become liable without the approval of the governing boards or a majority of the Members.

9. JOINT VENTURES

The County participates in a joint venture, known as the Hamlin Codington Regional Library, formed for the purpose of providing library and bookmobile services to Hamlin and Codington Counties.

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

Hamlin County	50%
Codington County	50%

The joint venture's governing board is composed of six representatives, three representatives from each county approved by both county commission boards. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Hamlin Codington Regional Library.

At December 31, 2016, this joint venture had total cash net assets of \$39,200.11 and no long-term debt.

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2016, the County was involved in one civil lawsuit. No determination can be made at this time regarding the potential outcome of this lawsuit. The matter is scheduled for mediation in May, 2018. It is being handled through outside counsel. As discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of the lawsuit.

11. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

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, Officials Liability, and Law Enforcement Liability.

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2016, the County has vested balance in the cumulative reserve fund of \$151,852.21.

The County carries a \$2,500 deductible for the officials liability coverage, \$3,000 deductible for the law enforcement liability coverage, \$500.00 deductible for special perils, \$500.00 for comprehensive, and \$1,000.00 for collision for automobile coverage.

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

#### Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy 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 \$600,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits or a combined employer liability of \$2,000,000 per incident.

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

Unemployment Benefits:

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

During the two years ended December 31, 2016, one claim was filed for unemployment benefits. The claim resulted in the payment of benefits in the amount of \$4,026.00. At December 31, 2016, one claim had been filed and was outstanding. It is estimated, based upon historical trends that the claim will result in the future payment of unemployment benefits in the amount of approximately \$5,374.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.



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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 7,679,404.00	\$ 7,679,404.00	\$ 7,604,253.69	\$ (75,150.31)
General Property Taxes--Delinquent	45,000.00	45,000.00	44,596.27	(403.73)
Penalties and Interest	16,000.00	16,000.00	17,543.03	1,543.03
Telephone Tax (Outside)	350.00	350.00	514.39	164.39
Mobile Home Tax	0.00	0.00	201.00	201.00
Licenses and Permits	38,900.00	38,900.00	46,108.77	7,208.77
Intergovernmental Revenue:				
Federal Grants	0.00	14,572.62	14,716.28	143.66
Federal Shared Revenue	16,200.00	16,200.00	17,024.00	824.00
State Grants	6,000.00	6,000.00	47,341.23	41,341.23
State Shared Revenue:				
Bank Franchise	80,000.00	80,000.00	108,241.11	28,241.11
Court Appointed Attorney/Public Defender	15,000.00	15,000.00	15,376.75	376.75
Telecommunications Gross Receipts Tax	140,000.00	140,000.00	126,405.60	(13,594.40)
Motor Vehicle 1/4%	7,000.00	7,000.00	8,443.89	1,443.89
Liquor Tax Reversion (25%)	0.00	0.00	34,247.07	34,247.07
Other Payments in Lieu of Taxes	5,000.00	5,000.00	4,441.55	(558.45)
Other Intergovernmental Revenue	0.00	0.00	776.74	776.74
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	40,100.00	40,100.00	75,447.00	35,347.00
Register of Deeds' Fees	309,000.00	309,000.00	291,527.50	(17,472.50)
Legal Services	144,400.00	144,400.00	167,296.83	22,896.83
Clerk of Court Fees	35,000.00	35,000.00	37,346.00	2,346.00
Other Fees	12,000.00	12,000.00	23,739.10	11,739.10
Public Safety:				
Law Enforcement	82,200.00	82,200.00	101,818.82	19,618.82
Prisoner Care	295,000.00	295,000.00	342,364.79	47,364.79
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	25,000.00	25,000.00	40,284.73	15,284.73
Veterans Service Officer	4,375.00	4,375.00	4,375.00	0.00
Health Assistance:				
County Nurse	500.00	500.00	989.07	489.07
Culture and Recreation	70,000.00	70,000.00	112,548.52	42,548.52
Conservation of Natural Resources	60,000.00	60,000.00	57,714.15	(2,285.85)
Fines and Forfeits:				
Fines	0.00	0.00	343.60	343.60
Costs	25,000.00	25,000.00	42,553.45	17,553.45
Forfeits	10,000.00	10,000.00	10,150.00	150.00
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	78,813.86	38,813.86
Rent	84,400.00	84,400.00	98,757.57	14,357.57
Contributions and Donations	0.00	0.00	11,935.00	11,935.00
Refund of Prior Year's Expenditures	0.00	0.00	6,374.00	6,374.00
Other	0.00	0.00	7,197.81	7,197.81
<b>Total Revenues</b>	<b>9,285,829.00</b>	<b>9,300,401.62</b>	<b>9,601,808.17</b>	<b>301,406.55</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	316,756.00	316,756.00	298,253.07	18,502.93
Contingency	198,500.00	198,500.00	198,500.00	0.00
Amount Transferred	0.00	(71,798.21)	0.00	126,701.79
Elections	73,200.00	74,928.04	74,928.04	0.00
Judicial System	64,000.00	64,000.00	56,271.43	7,728.57
Financial Administration:				
Auditor	281,560.00	281,560.00	261,551.26	20,008.74
Treasurer	383,649.00	383,649.00	366,349.51	17,299.49
Other (Credit Bureau Payments)	21,200.00	23,656.57	23,656.57	0.00
Legal Services:				
State's Attorney and Legal Catastrophic	642,553.00	642,553.00	570,493.27	72,059.73
Public Defender	248,000.00	248,000.00	243,930.17	4,069.83
Court Appointed Attorney	90,000.00	103,843.63	103,843.63	0.00
Abused and Neglected Child Defense	3,000.00	3,000.00	0.00	3,000.00
Other Administration:				
General Government Building	552,120.00	554,898.00	496,220.95	58,677.05
Director of Equalization	644,704.00	644,704.00	537,259.51	107,444.49
Register of Deeds	291,170.00	291,170.00	248,531.29	42,638.71
Veterans Service Officer	125,971.00	125,971.00	121,706.31	4,264.69
Predatory Animal	6,500.00	6,500.00	6,117.68	382.32
Self-Insurance Plan (Unemployment)	10,000.00	10,000.00	4,026.00	5,974.00
Other (Watertown Transit)	25,000.00	30,000.00	25,000.00	5,000.00

**SUPPLEMENTARY INFORMATION**  
**CODINGTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**  
**(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>
Public Safety:				
Law Enforcement:				
Sheriff	1,370,564.00	1,389,234.90	1,253,450.34	135,784.56
County Jail	1,733,525.00	1,779,305.00	1,728,987.65	50,317.35
Coroner	17,130.00	19,119.97	19,119.97	0.00
Juvenile Detention	5,000.00	5,000.00	0.00	5,000.00
Other Law Enforcement	5,000.00	5,000.00	5,000.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	372,885.00	372,885.00	167,752.99	205,132.01
Public Welfare	1,500.00	1,500.00	1,498.93	1.07
Health Assistance:				
County Nurse	70,122.00	70,122.00	66,046.83	4,075.17
Other (West Nile Prevention)	2,388.00	4,443.68	3,293.88	1,149.80
Social Services:				
Care of Aged	15,845.00	15,845.00	15,845.00	0.00
Domestic Abuse	12,000.00	12,000.00	12,000.00	0.00
Other	2,500.00	2,500.00	2,500.00	0.00
Mental Health Services:				
Mentally Ill	35,000.00	35,000.00	28,455.65	6,544.35
Developmentally Disabled	5,800.00	5,800.00	4,320.00	1,480.00
Mental Health Centers	75,883.00	76,883.00	76,883.00	0.00
Mental Illness Board	32,000.00	32,000.00	24,921.93	7,078.07
Culture and Recreation:				
Culture:				
Historical Museum	6,500.00	7,670.00	7,670.00	0.00
Memorial Day Expense	150.00	150.00	0.00	150.00
Recreation:				
Recreational Programs	15,000.00	15,000.00	15,000.00	0.00
Parks	223,093.00	223,093.00	217,889.12	5,203.88
Exhibition Building	415,772.00	415,772.00	377,809.51	37,962.49
Other	15,000.00	15,000.00	15,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	165,367.00	165,367.00	139,276.56	26,090.44
Weed and Pest Control	198,550.00	198,550.00	158,493.18	40,056.82
Other (Waterfowl Production)	14,000.00	14,000.00	11,891.00	2,109.00
Water Conservation:				
Geological Survey	9,000.00	9,000.00	8,800.00	200.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	77,350.00	77,350.00	67,069.92	10,280.08
Economic Development:				
Tourism, Industrial or Recreational Development	750.00	750.00	750.00	0.00
Other	35,000.00	35,000.00	35,000.00	0.00
Debt Service	92,139.00	92,139.00	92,137.80	1.20
Total Expenditures	<u>9,002,696.00</u>	<u>9,027,370.58</u>	<u>7,995,001.95</u>	<u>1,032,368.63</u>
Excess of Revenues Over (Under) Expenditures	<u>283,133.00</u>	<u>273,031.04</u>	<u>1,606,806.22</u>	<u>1,333,775.18</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	18,000.00	18,000.00	44,803.07	26,803.07
Transfers Out	(1,072,218.00)	(1,072,218.00)	(1,072,218.00)	0.00
Sale of County Property	0.00	0.00	4,186.78	4,186.78
Total Other Financing Sources (Uses)	<u>(1,054,218.00)</u>	<u>(1,054,218.00)</u>	<u>(1,023,228.15)</u>	<u>30,989.85</u>
Net Change in Fund Balance	(771,085.00)	(781,186.96)	583,578.07	1,364,765.03
Fund Balance - Beginning	<u>10,667,401.92</u>	<u>10,667,401.92</u>	<u>10,667,401.92</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 9,896,316.92</u>	<u>\$ 9,886,214.96</u>	<u>\$ 11,250,979.99</u>	<u>\$ 1,364,765.03</u>

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

	<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>
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 300,000.00	\$ 300,000.00	\$ 309,969.56	\$ 9,969.56
Intergovernmental Revenue:				
State Grants	0.00	0.00	228,744.17	228,744.17
State Shared Revenue:				
Bank Franchise	3,000.00	3,000.00	3,600.92	600.92
Motor Vehicle Licenses	1,900,000.00	1,900,000.00	2,046,465.10	146,465.10
Prorate License Fees	95,000.00	95,000.00	103,643.85	8,643.85
63 3/4% Mobile Home	4,000.00	4,000.00	8,763.73	4,763.73
Motor Fuel Tax	11,000.00	11,000.00	10,822.47	(177.53)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	20,000.00	20,000.00	45,493.10	25,493.10
Other	98,000.00	98,000.00	98,366.13	366.13
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	42,564.64	42,564.64
Refund of Prior Year's Expenditures	0.00	0.00	206.36	206.36
<b>Total Revenues</b>	<u>2,431,000.00</u>	<u>2,431,000.00</u>	<u>2,898,640.03</u>	<u>467,640.03</u>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	4,227,456.00	4,227,456.00	3,869,642.13	357,813.87
Intergovernmental Expenditures	33,000.00	33,000.00	30,996.97	2,003.03
<b>Total Expenditures</b>	<u>4,260,456.00</u>	<u>4,260,456.00</u>	<u>3,900,639.10</u>	<u>359,816.90</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,829,456.00)</u>	<u>(1,829,456.00)</u>	<u>(1,001,999.07)</u>	<u>827,456.93</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	847,606.00	847,606.00	847,606.00	0.00
Transfers Out	(18,150.00)	(18,150.00)	(42,564.64)	(24,414.64)
Sale of County Property	0.00	0.00	26,679.19	26,679.19
<b>Total Other Financing Sources (Uses)</b>	<u>829,456.00</u>	<u>829,456.00</u>	<u>831,720.55</u>	<u>2,264.55</u>
Net Change in Fund Balance	(1,000,000.00)	(1,000,000.00)	(170,278.52)	829,721.48
Fund Balance - Beginning	5,519,958.20	5,519,958.20	5,519,958.20	0.00
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,519,958.20</u>	<u>\$ 4,519,958.20</u>	<u>\$ 5,349,679.68</u>	<u>\$ 829,721.48</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 7,446,823.00	\$ 7,446,823.00	\$ 7,368,874.17	\$ (77,948.83)
General Property Taxes--Delinquent	45,000.00	45,000.00	39,166.19	(5,833.81)
Penalties and Interest	16,000.00	16,000.00	17,556.10	1,556.10
Telephone Tax (Outside)	300.00	300.00	658.29	358.29
Mobile Home Tax	2,000.00	2,000.00	1,902.70	(97.30)
Licenses and Permits	37,950.00	37,950.00	48,992.30	11,042.30
Intergovernmental Revenue:				
Federal Grants	0.00	11,670.00	14,280.79	2,610.79
Federal Shared Revenue	0.00	0.00	16,192.00	16,192.00
State Grants	6,300.00	6,300.00	17,284.00	10,984.00
State Shared Revenue:				
Bank Franchise	50,000.00	50,000.00	97,636.18	47,636.18
Court Appointed Attorney/Public Defender	15,000.00	15,000.00	14,607.53	(392.47)
Abused and Neglected Child Defense	0.00	0.00	155.38	155.38
Telecommunications Gross Receipts Tax	150,000.00	150,000.00	140,457.65	(9,542.35)
Motor Vehicle 1/4%	5,000.00	5,000.00	7,864.35	2,864.35
Other Payments in Lieu of Taxes	5,000.00	5,000.00	2,413.76	(2,586.24)
Other Intergovernmental Revenue	600.00	600.00	624.40	24.40
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	36,740.00	36,740.00	42,229.00	5,489.00
Register of Deeds' Fees	295,000.00	295,000.00	303,938.00	8,938.00
Legal Services	127,000.00	127,000.00	145,835.70	18,835.70
Clerk of Court Fees	37,000.00	37,000.00	35,099.88	(1,900.12)
Other Fees	12,000.00	12,000.00	14,278.13	2,278.13
Public Safety:				
Law Enforcement	80,700.00	80,700.00	76,219.33	(4,480.67)
Prisoner Care	282,000.00	282,000.00	337,073.39	55,073.39
Other	0.00	0.00	332.33	332.33
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	40,000.00	40,000.00	12,422.91	(27,577.09)
Veterans Service Officer	4,000.00	4,000.00	4,375.00	375.00
Health Assistance:				
Other	500.00	500.00	1,547.19	1,047.19
Culture and Recreation	64,000.00	64,000.00	108,502.12	44,502.12
Conservation of Natural Resources	60,000.00	60,000.00	59,245.49	(754.51)
Other Charges	0.00	0.00	5.00	5.00
Fines and Forfeits:				
Fines	0.00	0.00	209.00	209.00
Costs	25,000.00	25,000.00	34,257.20	9,257.20
Forfeits	12,000.00	12,000.00	10,769.66	(1,230.34)
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	45,927.84	5,927.84
Rent	84,800.00	84,800.00	87,283.19	2,483.19
Contributions and Donations	0.00	0.00	20,839.20	20,839.20
Refund of Prior Year's Expenditures	0.00	0.00	8,868.88	8,868.88
Other	0.00	0.00	7,320.36	7,320.36
<b>Total Revenues</b>	<b>8,980,713.00</b>	<b>8,992,383.00</b>	<b>9,145,244.59</b>	<b>152,861.59</b>
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	301,097.00	301,097.00	292,012.08	9,084.92
Contingency	175,000.00	175,000.00		
Amount Transferred		(32,867.87)		142,132.13
Elections	23,000.00	23,000.00	11,604.03	11,395.97
Judicial System	70,000.00	70,000.00	37,893.23	32,106.77
Financial Administration:				
Auditor	281,648.00	281,648.00	236,721.66	44,926.34
Treasurer	375,110.00	375,110.00	353,409.49	21,700.51
Other (Credit Bureau Payments)	24,200.00	24,200.00	6,145.53	18,054.47
Legal Services:				
State's Attorney and Legal Catastrophic	587,996.00	587,996.00	519,026.19	68,969.81
Public Defender	237,000.00	237,000.00	231,377.33	5,622.67
Court Appointed Attorney	90,000.00	90,000.00	80,791.62	9,208.38
Abused and Neglected Child Defense	3,000.00	3,000.00	1,828.00	1,172.00
Other Administration:				
General Government Building	386,644.00	386,644.00	368,354.61	18,289.39
Director of Equalization	621,601.00	621,601.00	581,474.37	40,126.63
Register of Deeds	281,454.00	281,454.00	233,519.72	47,934.28
Veterans Service Officer	119,336.00	119,336.00	116,431.89	2,904.11
Predatory Animal	6,118.00	6,118.00	6,117.68	0.32
Self-Insurance Plan	10,000.00	10,000.00	0.00	10,000.00
Other (Watertown Transit)	25,000.00	25,000.00	25,000.00	0.00

**SUPPLEMENTARY INFORMATION**  
**CODINGTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**  
**(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>
Public Safety:				
Law Enforcement:				
Sheriff	1,283,820.00	1,295,490.00	1,169,417.93	126,072.07
County Jail	1,686,620.00	1,686,620.00	1,647,532.59	39,087.41
Coroner	17,130.00	17,130.00	7,290.52	9,839.48
Juvenile Detention	10,000.00	10,000.00	90.00	9,910.00
Other Law Enforcement	3,500.00	3,500.00	1,075.00	2,425.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	379,790.00	379,790.00	103,975.84	275,814.16
Public Welfare	1,500.00	1,500.00	1,495.35	4.65
Health Assistance:				
County Nurse	69,330.00	69,330.00	66,007.21	3,322.79
Other (West Nile Prevention)	2,388.00	6,252.01	4,138.63	2,113.38
Social Services:				
Care of Aged	15,767.00	15,767.00	15,767.00	0.00
Domestic Abuse	12,000.00	12,000.00	12,000.00	0.00
Other	2,500.00	2,500.00	2,500.00	0.00
Mental Health Services:				
Mentally Ill	35,000.00	35,000.00	22,718.65	12,281.35
Developmentally Disabled	5,800.00	5,800.00	4,620.00	1,180.00
Mental Health Centers	74,395.00	74,395.00	74,395.00	0.00
Mental Illness Board	30,000.00	48,000.00	41,510.27	6,489.73
Culture and Recreation:				
Culture:				
Historical Museum	6,000.00	7,355.00	7,235.63	119.37
Memorial Day Expense	150.00	150.00	0.00	150.00
Recreation:				
Recreational Programs	12,000.00	12,000.00	12,000.00	0.00
Parks	182,915.00	187,515.00	187,296.46	218.54
Exhibition Building	271,722.00	271,722.00	243,806.18	27,915.82
Other	15,000.00	15,000.00	15,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	159,905.00	159,905.00	144,661.85	15,243.15
Weed and Pest Control	202,350.00	202,350.00	147,794.27	54,555.73
Other (Waterfowl Production)	12,000.00	12,000.00	11,375.39	624.61
Water Conservation:				
Geological Survey	9,000.00	9,000.00	8,498.00	502.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	76,065.00	76,085.00	76,083.23	1.77
Economic Development:				
Tourism, Industrial or Recreational Development	750.00	750.00	750.00	0.00
Other	35,000.00	35,000.00	35,000.00	0.00
Intergovernmental Expenditures	0.00	7,747.87	7,747.87	0.00
Debt Service	92,139.00	92,139.00	92,139.00	0.00
<b>Total Expenditures</b>	<b>8,322,740.00</b>	<b>8,337,129.01</b>	<b>7,265,629.30</b>	<b>1,071,499.71</b>
Excess of Revenues Over (Under) Expenditures	657,973.00	655,253.99	1,879,615.29	1,224,361.30
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	0.00	21,895.49	21,895.49
Transfers Out	(1,165,970.00)	(1,165,970.00)	(1,165,970.00)	0.00
Sale of County Property	0.00	0.00	31.69	31.69
<b>Total Other Financing Sources (Uses)</b>	<b>(1,165,970.00)</b>	<b>(1,165,970.00)</b>	<b>(1,144,042.82)</b>	<b>21,927.18</b>
Net Change in Fund Balance	(507,997.00)	(510,716.01)	735,572.47	1,246,288.48
Fund Balance - Beginning	9,931,829.45	9,931,829.45	9,931,829.45	0.00
<b>FUND BALANCE - ENDING</b>	<b>\$ 9,423,832.45</b>	<b>\$ 9,421,113.44</b>	<b>\$ 10,667,401.92</b>	<b>\$ 1,246,288.48</b>

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

	<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>
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 300,000.00	\$ 300,000.00	\$ 302,107.29	\$ 2,107.29
Intergovernmental Revenue:				
State Grants	0.00	0.00	1,050,112.59	1,050,112.59
State Shared Revenue:				
Bank Franchise	2,500.00	2,500.00	3,248.12	748.12
Motor Vehicle Licenses	1,800,000.00	1,800,000.00	1,931,144.55	131,144.55
Prorate License Fees	90,000.00	90,000.00	100,246.99	10,246.99
63 3/4% Mobile Home	4,000.00	4,000.00	2,728.37	(1,271.63)
Motor Fuel Tax	13,000.00	13,000.00	10,816.91	(2,183.09)
Charges for Goods and Services:				
General Government:				
Other Fees	0.00	0.00	55.94	55.94
Public Works:				
Road Maintenance Contract Charges	20,000.00	20,000.00	33,423.67	13,423.67
Other	40,000.00	40,000.00	98,185.97	58,185.97
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	20,683.16	20,683.16
<b>Total Revenues</b>	<u>2,269,500.00</u>	<u>2,269,500.00</u>	<u>3,552,753.56</u>	<u>1,283,253.56</u>
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	4,033,871.00	4,033,871.00	3,144,974.84	888,896.16
Intergovernmental Expenditures	30,000.00	32,500.00	30,210.74	2,289.26
<b>Total Expenditures</b>	<u>4,063,871.00</u>	<u>4,066,371.00</u>	<u>3,175,185.58</u>	<u>891,185.42</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,794,371.00)</u>	<u>(1,796,871.00)</u>	<u>377,567.98</u>	<u>2,174,438.98</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	969,371.00	969,371.00	969,371.00	0.00
Transfers Out	0.00	0.00	(20,683.16)	(20,683.16)
Sale of County Property	0.00	0.00	916.27	916.27
<b>Total Other Financing Sources (Uses)</b>	<u>969,371.00</u>	<u>969,371.00</u>	<u>949,604.11</u>	<u>(19,766.89)</u>
Net Change in Fund Balance	(825,000.00)	(827,500.00)	1,327,172.09	2,154,672.09
Fund Balance - Beginning	4,192,786.11	4,192,786.11	4,192,786.11	0.00
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,367,786.11</u>	<u>\$ 3,365,286.11</u>	<u>\$ 5,519,958.20</u>	<u>\$ 2,154,672.09</u>

CODINGTON 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  
CODINGTON COUNTY  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

\*Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.2330933%	0.2364195%	0.2377365%
County's proportionate share of net pension liability (asset)	\$ 787,366.27	\$ (1,002,722.65)	\$ (1,712,794.26)
County's covered-employee payroll	\$ 4,046,785.71	\$ 3,962,796.04	\$ 3,814,500.86
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.46%	-25.30%	-44.90%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.



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

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

No significant changes.

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

Indebtedness	Long-Term Debt January 1, 2015	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2016
<b>Governmental Long-Term Debt:</b>				
Other Long-Term Debt Payable:				
Financing (Capital Acquisition) Leases	\$ 452,276.42	\$ 7,000.00	\$ 152,936.03	\$ 306,340.39
Note 1 - Long-Term Debt:				
Debt payable at December 31, 2016 is comprised of the following:				
<u>Financing (Capital Acquisition) Leases:</u>				
Energy Conservation Measures Lease Agreement; Issued 2/25/2005; Final Maturity 2/25/2020; Interest Rate 4.670%; Paid from the General Fund				\$ 294,355.28
Copier Lease Agreement; Issued 6/4/2014; Final Maturity 9/4/2019; Interest Rate 6.760%; Paid from the General Fund				\$ 6,101.49
Copier Lease Agreement; Issued 10/5/2015; Final Maturity 11/20/2020; Interest Rate 14.665%; Paid from the General Fund				\$ 5,883.62