

UNION COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2020

UNION COUNTY
COUNTY OFFICIALS
December 31, 2020

Board of Commissioners:

Milton Ustad
Rich Headid
Tom Kimmel
Michael Dailey
Kevin Joffer

Auditor:

Jackie Sieverding

Treasurer:

Myron Hertel

State's Attorney:

Jerry Miller

Register of Deeds:

Katie Buum

Sheriff:

Dan Limoges

UNION COUNTY
TABLE OF CONTENTS

Page

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Prior Audit Findings.....	5
Schedule of Current Audit Findings and Questioned Costs.....	5
Independent Auditor's Report.....	6
<i>Basic Financial Statements</i>	
<u>Government-wide Financial Statements:</u>	
As of December 31, 2020:	
Statement of Net Position--Modified Cash Basis.....	9
For the Year Ended December 31, 2020:	
Statement of Activities--Modified Cash Basis.....	10
For the Year Ended December 31, 2019:	
Statement of Activities--Modified Cash Basis.....	11
<u>Fund Financial Statements:</u>	
<u>Governmental Funds</u>	
As of December 31, 2020:	
Balance Sheet--Modified Cash Basis.....	12
For the Year Ended December 31, 2020:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis.....	14
For the Year Ended December 31, 2019:	
Statement of Revenues, Expenditures and Changes in Fund Balances--Modified Cash Basis.....	18
<u>Fiduciary Funds</u>	
As of December 31, 2020:	
Statement of Fiduciary Net Position--Modified Cash Basis.....	22

For the Year Ended December 31, 2020:

Statement of Changes in Fiduciary Net Position--Modified Cash Basis.....	23
Notes to the Modified Cash Basis Financial Statements.....	24

Supplementary Information:

For the Year Ended December 31, 2020:

Budgetary Comparison Schedule--Modified Cash Basis--General Fund.....	38
Budgetary Comparison Schedule--Modified Cash Basis--Road and Bridge Fund.....	40

For the Year Ended December 31, 2019:

Budgetary Comparison Schedule--Modified Cash Basis--General Fund.....	41
Budgetary Comparison Schedule--Modified Cash Basis--Road and Bridge Fund.....	43
Notes to the Supplementary Information – Budgetary Comparison Schedules.....	44
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset).....	45
Notes to the Supplementary Information – Pension Schedule.....	46
Schedule of Expenditures of Federal Awards.....	47
Schedule of Changes in Long-Term Debt.....	48



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RUSSELL A. OLSON
AUDITOR GENERAL

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

County Commission
Union County
Elk Point, 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 Union County, South Dakota (County), as of December 31, 2020, 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 May 31, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson
Auditor General

May 31, 2022



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RUSSELL A. OLSON
AUDITOR GENERAL

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

County Commission
Union County
Elk Point, South Dakota

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Russell A. Olson
Auditor General

May 31, 2022

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

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

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:

Coronavirus Relief Fund CFDA # 21.019
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Union County did not qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.



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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Union County
Elk Point, 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 Union County, South Dakota (County), as of December 31, 2020, 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 opinions 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 Union County as of December 31, 2020, and the respective changes in financial position thereof 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.

Emphasis of Matter

As discussed in Notes 2 and 11 to the financial statements, in 2020, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of January 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

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 Schedule of Expenditures of Federal Awards, which as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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Russell A. Olson
Auditor General

May 31, 2022

UNION COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2020

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 9,402,415.70
Investments	<u>2,161,692.96</u>
TOTAL ASSETS	<u><u>\$ 11,564,108.66</u></u>
NET POSITION:	
Restricted For: (See Note 5)	
Debt Service Purposes	\$ 67,964.43
24/7 Sobriety Purposes	51,886.04
Modernization and Preservation Relief Purposes	86,603.79
Other Purposes	2,105.97
Unrestricted	<u>11,355,548.43</u>
TOTAL NET POSITION	<u><u>\$ 11,564,108.66</u></u>

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

UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 2,579,131.70	\$ 617,613.29	\$ 1,073,839.72	\$ 1,494.10	\$ (886,184.59)
Public Safety	2,732,261.50	252,204.41	1,550,214.23		(929,842.86)
Public Works	5,197,988.25		1,504,368.38		(3,693,619.87)
Health and Welfare	147,632.59	11,554.89			(136,077.70)
Culture and Recreation	109,663.56				(109,663.56)
Conservation of Natural Resources	122,232.59	23,027.26			(99,205.33)
Urban and Economic Development	201,512.32				(201,512.32)
Intergovernmental	47,761.88				(47,761.88)
**Interest on Long-Term Debt	25,662.13				(25,662.13)
Total Primary Government	<u>\$ 11,163,846.52</u>	<u>\$ 904,399.85</u>	<u>\$ 4,128,422.33</u>	<u>\$ 1,494.10</u>	<u>(6,129,530.24)</u>
General Revenues:					
Taxes:					
Property Taxes					7,432,946.53
Wheel Tax					433,911.29
State Shared Revenues					246,311.08
Grants and Contributions not Restricted to Specific Programs					8,548.50
Unrestricted Investment Earnings					127,697.40
Lease Proceeds					60,467.31
Total General Revenues					<u>8,309,882.11</u>
Change in Net Position					2,180,351.87
Net Position - Beginning					<u>9,383,756.79</u>
NET POSITION - ENDING					<u>\$ 11,564,108.66</u>

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

**The 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.

UNION COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 2,345,107.20	\$ 526,611.44	\$ 646,790.17	\$	\$ (1,171,705.59)
Public Safety	2,846,447.37	415,569.62	149,187.58		(2,281,690.17)
Public Works	4,866,257.98	77,149.01	1,417,124.29	3,476.05	(3,368,508.63)
Health and Welfare	144,066.25	8,147.07			(135,919.18)
Culture and Recreation	75,181.41	3,253.07			(71,928.34)
Conservation of Natural Resources	152,067.57	23,879.54			(128,188.03)
Urban and Economic Development	211,035.02				(211,035.02)
Intergovernmental	47,028.84				(47,028.84)
**Interest on Long-Term Debt	27,220.10				(27,220.10)
Total Primary Government	<u>\$ 10,714,411.74</u>	<u>\$ 1,054,609.75</u>	<u>\$ 2,213,102.04</u>	<u>\$ 3,476.05</u>	<u>(7,443,223.90)</u>
General Revenues:					
Taxes:					
<div>**The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.</div>	Property Taxes				7,075,227.24
	Wheel Tax				426,184.90
	State Shared Revenues				262,544.68
	Grants and Contributions not Restricted to Specific Programs				5,648.00
	Unrestricted Investment Earnings				199,219.59
	Lease Proceeds				36,240.21
Total General Revenues					<u>8,005,064.62</u>
Change in Net Position					561,840.72
Net Position - Beginning					<u>8,821,916.07</u>
NET POSITION - ENDING					<u>\$ 9,383,756.79</u>

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

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

UNION COUNTY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 7,177,964.35	\$ 1,945,766.06	\$ 278,685.29	\$ 9,402,415.70
Investments	2,161,692.96			2,161,692.96
TOTAL ASSETS	\$ 9,339,657.31	\$ 1,945,766.06	\$ 278,685.29	\$ 11,564,108.66
FUND BALANCES: (See Note 1.j.)				
Restricted	\$	\$	\$ 208,560.23	\$ 208,560.23
Assigned	4,930,986.15	1,945,766.06	70,125.06	6,946,877.27
Unassigned	4,408,671.16			4,408,671.16
TOTAL FUND BALANCES	\$ 9,339,657.31	\$ 1,945,766.06	\$ 278,685.29	\$ 11,564,108.66

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

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UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 6,586,268.61	\$ 573,224.06	\$ 198,533.45	\$ 7,358,026.12
General Property Taxes--Delinquent	53,782.82	124.30	276.95	54,184.07
Penalties and Interest	12,983.78	967.50	164.07	14,115.35
Telephone Tax (Outside)	958.61			958.61
Mobile Home Tax	1,785.47		1.91	1,787.38
Wheel Tax		433,911.29		433,911.29
Licenses and Permits	74,740.04		3,330.00	78,070.04
Intergovernmental Revenue:				
Federal Grants	1,430,111.72		36,442.42	1,466,554.14
Federal Payments in Lieu of Taxes	431.00			431.00
State Grants		986,847.86		986,847.86
State Shared Revenue:				
Bank Franchise	103,017.25			103,017.25
Motor Vehicle Licenses		1,437,817.42		1,437,817.42
Prorate License Fees		59,198.22		59,198.22
63 3/4% Mobile Home		1,294.76		1,294.76
Telecommunications Gross Receipts Tax	69,854.37			69,854.37
Motor Vehicle 1/4%	2.45	33,684.65		33,687.10
Motor Fuel Tax		6,057.98		6,057.98
911 Remittances			136,964.85	136,964.85
Liquor Tax Reversion (25%)	69,689.46			69,689.46
Other State Shared Revenue	3,750.00			3,750.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	92,657.00			92,657.00
Register of Deeds' Fees	322,749.00		17,505.20	340,254.20
Legal Services	43,000.19		1,300.00	44,300.19
Clerk of Courts Fees	15,590.49			15,590.49
Other Fees	42,415.32			42,415.32

Public Safety:				
Law Enforcement	92,909.13			92,909.13
Prisoner Care	38,207.69			38,207.69
Sobriety Testing	570.00		24,726.50	25,296.50
Other		76,164.44		76,164.44
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	4,523.18			4,523.18
Health Assistance:				
Women, Infants and Children	6,236.15			6,236.15
Social Services	70.00			70.00
Mental Health Services	725.56			725.56
Conservation of Natural Resources	23,027.26			23,027.26
Fines and Forfeits:				
Costs	19,157.01		219.64	19,376.65
Forfeits	250.00			250.00
Miscellaneous Revenue:				
Investment Earnings	99,570.30	25,701.13	2,425.97	127,697.40
Rent	8,201.05			8,201.05
Contributions and Donations	8,117.50			8,117.50
Refund of Prior Year's Expenditures	16,666.77			16,666.77
Other	19,422.56	14,735.12	7,142.86	41,300.54
Total Revenues	<u>9,261,441.74</u>	<u>3,649,728.73</u>	<u>429,033.82</u>	<u>13,340,204.29</u>
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	215,032.13			215,032.13
Elections	120,624.06			120,624.06
Judicial System	12,095.74			12,095.74
Financial Administration:				
Auditor	235,532.27			235,532.27
Treasurer	311,350.55			311,350.55
Legal Services:				
State's Attorney	457,098.76			457,098.76
Public Defender	220,959.19			220,959.19
Court Appointed Attorney	3,621.90			3,621.90
Other General Government:				
General Government Building	365,637.69			365,637.69
Director of Equalization	322,962.60			322,962.60

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Register of Deeds	162,151.49		7,049.09	169,200.58
Veterans Service Officer	28,326.95			28,326.95
Predatory Animal	1,670.36			1,670.36
Information Technology	94,864.82			94,864.82
Human Resources	20,154.10			20,154.10
Public Safety:				
Law Enforcement:				
Sheriff	985,516.94			985,516.94
County Jail	1,000,450.69		18,480.56	1,018,931.25
Coroner	14,749.44			14,749.44
Protective and Emergency Services:				
Fire Protection			64,198.40	64,198.40
Emergency and Disaster Services			143,971.37	143,971.37
Flood Control	4,532.48			4,532.48
Communication Center			500,361.62	500,361.62
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		5,145,495.46		5,145,495.46
Health and Welfare:				
Economic Assistance:				
Support of Poor	15,980.68			15,980.68
Health Assistance:				
County Nurse	24,273.37			24,273.37
Ambulance	40,000.00			40,000.00
Women, Infants and Children	11,218.24			11,218.24
Social Services:				
Care of Aged	3,500.00			3,500.00
Domestic Abuse			4,584.64	4,584.64
Mental Health Services:				
Mentally Ill	30,591.17			30,591.17
Mental Health Centers	12,952.53			12,952.53

Mental Illness Board	4,531.96			4,531.96
Culture and Recreation:				
Culture:				
Public Library	16,000.00			16,000.00
Historical Museum	3,000.00			3,000.00
Recreation:				
County Fair	90,663.56			90,663.56
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	42,592.54			42,592.54
Soil Conservation Districts	13,500.00			13,500.00
Weed and Pest Control	66,140.05			66,140.05
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	84,603.78			84,603.78
Economic Development:				
Tourism, Industrial or Recreational Development	390.00			390.00
Intergovernmental Expenditures		47,761.88		47,761.88
Debt Service		58,467.64	136,205.82	194,673.46
Total Expenditures	<u>5,037,270.04</u>	<u>5,251,724.98</u>	<u>874,851.50</u>	<u>11,163,846.52</u>
Excess of Revenues Over (Under) Expenditures	<u>4,224,171.70</u>	<u>(1,601,996.25)</u>	<u>(445,817.68)</u>	<u>2,176,357.77</u>
Other Financing Sources (Uses):				
Transfers In		2,157,714.00	361,627.00	2,519,341.00
Transfers Out	(2,519,341.00)			(2,519,341.00)
Insurance Proceeds	1,494.10			1,494.10
Sale of County Property	2,500.00			2,500.00
Total Other Financing Sources (Uses)	<u>(2,515,346.90)</u>	<u>2,157,714.00</u>	<u>361,627.00</u>	<u>3,994.10</u>
Net Change in Fund Balance	1,708,824.80	555,717.75	(84,190.68)	2,180,351.87
Fund Balance - Beginning	<u>7,630,832.51</u>	<u>1,390,048.31</u>	<u>362,875.97</u>	<u>9,383,756.79</u>
FUND BALANCE - ENDING	<u>\$ 9,339,657.31</u>	<u>\$ 1,945,766.06</u>	<u>\$ 278,685.29</u>	<u>\$ 11,564,108.66</u>

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

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 6,164,003.00	\$ 548,328.44	\$ 251,632.97	\$ 6,963,964.41
General Property Taxes--Delinquent	72,227.60	1,337.79	1,159.05	74,724.44
Penalties and Interest	21,828.66	976.41	429.81	23,234.88
Telephone Tax (Outside)	1,354.90			1,354.90
Mobile Home Tax	1,167.55		4.16	1,171.71
Wheel Tax		426,184.90		426,184.90
Tax Deed Revenue	9,200.62	837.28		10,037.90
Other Taxes	739.00			739.00
Licenses and Permits	77,854.75		3,480.00	81,334.75
Intergovernmental Revenue:				
Federal Grants	11,524.95		9,495.00	21,019.95
Federal Payments in Lieu of Taxes	498.00			498.00
State Grants		600,366.64		600,366.64
State Shared Revenue:				
Bank Franchise	72,981.43			72,981.43
Motor Vehicle Licenses		1,408,763.68		1,408,763.68
63 3/4% Mobile Home		2,319.76		2,319.76
Telecommunications Gross Receipts Tax	52,628.50			52,628.50
Motor Vehicle 1/4%	11,294.80	14,108.78		25,403.58
Motor Fuel Tax		6,040.85		6,040.85
911 Remittances			149,187.58	149,187.58
Liquor Tax Reversion (25%)	65,615.34			65,615.34
Other State Shared Revenue	13,365.01	57,954.40		71,319.41
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	89,704.67			89,704.67
Register of Deeds' Fees	248,914.50		13,602.70	262,517.20
Legal Services	29,078.50		1,075.00	30,153.50

Clerk of Courts Fees	13,734.20			13,734.20
Other Fees	43,917.12			43,917.12
Public Safety:				
Law Enforcement	260,586.59			260,586.59
Prisoner Care	85,143.84			85,143.84
Sobriety Testing			36,955.17	36,955.17
Other	6,780.00			6,780.00
Public Works:				
Other		77,149.01		77,149.01
Health and Welfare:				
Health Assistance:				
Women, Infants and Children	7,164.74			7,164.74
Social Services	45.00			45.00
Mental Health Services	937.33			937.33
Culture and Recreation	3,253.07			3,253.07
Conservation of Natural Resources	23,879.54			23,879.54
Fines and Forfeits:				
Costs	25,829.02		275.00	26,104.02
Miscellaneous Revenue:				
Investment Earnings	156,788.05	37,711.55	4,719.99	199,219.59
Rent	5,250.00			5,250.00
Special Assessments	3,476.05			3,476.05
Contributions and Donations	5,150.00			5,150.00
Refund of Prior Year's Expenditures	16,905.33			16,905.33
Other	10,132.00	9,202.88		19,334.88
Total Revenues	<u>7,612,953.66</u>	<u>3,191,282.37</u>	<u>472,016.43</u>	<u>11,276,252.46</u>

Expenditures:

General Government:

Legislative:

Board of County Commissioners

227,949.14

227,949.14

Elections

17,610.45

17,610.45

Judicial System

17,082.68

17,082.68

Financial Administration:

Auditor

225,018.46

225,018.46

Treasurer

320,242.66

320,242.66

Legal Services:

State's Attorney

441,966.31

441,966.31

Public Defender

199,789.26

199,789.26

UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other General Government:				
General Government Building	339,388.72			339,388.72
Director of Equalization	298,853.83			298,853.83
Register of Deeds	154,207.02		3,371.39	157,578.41
Veterans Service Officer	21,277.43			21,277.43
Predatory Animal	1,670.36			1,670.36
Information Technology	76,679.49			76,679.49
Public Safety:				
Law Enforcement:				
Sheriff	954,977.96			954,977.96
County Jail	1,021,916.48		20,396.29	1,042,312.77
Coroner	11,192.79			11,192.79
Protective and Emergency Services:				
Fire Protection			58,499.06	58,499.06
Emergency and Disaster Services			156,096.35	156,096.35
Flood Control	440.33			440.33
Communication Center			622,928.11	622,928.11
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		4,816,921.90		4,816,921.90
Health and Welfare:				
Economic Assistance:				
Support of Poor	15,515.73			15,515.73
Health Assistance:				
County Nurse	22,004.36			22,004.36
Ambulance	40,000.00			40,000.00
Women, Infants and Children	11,468.77			11,468.77
Social Services:				
Care of Aged	4,500.00			4,500.00
Domestic Abuse			5,175.00	5,175.00

Mental Health Services:				
Mentally Ill	30,003.16			30,003.16
Mental Health Centers	12,575.27			12,575.27
Mental Illness Board	2,823.96			2,823.96
Culture and Recreation:				
Culture:				
Public Library	16,000.00			16,000.00
Historical Museum	3,000.00			3,000.00
Recreation:				
County Fair	56,181.41			56,181.41
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	44,803.99			44,803.99
Rodent Control	11,500.00			11,500.00
Weed and Pest Control	95,763.58			95,763.58
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	74,323.12			74,323.12
Economic Development:				
Tourism, Industrial or Recreational Development	390.00			390.00
Intergovernmental Expenditures		47,028.84		47,028.84
Debt Service		50,698.80	162,179.28	212,878.08
Total Expenditures	<u>4,771,116.72</u>	<u>4,914,649.54</u>	<u>1,028,645.48</u>	<u>10,714,411.74</u>
Excess of Revenues Over (Under) Expenditures	<u>2,841,836.94</u>	<u>(1,723,367.17)</u>	<u>(556,629.05)</u>	<u>561,840.72</u>
Other Financing Sources (Uses):				
Transfers In		1,786,512.00	591,621.00	2,378,133.00
Transfers Out	<u>(2,378,133.00)</u>			<u>(2,378,133.00)</u>
Total Other Financing Sources (Uses)	<u>(2,378,133.00)</u>	<u>1,786,512.00</u>	<u>591,621.00</u>	<u>0.00</u>
Net Change in Fund Balance	463,703.94	63,144.83	34,991.95	561,840.72
Fund Balance - Beginning	<u>7,167,128.57</u>	<u>1,326,903.48</u>	<u>327,884.02</u>	<u>8,821,916.07</u>
FUND BALANCE - ENDING	<u>\$ 7,630,832.51</u>	<u>\$ 1,390,048.31</u>	<u>\$ 362,875.97</u>	<u>\$ 9,383,756.79</u>

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

UNION COUNTY
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2020

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 1,159,273.69</u>
TOTAL ASSETS	<u><u>\$ 1,159,273.69</u></u>
NET POSITION:	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>\$ 1,159,273.69</u>
TOTAL NET POSITION	<u><u>\$ 1,159,273.69</u></u>

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

UNION COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS:	
Property Tax Collections for Other Governments	\$ 26,250,656.92
State Shared Revenue Collections for Other Governments	5,943,222.51
Other Additions	<u>225,898.46</u>
Total Additions	<u>32,419,777.89</u>
DEDUCTIONS:	
Payments of Property Tax to Other Governments	26,090,996.86
Payments of State Shared Revenue to Other Governments	5,850,503.55
Other Deductions	<u>403,541.64</u>
Total Deductions	<u>32,345,042.05</u>
Change in Net Position	<u>74,735.84</u>
Net Position - Beginning	0.00
Restatement - Implementation of GASB 84 (See Note 11)	<u>1,084,537.85</u>
Net Position - Beginning, as Restated	<u>1,084,537.85</u>
NET POSITION - ENDING	<u><u>\$ 1,159,273.69</u></u>

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

UNION COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

The remaining special revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

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

The Bond Redemption Fund, the TIF #3 Dakota Dunes, and the TIF #6 Gold Circle Debt Service Funds – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. These are not major funds.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

The County's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when

revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the government-wide Statement of Net Position and Statement of Activities, 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 modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

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

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

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

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Tax Increment Revenue Bonds, Tax Increment Line of Credit, and Financing (Capital Acquisition) Leases.

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

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

g. Program Revenues:

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

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

h. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

Major Special Revenue Fund

Road and Bridge Fund

Revenue Source

Motor Vehicle Licenses, Grants, Taxes, and Intergovernmental Revenues

A schedule of fund balances is provided as follows:

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

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted For:				
Fire Protection Purposes	\$	\$	\$ 1,765.97	\$ 1,765.97
Domestic Abuses Purposes			340.00	340.00
24/7 Sobriety Purposes			51,886.04	51,886.04
Debt Service Purposes			67,964.43	67,964.43
Modernization and Preservation Relief Purposes			86,603.79	86,603.79
Assigned To:				
Applied to Next Year's Budget	892,808.00			892,808.00
Courthouse Building Purposes	3,375,000.00			3,375,000.00
Road and Bridge Purposes	663,178.15	1,945,766.06		2,608,944.21
911 Service Purposes			43,348.19	43,348.19
Emergency Management Purposes			26,776.87	26,776.87
Unassigned	4,408,671.16			4,408,671.16
Total Fund Balances	\$ 9,339,657.31	\$ 1,945,766.06	\$ 278,685.29	\$ 11,564,108.66

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the County present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard required the County to reclassify previously reported agency funds as custodial funds. The implementation relates only to 2020. The impact to the County resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 11.

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

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

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

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

As of December 31, 2020, 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.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2020, the County’s deposits in financial institutions were not exposed to custodial credit risk.

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

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

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

4. PROPERTY TAXES

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

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

5. RESTRICTED NET POSITION

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

Major Purposes:

Debt Service Purposes	\$ 67,964.43
24/7 Sobriety Purposes	51,886.04
Modernization and Preservation Relief Purposes	<u>86,603.79</u>

Other Purposes:

Fire Protection Purposes	1,765.97
Domestic Abuse Purposes	<u>340.00</u>

Total Other Purposes	<u>2,105.97</u>
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Total Restricted Net Position	<u><u>\$ 208,560.23</u></u>
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These balances are restricted due to debt agreements and statutory requirements.

6. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	Road and Bridge Fund	Other Governmental Funds	
Major Funds:			
General Fund	\$ 2,157,714.00	\$ 361,627.00	\$ 2,519,341.00

Interfund transfers for the year ended December 31, 2019 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:			
General Fund	\$ 1,786,512.00	\$ 591,621.00	\$ 2,378,133.00

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

7. TAX ABATEMENTS

Union County:

The County created two tax increment districts, the Union County Tax Increment District No. 3 created in 2005 and the Union County Tax Increment District No. 6 created in 2017, 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 County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment districts.

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 County entered into development agreements with RiverView Corporate Centre, LLP for the Union County Tax Increment District No. 3 and with Gold Circle Partners, LLC for the Union County Tax Increment District No. 6. The County agreed to abate a portion of the property taxes and award the increment proceeds to the developers as a discretionary grant to assist in funding the costs of the projects.

The amount of general property taxes collected from the tax increment districts that were not available to Union County, during the calendar year ended December 31, 2020 was approximately \$28,666 and for calendar year ended December 31, 2019 was approximately \$23,166.

Municipality of North Sioux City:

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

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

The Municipality of North Sioux City has three active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Union County during the life of the tax increment district.

The portion of general property taxes levied for this tax increment district that were not available to Union County, during the calendar year ended December 31, 2020 was approximately \$62,542 and for calendar year ended December 31, 2019 was approximately \$37,390.

8. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the calendar years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 205,945.96
2019	\$ 192,698.81
2018	\$ 177,370.11

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

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

Proportionate share of total pension liability	\$ 18,275,479.73
Less proportionate share of net position restricted for pension benefits	<u>18,281,936.26</u>
Proportionate share of net pension asset	<u>\$ (6,456.53)</u>

The net pension asset was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the County's proportion was 0.1486658%, which is an increase of 0.0037045% from its proportion measured as of June 30, 2019.

Actuarial Assumptions:

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2017, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability (asset)	\$ 2,504,704.39	\$ (6,456.53)	\$ (2,060,536.69)

Pension Plan Fiduciary Net Position:

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

9. SIGNIFICANT CONTINGENCIES – LITIGATION

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

10. RISK MANAGEMENT

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

Employee Health Insurance:

The County purchases health insurance for its employees from Jensen Insurance, 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 purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

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

Unemployment Benefits:

The County 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, 2020, two claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$1,170.48. At December 31, 2020, two claims had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will result in the future payment of unemployment benefits in the amount of approximately \$8,881.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

11. IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

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

The County restated the net position and fund balance of the fund(s) indicated below to appropriately reflect the January 1, 2020 balances as follows:

	Net Position December 31, 2019 as Previously Stated	Restatement Implementation of GASB 84	Net Position January 1, 2020 as Restated
Custodial Funds	\$ 0.00	\$ 1,084,537.85	\$ 1,084,537.85

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 6,664,371.00	\$ 6,664,371.00	\$ 6,586,268.61	\$ (78,102.39)
General Property Taxes--Delinquent	44,000.00	44,000.00	53,782.82	9,782.82
Penalties and Interest	12,500.00	12,500.00	12,983.78	483.78
Telephone Tax (Outside)	700.00	700.00	958.61	258.61
Mobile Home Tax	11,000.00	11,000.00	1,785.47	(9,214.53)
Other Taxes	1,764.00	1,764.00	0.00	(1,764.00)
Licenses and Permits	97,050.00	97,050.00	74,740.04	(22,309.96)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	1,430,111.72	1,430,111.72
Federal Payments in Lieu of Taxes	0.00	0.00	431.00	431.00
State Shared Revenue:				
Bank Franchise	70,000.00	70,000.00	103,017.25	33,017.25
Court Appointed Attorney/Public Defender	6,750.00	6,750.00	0.00	(6,750.00)
Telecommunications Gross Receipts Tax	65,000.00	65,000.00	69,854.37	4,854.37
Motor Vehicle 1/4%	5,000.00	5,000.00	2.45	(4,997.55)
Liquor Tax Reversion (25%)	65,000.00	65,000.00	69,689.46	4,689.46
Other State Shared Revenue	3,750.00	3,750.00	3,750.00	0.00
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	82,175.00	82,175.00	92,657.00	10,482.00
Register of Deeds' Fees	239,000.00	239,000.00	322,749.00	83,749.00
Legal Services	36,250.00	36,250.00	43,000.19	6,750.19
Clerk of Courts Fees	15,000.00	15,000.00	15,590.49	590.49
Other Fees	38,500.00	38,500.00	42,415.32	3,915.32
Public Safety:				
Law Enforcement	300,000.00	300,000.00	92,909.13	(207,090.87)
Prisoner Care	180,000.00	180,000.00	38,207.69	(141,792.31)
Other	2,500.00	2,500.00	570.00	(1,930.00)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	0.00	0.00	4,523.18	4,523.18
Health Assistance:				
Women, Infants and Children	0.00	0.00	6,236.15	6,236.15
Social Services	500.00	500.00	70.00	(430.00)
Mental Health Services	0.00	0.00	725.56	725.56
Culture and Recreation	7,000.00	7,000.00	0.00	(7,000.00)
Conservation of Natural Resources	28,000.00	28,000.00	23,027.26	(4,972.74)
Fines and Forfeits:				
Costs	25,000.00	25,000.00	19,157.01	(5,842.99)
Forfeits	8,000.00	8,000.00	250.00	(7,750.00)
Miscellaneous Revenue:				
Investment Earnings	55,000.00	55,000.00	99,570.30	44,570.30
Rent	9,500.00	9,500.00	8,201.05	(1,298.95)
Contributions and Donations	0.00	0.00	8,117.50	8,117.50
Refund of Prior Year's Expenditures	5,000.00	5,000.00	16,666.77	11,666.77
Other	500.00	500.00	19,422.56	18,922.56
Total Revenues	8,078,810.00	8,078,810.00	9,261,441.74	1,182,631.74
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	258,850.00	258,850.00	215,032.13	43,817.87
Contingency	500,000.00	424,709.00		
Amount Transferred		(75,291.00)		349,418.00
Elections	109,850.00	120,650.00	120,624.06	25.94
Judicial System	22,500.00	22,500.00	12,095.74	10,404.26
Financial Administration:				
Auditor	251,165.00	251,165.00	235,532.27	15,632.73
Treasurer	343,540.00	343,540.00	311,350.55	32,189.45
Legal Services:				
State's Attorney	462,132.00	462,132.00	457,098.76	5,033.24

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2020
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Public Defender	208,981.00	220,981.00	220,959.19	21.81
Court Appointed Attorney	17,000.00	17,000.00	3,621.90	13,378.10
Abused and Neglected Child Defense	1,000.00	1,000.00	0.00	1,000.00
Other General Government:				
General Government Building	371,946.00	371,946.00	365,637.69	6,308.31
Director of Equalization	362,538.00	362,538.00	322,962.60	39,575.40
Register of Deeds	173,607.00	173,607.00	162,151.49	11,455.51
Veterans Service Officer	28,519.00	28,519.00	28,326.95	192.05
Predatory Animal	1,671.00	1,671.00	1,670.36	0.64
Information Technology	98,238.00	98,238.00	94,864.82	3,373.18
Human Resources	50,000.00	50,000.00	20,154.10	29,845.90
Public Safety:				
Law Enforcement:				
Sheriff	1,022,637.00	1,023,137.00	985,516.94	37,620.06
County Jail	1,013,283.00	1,013,283.00	1,000,450.69	12,832.31
Coroner	12,040.00	14,790.00	14,749.44	40.56
Protective and Emergency Services:				
Flood Control	18,410.00	18,410.00	4,532.48	13,877.52
Health and Welfare:				
Economic Assistance:				
Support of Poor	31,603.00	31,603.00	15,980.68	15,622.32
Health Assistance:				
County Nurse	23,689.00	24,284.00	24,273.37	10.63
Ambulance	40,000.00	40,000.00	40,000.00	0.00
Women, Infants and Children	11,337.00	11,337.00	11,218.24	118.76
Social Services:				
Care of Aged	4,500.00	4,500.00	3,500.00	1,000.00
Mental Health Services:				
Mentally Ill	40,000.00	40,000.00	30,591.17	9,408.83
Mental Health Centers	12,953.00	12,953.00	12,952.53	0.47
Mental Illness Board	5,000.00	5,000.00	4,531.96	468.04
Culture and Recreation:				
Culture:				
Public Library	16,000.00	16,000.00	16,000.00	0.00
Historical Museum	3,000.00	3,000.00	3,000.00	0.00
Recreation:				
County Fair	60,855.00	88,555.00	90,663.56	(2,108.56)
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	47,987.00	47,987.00	42,592.54	5,394.46
Soil Conservation Districts	13,500.00	13,500.00	13,500.00	0.00
Weed and Pest Control	99,196.00	99,196.00	66,140.05	33,055.95
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	116,740.00	116,740.00	84,603.78	32,136.22
Economic Development:				
Tourism, Industrial or Recreational Development	5,000.00	5,000.00	390.00	4,610.00
Total Expenditures	5,859,267.00	5,763,030.00	5,037,270.04	725,759.96
Excess of Revenues Over (Under) Expenditures	2,219,543.00	2,315,780.00	4,224,171.70	1,908,391.70
Other Financing Sources (Uses):				
Transfers Out	(2,680,968.00)	(2,680,968.00)	(2,519,341.00)	161,627.00
Insurance Proceeds	0.00	0.00	1,494.10	1,494.10
Sale of County Property	5,000.00	5,000.00	2,500.00	(2,500.00)
Total Other Financing Sources (Uses)	(2,675,968.00)	(2,675,968.00)	(2,515,346.90)	160,621.10
Net Change in Fund Balance	(456,425.00)	(360,188.00)	1,708,824.80	2,069,012.80
Fund Balance - Beginning	7,630,832.51	7,630,832.51	7,630,832.51	0.00
FUND BALANCE - ENDING	\$ 7,174,407.51	\$ 7,270,644.51	\$ 9,339,657.31	\$ 2,069,012.80

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 585,494.00	\$ 585,494.00	\$ 573,224.06	\$ (12,269.94)
General Property Taxes--Delinquent	1,000.00	1,000.00	124.30	(875.70)
Penalties and Interest	100.00	100.00	967.50	867.50
Wheel Tax	412,327.00	412,327.00	433,911.29	21,584.29
Intergovernmental Revenue:				
State Grants	215,000.00	215,000.00	986,847.86	771,847.86
State Shared Revenue:				
Motor Vehicle Licenses	1,603,500.00	1,603,500.00	1,437,817.42	(165,682.58)
Prorate License Fees	55,000.00	55,000.00	59,198.22	4,198.22
63 3/4% Mobile Home	3,000.00	3,000.00	1,294.76	(1,705.24)
Motor Vehicle 1/4%	17,000.00	17,000.00	33,684.65	16,684.65
Motor Fuel Tax	6,000.00	6,000.00	6,057.98	57.98
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	58,000.00	58,000.00	76,164.44	18,164.44
Miscellaneous Revenue:				
Investment Earnings	10,500.00	10,500.00	25,701.13	15,201.13
Other	0.00	0.00	14,735.12	14,735.12
Total Revenues	2,966,921.00	2,966,921.00	3,649,728.73	682,807.73
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	6,104,735.00	6,275,883.07	5,145,495.46	1,130,387.61
Intergovernmental Expenditures	47,000.00	47,775.00	47,761.88	13.12
Debt Service	48,418.00	58,469.00	58,467.64	1.36
Total Expenditures	6,200,153.00	6,382,127.07	5,251,724.98	1,130,402.09
Excess of Revenues Over (Under) Expenditures	(3,233,232.00)	(3,415,206.07)	(1,601,996.25)	1,813,209.82
Other Financing Sources (Uses):				
Transfers In	2,157,714.00	2,157,714.00	2,157,714.00	0.00
Net Change in Fund Balance	(1,075,518.00)	(1,257,492.07)	555,717.75	1,813,209.82
Fund Balance - Beginning	1,390,048.31	1,390,048.31	1,390,048.31	0.00
FUND BALANCE - ENDING	\$ 314,530.31	\$ 132,556.24	\$ 1,945,766.06	\$ 1,813,209.82

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 6,229,927.00	\$ 6,229,927.00	\$ 6,164,003.00	\$ (65,924.00)
General Property Taxes--Delinquent	44,000.00	44,000.00	72,227.60	28,227.60
Penalties and Interest	13,000.00	13,000.00	21,828.66	8,828.66
Telephone Tax (Outside)	600.00	600.00	1,354.90	754.90
Mobile Home Tax	15,000.00	15,000.00	1,167.55	(13,832.45)
Tax Deed Revenue	0.00	0.00	9,200.62	9,200.62
Other Taxes	4,264.00	4,264.00	739.00	(3,525.00)
Licenses and Permits	93,930.00	93,930.00	77,854.75	(16,075.25)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	11,524.95	11,524.95
Federal Payments in Lieu of Taxes	0.00	0.00	498.00	498.00
State Shared Revenue:				
Bank Franchise	58,000.00	58,000.00	72,981.43	14,981.43
Telecommunications Gross Receipts Tax	75,000.00	75,000.00	52,628.50	(22,371.50)
Motor Vehicle 1/4%	4,500.00	4,500.00	11,294.80	6,794.80
Liquor Tax Reversion (25%)	64,000.00	64,000.00	65,615.34	1,615.34
Other State Shared Revenue	17,750.00	17,750.00	13,365.01	(4,384.99)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	79,325.00	79,325.00	89,704.67	10,379.67
Register of Deeds' Fees	225,000.00	225,000.00	248,914.50	23,914.50
Legal Services	51,250.00	51,250.00	29,078.50	(22,171.50)
Clerk of Courts Fees	14,500.00	14,500.00	13,734.20	(765.80)
Other Fees	38,500.00	38,500.00	43,917.12	5,417.12
Public Safety:				
Law Enforcement	250,000.00	250,000.00	260,586.59	10,586.59
Prisoner Care	109,000.00	109,000.00	85,143.84	(23,856.16)
Other	10,000.00	10,000.00	6,780.00	(3,220.00)
Health and Welfare:				
Health Assistance:				
Women, Infants and Children	6,345.00	6,345.00	7,164.74	819.74
Social Services	500.00	500.00	45.00	(455.00)
Mental Health Services	2,000.00	2,000.00	937.33	(1,062.67)
Culture and Recreation	4,500.00	4,500.00	3,253.07	(1,246.93)
Conservation of Natural Resources	20,000.00	20,000.00	23,879.54	3,879.54
Fines and Forfeits:				
Costs	25,000.00	25,000.00	25,829.02	829.02
Forfeits	7,000.00	7,000.00	0.00	(7,000.00)
Miscellaneous Revenue:				
Investment Earnings	35,000.00	35,000.00	156,788.05	121,788.05
Rent	5,000.00	5,000.00	5,250.00	250.00
Special Assessments	4,200.00	4,200.00	3,476.05	(723.95)
Contributions and Donations	0.00	0.00	5,150.00	5,150.00
Refund of Prior Year's Expenditures	5,000.00	5,000.00	16,905.33	11,905.33
Other	500.00	500.00	10,132.00	9,632.00
Total Revenues	7,512,591.00	7,512,591.00	7,612,953.66	100,362.66
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	253,714.00	253,714.00	227,949.14	25,764.86
Contingency	380,000.00	197,957.00		
Amount Transferred		(182,043.00)		15,914.00
Elections	20,850.00	20,850.00	17,610.45	3,239.55
Judicial System	22,500.00	22,500.00	17,082.68	5,417.32
Financial Administration:				
Auditor	233,585.00	233,585.00	225,018.46	8,566.54
Treasurer	319,805.00	320,965.00	320,242.66	722.34

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Year Ended December 31, 2019
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legal Services:				
State's Attorney	435,160.00	441,969.70	441,966.31	3.39
Public Defender	205,144.00	205,144.00	199,789.26	5,354.74
Court Appointed Attorney	17,000.00	17,000.00	0.00	17,000.00
Abused and Neglected Child Defense	1,000.00	1,000.00	0.00	1,000.00
Other General Government:				
General Government Building	365,172.00	365,172.00	339,388.72	25,783.28
Director of Equalization	329,629.00	329,629.00	298,853.83	30,775.17
Register of Deeds	166,307.00	166,307.00	154,207.02	12,099.98
Veterans Service Officer	22,940.00	22,940.00	21,277.43	1,662.57
Predatory Animal	1,671.00	1,671.00	1,670.36	0.64
Information Technology	93,660.00	93,660.00	76,679.49	16,980.51
Public Safety:				
Law Enforcement:				
Sheriff	952,646.00	967,075.49	954,977.96	12,097.53
County Jail	919,280.00	1,021,921.46	1,021,916.48	4.98
Coroner	12,040.00	12,040.00	11,192.79	847.21
Protective and Emergency Services:				
Flood Control	16,500.00	16,500.00	440.33	16,059.67
Health and Welfare:				
Economic Assistance:				
Support of Poor	25,540.00	25,540.00	15,515.73	10,024.27
Health Assistance:				
County Nurse	22,642.00	22,642.00	22,004.36	637.64
Ambulance	40,000.00	40,000.00	40,000.00	0.00
Women, Infants and Children	11,466.00	11,469.00	11,468.77	0.23
Social Services:				
Care of Aged	4,500.00	4,500.00	4,500.00	0.00
Mental Health Services:				
Mentally Ill	30,000.00	30,004.00	30,003.16	0.84
Mental Health Centers	12,575.00	12,576.00	12,575.27	0.73
Mental Illness Board	4,000.00	4,000.00	2,823.96	1,176.04
Culture and Recreation:				
Culture:				
Public Library	16,000.00	16,000.00	16,000.00	0.00
Historical Museum	3,000.00	3,000.00	3,000.00	0.00
Recreation:				
County Fair	59,992.00	59,992.00	56,181.41	3,810.59
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	46,788.00	46,788.00	44,803.99	1,984.01
Soil Conservation Districts	11,500.00	11,500.00	0.00	11,500.00
Rodent Control	0.00	0.00	11,500.00	(11,500.00)
Weed and Pest Control	106,281.00	106,281.00	95,763.58	10,517.42
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	112,149.00	112,149.00	74,323.12	37,825.88
Economic Development:				
Tourism, Industrial or Recreational Development	5,000.00	5,000.00	390.00	4,610.00
Total Expenditures	5,280,036.00	5,040,998.65	4,771,116.72	269,881.93
Excess of Revenues Over (Under) Expenditures	2,232,555.00	2,471,592.35	2,841,836.94	370,244.59
Other Financing Sources (Uses):				
Transfers Out	(2,503,133.00)	(2,503,133.00)	(2,378,133.00)	125,000.00
Net Change in Fund Balance	(270,578.00)	(31,540.65)	463,703.94	495,244.59
Fund Balance - Beginning	7,167,128.57	7,167,128.57	7,167,128.57	0.00
FUND BALANCE - ENDING	\$ 6,896,550.57	\$ 7,135,587.92	\$ 7,630,832.51	\$ 495,244.59

SUPPLEMENTARY INFORMATION
UNION COUNTY
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 548,924.00	\$ 548,924.00	\$ 548,328.44	\$ (595.56)
General Property Taxes--Delinquent	1,000.00	1,000.00	1,337.79	337.79
Penalties and Interest	0.00	0.00	976.41	976.41
Wheel Tax	411,795.00	411,795.00	426,184.90	14,389.90
Tax Deed Revenue	0.00	0.00	837.28	837.28
Intergovernmental Revenue:				
State Grants	200,000.00	200,000.00	600,366.64	400,366.64
State Shared Revenue:				
Motor Vehicle Licenses	1,603,500.00	1,603,500.00	1,408,763.68	(194,736.32)
63 3/4% Mobile Home	3,000.00	3,000.00	2,319.76	(680.24)
Motor Vehicle 1/4%	17,000.00	17,000.00	14,108.78	(2,891.22)
Motor Fuel Tax	6,000.00	6,000.00	6,040.85	40.85
Other State Shared Revenue	55,000.00	55,000.00	57,954.40	2,954.40
Charges for Goods and Services:				
Public Works:				
Other	56,880.00	56,880.00	77,149.01	20,269.01
Miscellaneous Revenue:				
Investment Earnings	6,000.00	6,000.00	37,711.55	31,711.55
Other	0.00	0.00	9,202.88	9,202.88
Total Revenues	2,909,099.00	2,909,099.00	3,191,282.37	282,183.37
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	4,582,912.00	4,816,925.63	4,816,921.90	3.73
Intergovernmental Expenditures	47,000.00	47,029.00	47,028.84	0.16
Debt Service	50,699.00	50,699.00	50,698.80	0.20
Total Expenditures	4,680,611.00	4,914,653.63	4,914,649.54	4.09
Excess of Revenues Over (Under) Expenditures	(1,771,512.00)	(2,005,554.63)	(1,723,367.17)	282,187.46
Other Financing Sources (Uses):				
Transfers In	1,786,512.00	1,786,512.00	1,786,512.00	0.00
Net Change in Fund Balance	15,000.00	(219,042.63)	63,144.83	282,187.46
Fund Balance - Beginning	1,326,903.48	1,326,903.48	1,326,903.48	0.00
FUND BALANCE - ENDING	\$ 1,341,903.48	\$ 1,107,860.85	\$ 1,390,048.31	\$ 282,187.46

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

South Dakota Retirement System

*Last 10 Years

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.1486658%	0.1449613%	0.1358352%	0.1237551%	0.1286699%	0.1299490%	0.1320285%
County's proportionate share of net pension liability (asset)	\$ (6,456.53)	\$ (15,361.93)	\$ (3,167.99)	\$ (11,230.90)	\$ 434,634.28	\$ (551,150.84)	\$ (951,211.35)
County's covered-employee payroll	\$ 3,007,313.55	\$ 2,862,590.49	\$ 2,667,121.58	\$ 2,419,659.78	\$ 2,362,189.87	\$ 2,285,991.29	\$ 2,218,645.55
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.21%	0.54%	0.12%	0.46%	18.40%	24.11%	42.87%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION
UNION COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures 2019	Total Federal Expenditures 2020
US Department of Justice - Direct Programs: Patrick Leahy Bulletproof Vest Partnership	16.607		\$	\$	\$ 984.65
US Department of Justice - Pass-Through Programs: SD Department of Corrections, Juvenile Justice and Delinquency Prevention	16.540			2,245.46	2,079.48
Total US Department of Justice			0.00	2,245.46	3,064.13
Highway Safety Cluster: US Department of Transportation - Pass-Through Programs: SD Department of Public Safety, State and Community Highway Safety National Priority Safety Programs	20.600 20.616	69A37518300004020SD0		827.33 8,452.16	
Total Highway Safety Cluster			0.00	9,279.49	0.00
Total US Department of Transportation			0.00	9,279.49	0.00
US Department of Treasury - Pass-Through Programs: SD Bureau of Finance and Management, COVID 19 - Coronavirus Relief Fund (Note 3)	21.019				1,507,640.39
Total US Department of Treasury			0.00	0.00	1,507,640.39
US General Services Administration - Pass-Through Programs: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003			263.16	
Total US General Services Administration			0.00	263.16	0.00
US Elections Assistance Commission - Pass-Through Programs: SD Secretary of State, Help America Vote Act Requirements Payments COVID 19 - Help America Vote Act Requirements Payments	90.401 90.401			12,037.33	2,810.59 4,475.85
Total US Elections Assistance Commission			0.00	12,037.33	7,286.44
US Department of Homeland Security - Pass-Through Programs: SD Department of Public Safety - Office of Emergency Management, Disaster Grants-Public Assistance (Presidentially Declared Disasters) Emergency Management Performance Grants BRIC: Building Resilient Infrastructure and Communities Homeland Security Grant Program	97.036 97.042 97.047 97.067	DR-4440-SD EMD-2020-EP-00001-S01 EMD-2018-PC-0004 2019-SS-00007-S01		15,563.81 29,767.74 6,511.77 9,495.00	210,862.36 14,820.19
Total US Department of Homeland Security			0.00	61,338.32	246,468.55
GRAND TOTAL			\$ 0.00	\$ 85,163.76	\$ 1,764,459.51

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Federal Surplus Property

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

**SUPPLEMENTARY INFORMATION
UNION COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Two Years Ended December 31, 2020**

Indebtedness	Long-Term Debt January 1, 2019	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2020
Governmental Long-Term Debt:				
Revenue Bonds Payable	\$ 26,736.83	\$	\$ 26,736.83	\$ 0.00
Tax Increment Financing	496,915.37		208,228.48	288,686.89
Financing (Capital Acquisition) Leases	70,310.89	168,845.25	101,828.87	137,327.27
Total	\$ 593,963.09	\$ 168,845.25	\$ 336,794.18	\$ 426,014.16

Note 1 - Long-Term Debt:

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

Revenue Bonds:

Tax Increment Revenue Bonds, Series 2011, 5.25 Percent Interest, Final Maturity Date of 2021, Retired by the TIF #3 Debt Service Fund	\$	0.00
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Tax Increment Financing:

Tax Increment Construction Line of Credit, 4.0 Percent Interest, Final Maturity Date of 2024, Retired by the TIF #6 Debt Service Fund	\$	288,686.89
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Financing (Capital Acquisition) Leases:

Capital Lease - Asphalt Paver, 3.45 Percent Interest, Final Maturity Date of April 2024, Retired by the Road and Bridge Fund	\$	137,327.27
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Capital Lease - Wheel Loader, 2.85 Percent Interest, Final Maturity Date of May 2020, Retired by the Road and Bridge Fund	\$	0.00
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