

**LAC QUI PARLE COUNTY, MINNESOTA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017**

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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MADISON, MINNESOTA**

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INTRODUCTORY SECTION

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATIONAL SCHEDULE
LAC QUI PARLE COUNTY**

2017

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Todd Patzer	January 2021
2nd District	DeRon Brehmer*	January 2019
3rd District	John Maatz**	January 2021
4th District	Terrence Overlander	January 2019
5th District	Roy Marihart	January 2021
Officers		
Elected		
Attorney	Richard Stulz	January 2019
Sheriff (interim)	Allen Anderson***	January 2019
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2019
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Sam Muntean	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2021
Commissioner	DeRon Brehmer	January 2019
Commissioner	John Maatz	January 2021
Commissioner	Terrence Overlander	January 2019
Commissioner	Roy Marihart	January 2021
Member	Ann Jenson	July 2019
Member	Mary Wodrich	July 2018
Director	Joel Churness	Indefinite

*Chair 2017

**Chair 2018

***Allen Anderson was appointed Interim Sheriff on May 15, 2017, to complete the remaining term of former Interim Sheriff Lou Sager, who resigned effective May 15, 2017

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATIONAL SCHEDULE
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT**

2017

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Managers		
Chair	Darrel Ellefson	March 2018
Vice Chair	John Cornell	March 2018
Treasurer	David Ludvigson	March 2020
Secretary	David Craigmile	March 2019
Publicity Chair	Joe Ferguson	March 2018
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite
Clean Water Coordinator	Mitchell Enderson	Indefinite

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County (the County), as of and for the year ended December 31, 2017, 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lac qui Parle County Economic Development Authority (EDA), a discretely presented component unit, which represents 8 percent, 4 percent, and 5 percent respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the EDA, based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of funding progress, schedule of proportionate share of net pension liability and schedule of pension contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lac qui Parle County's basic financial statements. The combining statement of changes in assets and liabilities – agency funds, schedule of intergovernmental revenue and Lac qui Parle – Yellow Bank Watershed District statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of changes in assets and liabilities – agency funds, schedule of intergovernmental revenue and Lac qui Parle – Yellow Bank Watershed District statements and schedules are the responsibility of management and were 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 combining statement of changes in assets and liability – agency funds, schedule of intergovernmental revenue and Lac qui Parle – Yellow Bank Watershed District statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of Lac qui Parle County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 result of that testing, and not to provide an opinion on the effectiveness of Lac qui Parle 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 Lac qui Parle County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Alexandria, Minnesota
August 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$61,852,815, of which \$50,209,490 represents investment in capital assets, and \$5,156,110 is restricted to specific purposes. The \$6,487,215 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$2,126,405 for the year ended December 31, 2017. A large part of the increase is attributable to the increase in fund balances of the governmental funds.
- The net cost of governmental activities for the current fiscal year was \$4,578,886. The net cost was funded by general revenues totaling \$6,705,291.
- The fund balances of the governmental funds increased by \$1,601,166. The most significant portion of the increase was due to the County incurring less costs in the area of Highway Maintenance and Social Services than what was budgeted for the year.
- For the year ended December 31, 2017, the unassigned, assigned, and committed fund balance of the General Fund was \$1,964,431, or 44.3 percent of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$4,079,464, or 109.63 percent of the total Road and Bridge Special Revenue Fund expenditures for the year.
- The assigned and committed fund balance of the Family Services Special Revenue Fund was \$4,308,379, or 167.46 percent of the total Family Services Special Revenue Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The statement of activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities for which the County is legally accountable. The County has two component units for which it is legally accountable.

The government-wide statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

Fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Special Revenue Fund. A budgetary comparison schedule has been provided as required supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate statement of fiduciary net position on Exhibit 7.

The County presents the Lac qui Parle County Economic Development Authority as a discretely presented component unit. The Lac qui Parle County Economic Development Authority has separately issued financial statements.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 91 of this report.

Other Information

Other information is provided as supplementary information regarding Lac qui Parle County's intergovernmental revenue and financial statements and schedules for the Lac qui Parle-Yellow Bank Watershed District.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61,852,815 at the close of 2017. The largest portion of Lac qui Parle County's net position (81.2 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending. Comparative data with 2016 is presented.

**Governmental Activities
Net Position**

	2017	2016
Assets		
Current and other assets	\$ 17,112,537	\$ 13,275,842
Capital assets	50,357,475	51,656,126
Total Assets	\$ 67,470,012	\$ 64,931,968
Deferred Outflows of Resources		
Deferred pension outflows	\$ 1,767,168	\$ 3,255,588
Liabilities		
Long-term liabilities	\$ 4,658,520	\$ 7,098,303
Other liabilities	799,616	708,253
Total Liabilities	\$ 5,458,136	\$ 7,806,556
Deferred Inflows of Resources		
Deferred pension inflows	\$ 1,926,229	\$ 654,590
Net Position		
Investment in capital assets	\$ 50,209,490	\$ 51,656,126
Restricted	5,156,110	2,227,718
Unrestricted	6,487,215	5,842,566
Total Net Position	\$ 61,852,815	\$ 59,726,410

Unrestricted net position in the amount of \$6,487,215--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 10.49 percent of the net position.

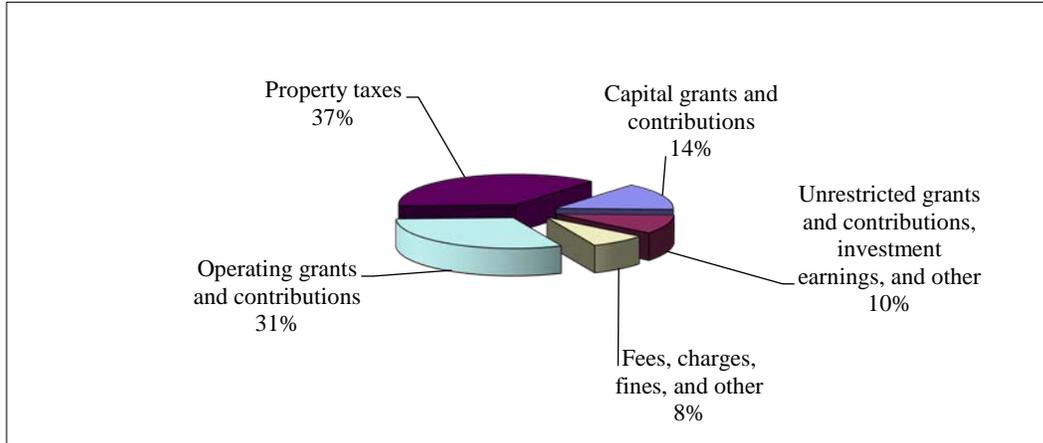
Governmental Activities

The County's governmental activities increased net position by 3.6 percent (\$61,852,815 for 2017, compared to \$59,726,410 for 2016). Key elements in this increase in net position are as follows for 2017, with comparative data for 2016.

Governmental Activities Changes in Net Position		
	2017	2016
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,126,602	\$ 2,103,563
Operating grants and contributions	4,537,853	6,189,395
Capital grants and contributions	2,114,414	98,869
General revenues		
Property taxes	5,382,189	5,178,388
Other	1,323,102	892,848
Total Revenues	\$ 14,484,160	\$ 14,463,063
Expenses		
General government	\$ 2,057,852	\$ 1,871,726
Public safety	1,823,497	2,043,839
Highways and streets	4,794,618	4,388,859
Sanitation	191,019	203,314
Human services	2,634,845	2,545,849
Health	-	82,967
Culture and recreation	145,742	161,312
Conservation of natural resources	673,110	1,197,192
Economic development	7,100	7,100
Interest	29,972	11,948
Total Expenses	\$ 12,357,755	\$ 12,514,106
Increase in Net Position	\$ 2,126,405	\$ 1,948,957
Net Position - January 1	59,726,410	57,777,453
Net Position - December 31	\$ 61,852,815	\$ 59,726,410

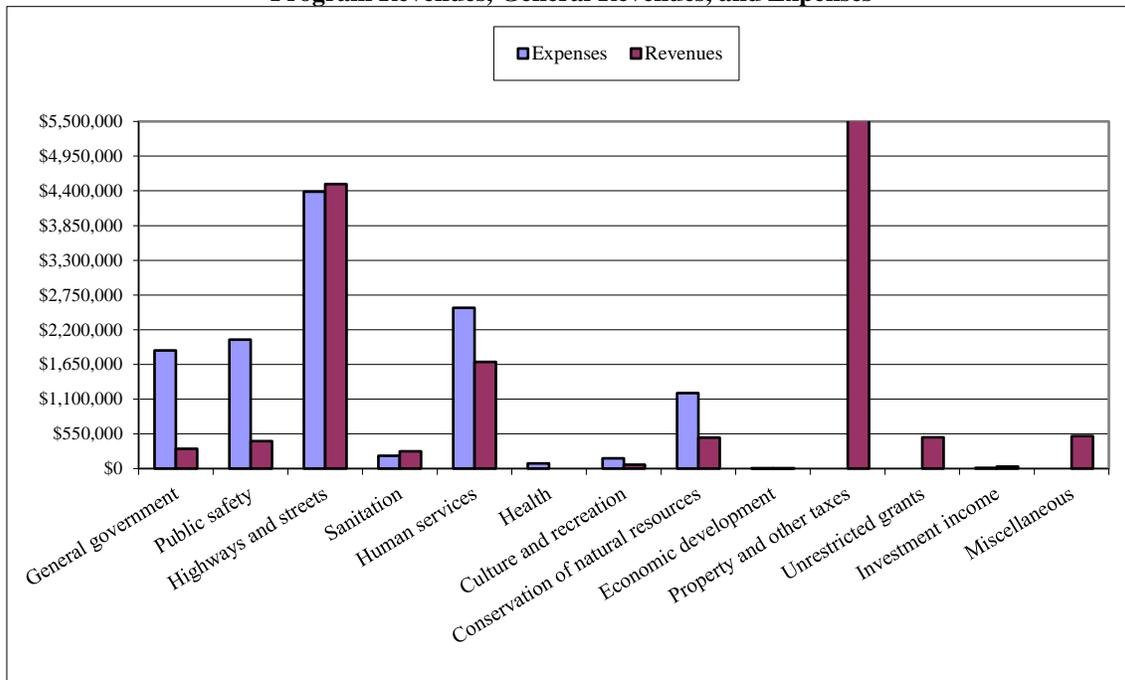
The County's total revenues were \$14,641,714. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2017.

**Table 1
Total County Revenues**



Total expenses were \$12,357,755 while total revenues were \$14,484,160. This reflects a \$2,126,405 increase in net position for the year ended December 31, 2017. Table 2 presents the cost and revenues of each program, as well as the County's general revenues.

**Table 2
Program Revenues, General Revenues, and Expenses**



The cost of all governmental activities this year was \$12,357,755. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$5,382,189 because some of the costs were paid by those who directly benefited from the programs (\$1,126,602) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,652,267). The County paid for the remaining “public benefit” portion of governmental activities with \$1,323,102 in general revenues such as grants and contributions not restricted to specific programs, and investment income.

Table 3 presents the cost of each of the County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	2017	
	Total Cost of Services	Net Cost of Services
Highways and streets	\$ 4,794,618	\$ 288,646
Human services	2,634,845	944,357
General government	2,057,852	1,744,814
Public safety	1,823,497	1,386,656
All others	1,046,943	214,413
Totals	\$ 12,357,755	\$ 4,578,886

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

Governmental Funds

The focus of the County’s governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end available for spending. Such information is useful in assessing the County’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$12,307,961 an increase of \$1,601,166 in comparison with the prior year. Of the combined ending fund balances, \$10,352,274 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is not in spendable form.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$1,964,431. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 44.3 percent of total General Fund expenditures. During 2017, the ending fund balance increased by \$362,296.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$4,079,464 at fiscal year-end, representing 109.63 percent of its annual expenditures. The ending fund balance increased \$999,258 during 2017. The primary reason for the increase was due to the County receiving more CSAH state aid revenues in 2017.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$4,308,379 at fiscal year-end, representing 167.46 percent of its annual expenditures. The ending fund balance increased \$411,551 during 2017, primarily due to greater than expected intergovernmental revenues.

The Ditch Special Revenue Fund had a restricted fund balance of \$762,555 at fiscal year-end. The ending fund balance decreased \$171,939 during 2017, primarily due to the costs of additional ditch redeterminations.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$60,502 higher than the final budget amounts. The most significant departmental variances occurred in the public safety department.

Total expenditures for public safety exceeded budget by \$39,230 primarily due to greater than anticipated expenditures for the sheriff department.

CAPITAL ASSETS

The County's capital assets at December 31, 2017, totaled \$50,357,475 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

**Table 4
Capital Assets at Year-End**

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	218,930	243,884	117,235	345,579
Total capital assets not depreciated	\$ 854,031	\$ 243,884	\$ 117,235	\$ 980,680
Capital assets depreciated				
Buildings	\$ 3,424,592	\$ -	\$ 215,858	\$ 3,208,734
Improvements other than building	100,993	-	-	100,993
Machinery, furniture, and equipment	6,275,431	465,731	130,872	6,610,290
Infrastructure	65,680,663	117,235	-	65,797,898
Total capital assets depreciated	\$ 75,481,679	\$ 582,966	\$ 346,730	\$ 75,717,915
Less: accumulated depreciation for				
Buildings	\$ 978,476	\$ 66,256	\$ 57,759	\$ 986,973
Improvements other than building	15,125	2,718	-	17,843
Machinery, furniture, and equipment	3,3591,743	456,383	122,023	3,926,103
Infrastructure	20,094,240	1,315,961	-	21,410,210
Total accumulated depreciation	\$ 24,679,584	\$ 1,841,318	\$ 179,782	\$ 26,341,120
Total capital assets depreciated, net	\$ 50,802,095	\$ (1,258,352)	\$ 166,948	\$ 49,376,795
Capital Assets, Net	\$ 51,656,126	\$ (1,014,468)	\$ 284,183	\$ 50,357,475

Additional information about the County's capital assets can be found in Note 2.A.3. to the financial statements.

LONG-TERM DEBT

At December 31, 2017, the County had total net outstanding debt of \$588,990, which was backed by the full faith and credit of the government.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2017, the County's outstanding debt was less than 0.01 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in Notes 2.C.4. to 2.C.6. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2018 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2017 was 3.8 percent. This is comparable with the state unemployment rate of 3.4 percent and shows a 0.8 percent decrease from the County's 4.6 percent rate of one year ago.
- Tillable agricultural land values had increased significantly from 2005 - 2014 following a temporary surge in grain commodity prices. In the past few years, however, land values have dropped during the period 2008 - 2017, as evidenced by assessed average agricultural value decreases for taxes payable in 2016, 2017 and 2018. The decrease is attributed to depressed grain market prices combined with increased input costs, such as seed, fertilizer, chemicals, and equipment. The dominance of the agriculture sector in the local economy suggests a possible risk associated with a lack of economic diversification. Moreover, the historical volatility of commodity prices adds an additional dimension of economic risk to the County's financial health.
- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's surplus fund balances have in the past been used to generate investment revenues which are used to offset necessary property tax levy dollars. Investment rates have begun to recover in 2018 but it is not expected that the rates will return to near pre-recession levels in the near future.
- Budget crises at the state level in recent years have resulted in tremendous uncertainty for Minnesota counties regarding expected aids, operating grants, and reimbursement revenues. As most services and programs administered by these counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on County finances. Furthermore, recent efforts to address the state budget issues have only succeeded to manage the problems on a short-term basis. This likely means that this uncertainty will continue into the foreseeable future.
- The 2018 property tax levy for the County increased 1.83 percent from 2017, which followed increases of 3.72 percent in 2017, 2.94 percent in 2016, 3.99 percent in 2015, 4.14 percent in 2014, 8.76 percent in 2013 and 8.8 percent in 2012. The increases in 2015 - 2018 are more reflective of historically acceptable levy increase ranges as compared to 2012 - 2014, and the levy is based on a structurally sound and balanced budget. The largest levy increases were needed to offset losses of state aid and investment revenues, levy limits enacted by the Minnesota legislature, and overall volatility of state intergovernmental revenue. County Program Aid was abruptly reduced from \$663,236 in 2009 down to \$125,562 in 2011 where it has remained since. A new County Program Aid formula was adopted by the legislature in 2018, which will increase total aid received by about \$350,000 per year. Other budget factors appear to have stabilized, and the County has been operating under a balanced budget since

2016. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized.

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

The Lac qui Parle-Yellow Bank Watershed District is a component unit of the County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

FINANCIAL HIGHLIGHTS

Governmental activities' total net position is \$6,410,758, of which \$4,847,824 represents the District's investment in capital assets, \$384,294 is restricted, and \$1,178,640 is unrestricted. The District's net position increased by \$97,763 for the year ended December 31, 2017.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$6,410,758 at the close of 2017. The largest portion of the net position (75.6 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

	Net Position	
	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 2,669,960	\$ 2,314,929
Capital assets	<u>4,847,824</u>	<u>4,885,379</u>
Total Assets	<u>\$ 7,517,784</u>	<u>\$ 7,200,308</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 43,298</u>	<u>\$ 81,472</u>
Liabilities		
Long-term liabilities	\$ 970,692	\$ 923,901
Other liabilities	<u>153,241</u>	<u>27,539</u>
Total Liabilities	<u>\$ 1,123,933</u>	<u>\$ 951,440</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 26,391</u>	<u>\$ 17,345</u>

	<u>2017</u>	<u>2016</u>
Net Position		
Investment in capital assets	\$ 4,847,824	\$ 4,885,379
Restricted	384,294	293,173
Unrestricted	<u>1,178,640</u>	<u>1,134,443</u>
Total Net Position, as reported	<u>\$ 6,410,758</u>	<u>\$ 6,312,995</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lac qui Parle County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Jake Sieg, the County's Auditor-Treasurer-Coordinator, Lac qui Parle County Courthouse, 600 - 6th Street, Suite 6, Madison, Minnesota 56256.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government	Discretely Presented Component Units	
	Governmental Activities	Lac qui Parle-Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
ASSETS			
Cash and Cash Equivalents	\$ 11,530,979	\$ 1,858,134	\$ 307,035
Undistributed Cash in Agency Funds	595,055	-	-
Cash Equivalents	275,000	-	-
Accounts Receivable - Net	4,401,009	811,826	317,419
Inventories	289,802	-	-
Prepaid Items	20,692	-	-
Capital Assets			
Non-Depreciable	980,680	628,458	-
Depreciable - Net of Accumulated Depreciation	49,376,795	4,219,366	4,297
Total Assets	67,470,012	7,517,784	628,751
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,767,168	43,298	46,329
LIABILITIES			
Accounts Payable and Other Current Liabilities	694,373	58,727	10,738
Unearned Revenue	98,165	5,267	-
Interest Payable	7,078	-	-
Long Term Liabilities:			
Due Within One Year	50,032	89,247	-
Due in More Than One Year	892,307	817,478	248,667
Net Pension Liability	3,598,578	153,214	89,375
Net Other Postemployment Benefits Obligation	117,603	-	-
Total Liabilities	5,458,136	1,123,933	348,780
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,725,746	26,391	50,150
Taxes Levied for Subsequent Period	200,483	-	-
Total Deferred Inflows of Resources	1,926,229	26,391	50,150
NET POSITION			
Net Investment in Capital Assets	50,209,490	4,847,824	4,297
Restricted For:			
General Government	116,933	-	-
Public Safety	398,710	-	-
Highways and Streets	3,241,786	-	-
Conservation of Natural Resources	1,330,146	384,294	-
Economic Development	37,979	-	-
Other Purposes	30,556	-	-
Unrestricted	6,487,215	1,178,640	271,853
Total Net Position	\$ 61,852,815	\$ 6,410,758	\$ 276,150

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES
DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General Government	\$ 2,057,852	\$ 230,792	\$ 82,246
Public Safety	1,823,497	255,051	181,790
Highways and Streets	4,794,618	55,242	2,336,316
Sanitation	191,019	179,703	92,942
Human Services	2,634,845	117,483	1,573,005
Culture and Recreation	145,742	-	62,009
Conservation of Natural Resources	673,110	288,331	202,890
Economic Development	7,100	-	6,655
Interest	29,972	-	-
Total Governmental Activities	\$ 12,357,755	\$ 1,126,602	\$ 4,537,853
COMPONENT UNITS			
Lac qui Parle-Yellow Bank Watershed District	\$ 801,645	\$ 498,824	\$ 26,627
Lac qui Parle County Economic Development Authority	181,041	-	41,043
Total Component Units	\$ 982,686	\$ 498,824	\$ 67,670
GENERAL REVENUES			
Property Taxes			
Mortgage Registry and Deed Tax			
Wheelage Tax			
Payments in Lieu of Tax			
Grants and Contributions not Restricted for a Particular Purpose			
Investment Earnings			
Impairment Gain			
Miscellaneous			
Total General Revenues			
CHANGE IN NET POSITION			
Net Position - Beginning of Year			
NET POSITION - END OF YEAR			

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government	Discretely Presented Component Units	
		Governmental Activities	Lac qui Parle- Yellow Bank Watershed District
Capital Grants and Contributions			
\$ -	\$ (1,744,814)		
-	(1,386,656)		
2,114,414	(288,646)		
-	81,626		
-	(944,357)		
-	(83,733)		
-	(181,889)		
-	(445)		
-	(29,972)		
<u>\$ 2,114,414</u>	<u>(4,578,886)</u>		
\$ -		\$ (276,194)	\$ -
-		-	(139,998)
<u>\$ -</u>		<u>\$ (276,194)</u>	<u>\$ (139,998)</u>
	5,382,189	294,310	98,892
	1,466	-	-
	85,008	-	-
	351,865	5,022	-
	494,841	11,929	32,000
	33,539	4,488	3,753
	95,027	-	-
	261,356	58,208	-
	<u>6,705,291</u>	<u>373,957</u>	<u>134,645</u>
	2,126,405	97,763	(5,353)
	<u>59,726,410</u>	<u>6,312,995</u>	<u>281,503</u>
	<u>\$ 61,852,815</u>	<u>\$ 6,410,758</u>	<u>\$ 276,150</u>

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

FUND FINANCIAL STATEMENTS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 2,289,730	\$ 4,194,961	\$ 4,164,013	\$ 880,425	\$ 11,529,129
Undistributed Cash in Agency Funds	301,493	152,177	121,059	20,326	595,055
Petty Cash and Change Funds	1,650	-	200	-	1,850
Cash Equivalents	275,000	-	-	-	275,000
Taxes Receivable - Delinquent	15,205	8,294	6,424	-	29,923
Special Assessments Receivable					
Delinquent	-	-	-	573,971	573,971
Noncurrent	9,381	-	-	698	10,079
Accounts Receivable	7,538	498	27,641	-	35,677
Due from Other Governments	94,821	3,206,205	167,188	34,478	3,502,692
Advance to Component Unit	248,667	-	-	-	248,667
Due From Other Funds	110,400	-	-	-	110,400
Inventory	-	289,802	-	-	289,802
Prepaid Items	20,692	-	-	-	20,692
Total Assets	\$ 3,374,577	\$ 7,851,937	\$ 4,486,525	\$ 1,509,898	\$ 17,222,937
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 167,207	\$ 28,486	\$ 56,884	\$ 62,274	\$ 314,851
Salaries Payable	138,421	33,569	41,000	-	212,990
Contracts Payable	-	110,410	-	-	110,410
Due to Other Funds	-	-	-	110,400	110,400
Due to Other Governments	20,671	5,815	29,636	-	56,122
Unearned Revenue	98,165	-	-	-	98,165
Total Liabilities	424,464	178,280	127,520	172,674	902,938
DEFERRED INFLOWS OF RESOURCES					
Taxes Collected for Subsequent Period	102,968	54,311	43,204	-	200,483
Unavailable Revenue	24,586	3,205,876	6,424	574,669	3,811,555
Total Deferred Inflows of Resources	127,554	3,260,187	49,628	574,669	4,012,038

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

FUND BALANCES	General	Road and Bridge	Family Services	Ditch	Total Governmental Funds
Nonspendable					
Inventory	\$ -	\$ 289,802	\$ -	\$ -	\$ 289,802
Prepaid Items	20,692	-	-	-	20,692
Advance to Component Unit	248,667	-	-	-	248,667
Missing Heirs	5,589	-	-	-	5,589
Restricted					
Highway Allotments	-	44,204	-	-	44,204
Recorder's Compliance Fund	55,560	-	-	-	55,560
Recorder's Technology Fund	53,005	-	-	-	53,005
E-911	398,710	-	-	-	398,710
Forfeitures	8,368	-	-	-	8,368
Cemetery	1,000	-	-	-	1,000
EDA Loans	37,979	-	-	-	37,979
Ditch Repairs and Maintenance	-	-	-	762,555	762,555
Small Cities Development Program	28,558	-	-	-	28,558
Income Maintenance -EFSP	-	-	998	-	998
Committed					
Solid Waste Assessments	338,921	-	-	-	338,921
Capital Equipment	-	471,646	-	-	471,646
Buildings and Grounds	-	165,980	-	-	165,980
Out of Home Placements	-	-	100,000	-	100,000
Assigned					
Capital Improvements	42,000	-	-	-	42,000
Poor Relief	-	-	300,000	-	300,000
Administration	-	-	150,000	-	150,000
Out of Home Placements	-	-	150,000	-	150,000
Rule 20	-	-	120,000	-	120,000
Recorder's Enhancements	22,991	-	-	-	22,991
Future Capital Purchases	-	1,290,239	-	-	1,290,239
Contracts Issued	-	129,250	-	-	129,250
Sheriff's Forfeiture	35,518	-	-	-	35,518
Sheriff's Contingency	2,297	-	-	-	2,297
County Park Board	8,980	-	-	-	8,980
Buffer Law	125,532	-	-	-	125,532
Road and Bridge	-	2,022,349	-	-	2,022,349
Human Services	-	-	3,488,379	-	3,488,379
Unassigned	1,388,192	-	-	-	1,388,192
Total Fund Balances	2,822,559	4,413,470	4,309,377	762,555	12,307,961
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,374,577	\$ 7,851,937	\$ 4,486,525	\$ 1,509,898	\$ 17,222,937

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 12,307,961
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	50,357,475
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	3,811,555
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	1,767,168
Deferred Inflows of Resources Related to Pensions	(1,725,746)
Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Bonds and Notes	\$ (588,990)
Accrued Interest	(7,078)
Compensated Absences	(353,349)
Net Pension Liability	(3,598,578)
Net Other Postemployment Benefits	(117,603)
	(4,665,598)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 61,852,815

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Family Services	Ditch	Total Governmental Funds
REVENUES					
Taxes	\$ 2,782,544	\$ 1,450,665	\$ 1,154,144	\$ -	\$ 5,387,353
Other Taxes	5,356	85,008	-	-	90,364
Special Assessments	127,321	-	-	310,916	438,237
Licenses and Permits	17,145	-	-	-	17,145
Intergovernmental	1,157,148	2,591,727	1,547,469	-	5,296,344
Charges for Services	429,778	54,742	241,246	-	725,766
Fines and Forfeits	621	-	-	-	621
Gifts and Contributions	13,339	-	-	-	13,339
Interest on Investments	11,562	11,585	10,392	-	33,539
Miscellaneous	252,594	155,721	31,009	140	439,464
Total Revenues	<u>4,797,408</u>	<u>4,349,448</u>	<u>2,984,260</u>	<u>311,056</u>	<u>12,442,172</u>
EXPENDITURES					
CURRENT					
General Government	1,929,408	-	-	-	1,929,408
Public Safety	1,477,177	-	-	-	1,477,177
Highways and Streets	-	3,203,378	-	-	3,203,378
Sanitation	185,027	-	-	-	185,027
Human Services	-	-	2,572,709	-	2,572,709
Culture and Recreation	144,959	-	-	-	144,959
Conservation of Natural Resources	429,110	-	-	272,499	701,609
Economic Development	7,100	-	-	-	7,100
INTERGOVERNMENTAL	265,923	517,640	-	-	783,563
DEBT SERVICE					
Principal	-	-	-	184,010	184,010
Interest	-	-	-	22,894	22,894
Total Expenditures	<u>4,438,704</u>	<u>3,721,018</u>	<u>2,572,709</u>	<u>479,403</u>	<u>11,211,834</u>
EXCESS OF REVENUES OVER EXPENDITURES	358,704	628,430	411,551	(168,347)	1,230,338
OTHER FINANCING SOURCES (USES)					
Transfers In	6,500	-	-	2,908	9,408
Transfers Out	(2,908)	-	-	(6,500)	(9,408)
Insurance Recovery	-	252,581	-	-	252,581
Total Other Financing Sources (Uses)	<u>3,592</u>	<u>252,581</u>	<u>-</u>	<u>(3,592)</u>	<u>252,581</u>
NET CHANGE IN FUND BALANCES	362,296	881,011	411,551	(171,939)	1,482,919
Fund Balances - Beginning of Year	2,460,263	3,414,212	3,897,826	934,494	10,706,795
INCREASE IN INVENTORY	-	118,247	-	-	118,247
FUND BALANCES - END OF YEAR	<u>\$ 2,822,559</u>	<u>\$ 4,413,470</u>	<u>\$ 4,309,377</u>	<u>\$ 762,555</u>	<u>\$ 12,307,961</u>

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,482,919
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 709,615	
Net Book Value of Capital Asset Disposals	(166,948)	
Current Year Depreciation	<u>(1,841,318)</u>	(1,298,651)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		1,950,761
<p>Governmental funds report expenditures as pension contributions are made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.</p>		
		(299,851)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal Repayments		
General Obligation Bonds		184,010
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in Accrued Interest Payable	(7,078)	
Change in Compensated Absences	(1,579)	
Change in Other Postemployment Benefits	(2,373)	
Change in Inventory	<u>118,247</u>	<u>107,217</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,126,405</u>

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

FIDUCIARY FUNDS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

ASSETS

Cash and Cash Equivalent	<u>\$ 595,581</u>
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LIABILITIES

Due to Others	\$ 5,214
Due to Other Governments	<u>590,367</u>
Total Liabilities	<u>\$ 595,581</u>

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Lac qui Parle County was established in 1871 and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Lac qui Parle County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presently component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Lac qui Parle County are discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Lac qui Parle-Yellow Bank Watershed District	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements are not prepared.
Lac qui Parle County Economic Development Authority	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements can be obtained at: 600 - 6th Street, Suite 10 Madison, Minnesota 56256

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Significant accounting policies of the component units do not differ significantly from those of the County.

Joint Ventures

The County participates in several joint ventures which are described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity;

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental funds as major funds.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Family Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Lac qui Parle County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer-Coordinator for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$33,539.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and deferred special assessments payable in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

The County had no accounts receivable scheduled to be collected beyond one year.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. The County and the Lac qui Parle-Yellow Bank Watershed District define capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

4. Capital Assets (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 66
Land improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	5 - 25

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time. Compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, the Family Services Special Revenue Fund, and the Ditch Special Revenue Fund. For the Lac qui Parle-Yellow Bank Watershed District, compensated absences are liquidated by the General Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The County's net pension liability is liquidated through the General Fund and other governmental funds that have personal services. The Lac qui Parle-Yellow Bank Watershed District's net pension liability is liquidated by its General Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports three and the Lac qui Parle-Yellow Bank Watershed District reports two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent, and deferred special assessments receivable, and grant monies receivable for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County reports a deferred inflow for taxes collected for the subsequent tax year levy in both the fund level and government wide statements. The County and the Lac qui Parle-Yellow Bank Watershed District also have deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

10. Classification of Net Position

Net position in the government-wide and the component unit financial statements is classified in the following categories:

- Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. At December 31, 2017, Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District reported no debt related to acquisition, construction, or improvement of capital assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

11. Classification of Fund Balances (Continued)

- Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board for the County or Board of Managers for the Lac qui Parle-Yellow Bank Watershed District. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County or the Lac qui Parle-Yellow Bank Watershed District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the Auditor-Treasurer-Coordinator, who has been delegated that authority by Board resolution. The Lac qui Parle-Yellow Bank Watershed District Administrator has been delegated this authority for the District.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

11. Classification of Fund Balances (Continued)

Lac qui Parle County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. Minimum Fund Balance

Lac qui Parle County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2017, unrestricted fund balance for the General Fund was below the minimum fund balance level.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the report amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total deposits and cash on hand to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and cash equivalents	\$ 12,126,034
Cash equivalents	275,000
Statement of fiduciary net position	
Cash and cash equivalents	<u>595,581</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 12,996,615</u></u>
 Petty cash and change funds	 \$ 1,850
Checking	5,254,175
Money market savings	7,240,590
Certificates of deposit	<u>500,000</u>
 Total Deposits and Investments	 <u><u>\$ 12,996,615</u></u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the county’s deposits may not be returned to it. the County’s policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As December 31, 2017, the County’s deposits exceeded collateral by \$737.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

2. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available, and that they qualify under Minn. Stat. § 118A.06 to hold investments.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

Lac qui Parle County had no investments at December 31, 2017.

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 29,923	\$ -
Special assessments	584,050	-
Accounts receivable	35,677	-
Due from other governments	3,502,692	-
Advance to component unit	248,667	248,667
Total Governmental Activities	\$ 4,401,009	\$ 248,667

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables (Continued)

Advance to Component Unit

The Lac qui Parle County Economic Development Authority (EDA) has a balance due to the Lac qui Parle County General Fund at December 31, 2017, of \$248,667. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement. No disbursements were made to the EDA in 2017.

<u>Original Loan Date</u>	<u>Due Date</u>	<u>Loan Amount</u>
December 31, 2013	2023	\$ 72,328
December 31, 2014	2024	176,339
Total Advance to Component Unit		<u>\$ 248,667</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	218,930	243,884	117,235	345,579
Total capital assets not depreciated	<u>\$ 854,031</u>	<u>\$ 243,884</u>	<u>\$ 117,235</u>	<u>\$ 980,680</u>
Capital assets depreciated				
Buildings	\$ 3,424,592	\$ -	\$ 215,858	\$ 3,208,734
Improvements other than building	100,993	-	-	100,993
Machinery, furniture, and equipment	6,275,431	465,731	130,872	6,610,290
Infrastructure	<u>65,680,663</u>	<u>117,235</u>	<u>-</u>	<u>65,797,898</u>
Total capital assets depreciated	<u>\$ 75,481,679</u>	<u>\$ 582,966</u>	<u>\$ 346,730</u>	<u>\$ 75,717,915</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 978,476	\$ 66,256	\$ 57,759	\$ 986,973
Improvements other than building	15,125	2,718	-	17,843
Machinery, furniture, and equipment	3,591,743	456,383	122,023	3,926,103
Infrastructure	20,094,240	1,315,961	-	21,410,201
Total accumulated depreciation	\$ 24,679,584	\$ 1,841,318	\$ 179,782	\$ 26,341,120
Total capital assets depreciated, net	\$ 50,802,095	\$ -1,258,352	\$ 166,948	\$ 49,376,795
Capital Assets, Net	\$ 51,656,126	\$ -1,014,468	\$ 284,183	\$ 50,357,475

Construction in progress consists of amounts completed on an open road project and reconstruction on the Bellingham Shop.

In 2017, a storm caused damage to the Bellingham Shop. The shop was constructed in 2007 and was expected to provide service for 40 years. The net gain, after insurance recoveries, of \$95,027 is reported on the statement of activities.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 66,091
Public safety	119,544
Highways and streets, including depreciation of infrastructure assets	1,631,568
Sanitation	5,992
Human services	16,280
Conservation of natural resources	1,060
Culture and recreation	783
Total Depreciation Expense - Governmental Activities	\$ 1,841,318

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Transfer to Ditch Special Revenue Fund from General Fund	\$	<u>2,908</u>	Provide proportionate share of interest earnings
Transfer to General Fund from Ditch Special Revenue Fund	\$	<u>6,500</u>	Provide funding for County ditch administrative and accounting services provided

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

		<u>Governmental Activities</u>
Accounts payable	\$	314,851
Salaries payable		212,990
Contracts Payable		110,410
Due to other governments		<u>56,122</u>
Total Payables	\$	<u>694,373</u>

2. Construction Commitments

The County had the following construction commitments at December 31, 2017.

<u>Project</u>	<u>Work Performed to Date</u>	<u>Construction Commitment</u>
Bellingham Shop	\$ 167,000	\$ 120,900
Road Project 37-619-000	-	537,189
Total	<u>\$ 167,000</u>	<u>\$ 658,089</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, and state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and unavailable revenues at December 31, 2017, are summarized below by fund:

	<u>Special Assessments</u>	<u>Taxes</u>	<u>Grants</u>	<u>Total</u>
Major governmental funds				
General	\$ 9,381	\$ 15,205	\$ 98,165	\$ 133,732
Road and Bridge	-	8,294	3,197,582	3,205,876
Family Services	-	6,424	-	6,424
Ditch	574,669	-	-	574,669
Total	<u>\$ 584,050</u>	<u>\$ 29,923</u>	<u>\$ 3,295,747</u>	<u>\$ 3,909,720</u>
Liability				
Unearned revenue	\$ -	\$ -	\$ 98,165	\$ 98,165
Deferred inflows of resources				
Unavailable revenue	584,050	29,923	3,197,582	3,811,555
Total	<u>\$ 584,050</u>	<u>\$ 29,923</u>	<u>\$ 3,295,747</u>	<u>\$ 3,909,720</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Liabilities and Deferred Inflows of Resources (Continued)

4. Bonds and Notes Payable

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General Obligation Drainage Bonds, Series 2015A	2031	\$16,000 - \$26,000	3.50	\$308,000	<u>\$123,990</u>
General Obligation Drainage Notes, Series 2016A	2032	\$22,000 - \$37,000	2.75	\$465,000	<u>\$465,000</u>

5. Debt Service Requirements

Payments on the Series 2015A and Series 2016A general obligation bonds and notes are made by the Ditch Special Revenue Fund. Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2018	\$ 3,990	\$ 4,270	\$ 22,000	\$ 12,485
2019	5,000	4,112	26,000	11,825
2020	6,000	3,920	27,000	11,097
2021	6,000	3,710	28,000	10,341
2022	7,000	3,482	29,000	9,557
2023 - 2027	46,000	13,055	155,000	35,407
2028 - 2032	50,000	3,675	178,000	12,432
Total	<u>\$ 123,990</u>	<u>\$ 36,224</u>	<u>\$ 465,000</u>	<u>\$ 103,144</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Liabilities and Deferred Inflows of Resources (Continued)

6. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 308,000	\$	\$ 184,010	\$ 123,990	\$ 3,990
General obligation notes	465,000			465,000	22,000
Compensated absences	<u>351,770</u>	<u>73,828</u>	<u>72,2489</u>	<u>353,349</u>	<u>24,042</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,124,770</u>	<u>\$ 73,828</u>	<u>\$ 256,258</u>	<u>\$ 942,339</u>	<u>\$ 50,032</u>

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Lac qui Parle County are covered by defined benefit pension plans administered by Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

1. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund Coordinated Plan members	7.50%
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The employee and employer contribution rates did not change from the previous year.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Fund	\$ 204,271
Public Employees Police and Fire Fund	86,276
Public Employees Correctional Fund	17,472

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Fund

At December 31, 2017, the County reported a liability of \$2,694,020 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0422 percent. It was 0.0424 percent measured as of June 30, 2016. The County recognized pension expense of \$373,533 for its proportionate share of the General Employees Retirement Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

The County also recognized \$6,752 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$ 2,694,020
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>\$ 33,843</u>
Total	<u><u>\$ 2,727,863</u></u>

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 88,787	\$ 173,313
Changes in actuarial assumptions	447,266	270,076
Difference between projected and actual investment earnings	17,400	-
Changes in proportion	42,102	57,796
Contributions paid to PERA subsequent to the measurement date	<u>102,884</u>	<u>-</u>
Total	<u><u>\$ 698,439</u></u>	<u><u>\$ 501,185</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

A total of \$102,884 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2018	\$ 88,245
2019	174,322
2020	(53,841)
2021	(114,356)

Public Employees Police and Fire Fund

At December 31, 2017, the County reported a liability of \$648,057 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.048 percent. It was 0.052 percent measured as of June 30, 2016. The County recognized pension expense of \$142,059 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Fund (Continued)

The County also recognized \$4,320 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,917	\$ 173,251
Changes in Actuarial Assumptions	848,111	920,080
Difference between projected and actual investment earnings	8,900	-
Changes in proportion	-	80,851
Contributions paid to PERA subsequent to the measurement date	47,754	-
Total	\$ 919,682	\$ 1,174,182

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Fund (Continued)

A total of \$47,754 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2018	\$ (7,076)
2019	(7,076)
2020	(30,832)
2021	(65,219)
2022	(192,052)

Public Employees Correctional Fund

At December 31, 2017, the County reported a liability of \$256,501 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.090 percent. It was 0.090 percent measured as of June 30, 2016. The County recognized pension expense of \$97,136 for its proportionate share of the Public Employees Correctional Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Fund (Continued)

The County reported its proportionate share of the Public Employees Correctional Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 172	\$ 4,149
Changes in Actuarial Assumptions	139,649	44,649
Difference between projected and actual investment earnings		1,581
Contributions paid to PERA subsequent to the measurement date	9,226	-
Total	\$ 149,047	\$ 50,379

A total of \$9,226 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2018	\$ 55,280
2019	57,056
2020	(15,754)
2021	(7,140)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$612,728.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disableds in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Fund was for the period 2004 through 2009.

On August 16, 2016, an updated experience study was done for PERA's Public Employee Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2087, estimate of pension liability.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class.

These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent in 2017, a reduction of the 7.50 percent used in 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined that produced approximately the same present value of the projected benefits when that projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions (Continued)

General Employees Retirement Plan (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity (Continued)

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 4,178,625	6.50%	\$ 1,220,481	4.96%	\$ 422,681
Current	7.50	2,694,020	7.50	648,057	5.96	256,501
1% Increase	8.50	1,478,601	8.50	175,490	6.96	126,795

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Five employees of Lac qui Parle County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2017, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,693	\$ 5,693
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2017.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Plan Description

The County pays the health insurance for qualified former elected officials. This is a single-employer defined benefit health care plan. To be eligible, elected officials must have been serving on or after the date of November 2, 2004, and must have served a minimum of eight years and one day as an elected official in Lac qui Parle County. Elected officials eligible for this benefit are limited to the County Attorney, County Sheriff, and County Commissioners. Those eligible are entitled to one year of individual health insurance coverage for each four-year term in an elected position, with additional coverage provided on a pro rata basis for partial terms served. If the former elected official becomes eligible for Medicare benefits, then that official is no longer eligible for this benefit. The County has four eligible participants and one active participants. The County finances the program on a pay-as-you-go basis.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has three current elected officials eligible, and one former elected officials receiving this benefit in 2017.

The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$ 67,099
Interest on net OPEB obligation	5,185
Adjustment to ARC	<u>(6,770)</u>
Annual OPEB cost (expense)	\$ 65,514
Contributions made during the year	<u>(63,141)</u>
Increase in net OPEB obligation	\$ 2,373
Net OPEB Obligation - Beginning of Year	<u>115,230</u>
Net OPEB Obligation - End of Year	<u><u>\$ 117,603</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2015, 2016 and 2017, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 65,770	\$ 50,795	77.2%	\$ 111,657
December 31, 2016	65,564	61,991	94.6%	115,230
December 31, 2017	65,514	63,142	96.4%	117,603

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$498,400, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$498,400. The covered payroll (annual payroll of active employees covered by the plan) was \$2,632,510, and the ratio of the UAAL to the covered payroll was 18.9 percent.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Lac qui Parle County's implicit rate of return on the General Fund.

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates include a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 24 years.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the County and District carry commercial insurance. To manage these risks, the County and the Lac qui Parle-Yellow Bank Watershed District have entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County and the Lac qui Parle-Yellow Bank Watershed District are members of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative.

For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims, liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County and the District in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County and the District pay an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County or District in a method and amount to be determined by MCIT.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

A. Risk Management (Continued)

The Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Contingent Liabilities

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for \$2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through August 13, 2018, \$248,667 has been advanced from the County's General Fund through the Economic Development Authority to Farmers Mutual Telephone Company as part of this agreement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

B. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2017, the most recent information available, the Lincoln-Pipestone Rural Water System had \$47,572,000 of general obligation bonds and other loans outstanding through 2056. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures (Continued)

Countryside Public Health Service

The Countryside Public Health Service was established July 1, 1979, by a joint powers agreement among Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties. The agreement was established to provide community health care for the residents of the five-county area. Each county's proportionate share of the total responsibility of the project is established on a per capita basis as determined by the most recent statistical estimates provided by the Minnesota Board of Health.

In the event of termination of the joint powers agreement, any property acquired as a result of the agreement and any surplus monies on hand at that time shall be divided among the counties in the same proportions as their respective proportionate financial responsibilities.

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 3 from Yellow Medicine County, and 2 from each of the other participating counties. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2017 was \$80,482.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Lac qui Parle County participates with Chippewa, Swift, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures (Continued)

Region 6W Community Corrections

The County Boards of the participating counties have direct authority over and responsibility for the Community Corrections' activities.

Lac qui Parle County's contribution for 2017 was \$180,800.

Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Prairie Lakes Youth Programs (Kandiyohi - Region 6W Community Corrections Agencies Detention Center)

The County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs (PLYP)), pursuant to Minn. Stat. § 471.59. The PLYP provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by Region 6W Community Corrections) and Kandiyohi County.

Control of the PLYP is vested in a joint board composed of one Commissioner from each participating county. An advisory board has also been established, composed of the directors of the Kandiyohi County Community Corrections Agency and Region 6W Community Corrections and the directors of the family services or human services departments of the counties participating in the agreement. The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

Financing is provided by charges for services to member and nonmember counties. Complete financial information can be obtained from the PLYP Office, P. O. Box 894, Willmar, Minnesota 56201.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Lac qui Parle County, along with Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minn. Stat. ch. 116A. The Rural Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges.

The Lincoln-Pipestone Rural Water System is governed by a Board appointed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2017, (the latest information available) were \$47,572,000.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communication Joint Powers Board. The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008, between Lac qui Parle County, the Cities of Marshall and Worthington, and 12 other counties under the authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Lac qui Parle County contributed \$1,977 to the Joint Powers Board.

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

Separate financial information for the Minnesota Counties Information Systems can be obtained at 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures (Continued)

Pioneerland Library System

Lac qui Parle County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, the County contributed \$75,697 to the System.

Separate financial information for the Pioneerland Library System can be obtained from its administrative office at Pioneerland Regional Library, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle-Yellow Bank Watershed District has the following significant accounting policies.

Reporting Entity

The Lac qui Parle-Yellow Bank Watershed District is governed by a five-member Board of Managers, with three members appointed by the Lac qui Parle County Board, one member appointed by the Yellow Medicine County Board, and one member appointed by the Lincoln County Board.

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

The Lac qui Parle-Yellow Bank Watershed District does not prepare separate financial statements. The District has the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies

Reporting Entity (Continued)

- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefitted property.

Deposits

The cash balances of the General Fund and the Ditch Special Revenue are pooled and invested for the purpose of increasing earnings through interest-bearing activities.

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits

Reconciliation of the District's total deposits to the basic financial statements follows:

Cash and cash equivalents	\$ 1,858,134
Checking	\$ 1,162,532
Money market savings	535,602
Non-negotiable certificates of deposit	160,000
Total Deposits	\$ 1,858,134

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

1. Assets and Deferred Outflows of Resources (Continued)

Deposits (Continued)

The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. As of December 31, 2017, the District's deposits were not exposed to custodial credit risk.

The District had no investments at December 31, 2017.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

1. Assets and Deferred Outflows of Resources (Continued)

Receivables

Receivables as of December 31, 2017, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	\$ 776,837	\$ 668,220
Taxes	28,949	-
Accrued interest receivable	907	-
Due from other governments	5,133	-
Total Receivables	\$ 811,826	\$ 668,220

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Capital assets depreciated				
Buildings	\$ 194,685	\$ 7,046	\$ -	\$ 194,685
Machinery, furniture, and equipment	69,775	26,985	5,913	90,847
Land improvements	298,207	6,005	-	304,212
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,896,874	\$ 40,036	\$ 5,913	\$ 5,930,997
Less: accumulated depreciation for				
Buildings	\$ 39,505	\$ 55,045	\$ -	\$ 45,009
Machinery, furniture, and equipment	34,333	7,790	5,913	36,210
Land improvements	154,149	10,955	-	165,104
Infrastructure	1,411,966	53,342	-	1,465,308
Total accumulated depreciation	\$ 1,639,953	\$ 77,591	\$ 5,913	\$ 1,711,631
Total capital assets depreciated, net	\$ 4,256,921	\$ (37,555)	\$ -	\$ 4,219,366
Capital Assets, Net	\$ 4,885,379	\$ (37,555)	\$ -	\$ 4,847,824

Depreciation expense was charged to functions/programs of the District as follows:

Conservation of natural resources	\$ 58,845
Culture and recreation	18,746
Total Depreciation Expense	<u>\$ 77,591</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

2. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

There were no interfund balances as of December 31, 2017.

Interfund Transfers

There were no interfund transfers as of December 31, 2017.

3. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2017, were as follows:

Accounts payable	\$ 49,222
Salaries payable	9,505
	<hr/>
Total Payables	\$ 58,727

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2017.

Long-Term Debt - Loans Payable

The Lac qui Parle-Yellow Bank Watershed District entered into a loan agreement with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

3. Liabilities and Deferred Inflows of Resources (Continued)

Long-Term Debt - Loans Payable (Continued)

Long-term debt outstanding at December 31, 2017, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Semi-Annual Installment Amount</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 63,472
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	78,655
North and South Fork Yellow Bank Rivers	2026	24,840	2.00%	448,248	407,330
Clean Water Partnership Project	Not finalized	Not finalized	Not finalized	98,245	351,439
Total Loans Payable				<u>\$ 989,892</u>	<u>\$ 900,896</u>

Debt service requirements at December 31, 2017, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 88,273	\$ 10,550
2019	90,046	8,776
2020	59,160	7,128
2021	60,349	5,939
2022	61,562	4,726
2023 - 2026	190,066	8,652
Total	<u>\$ 549,457</u>	<u>\$ 45,772</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

3. Liabilities and Deferred Inflows of Resources (Continued)

Long-Term Debt - Loans Payable (Continued)

Loans of \$351,439 for the Clean Water Partnership Project were not included in the debt service requirements because fixed repayment schedules are not available.

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2017, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Loans payable	\$ 734,234	\$ 253,194	\$ 86,532	\$ 900,896	\$ 88,273
Compensated absences	2,918	12,331	9,420	5,829	974
Total	<u>\$ 737,152</u>	<u>\$ 265,525</u>	<u>\$ 95,952</u>	<u>\$ 906,725</u>	<u>\$ 89,247</u>

C. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of the Lac qui Parle-Yellow Bank Watershed District are covered by defined benefit pension plans administered by PERA. See Note 3.A. for information on PERA.

2. Contributions

The District's contributions for the General Employees Retirement Plan for the year ended December 31, 2017, were \$10,312. The contributions are equal to the contractually required contributions as set by state statute.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

C. Defined Benefit Pension Plans (Continued)

3. Pension Costs

At December 31, 2017, the District reported a liability of \$153,214 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.0024 percent. It was 0.0023 percent measured as of June 30, 2016. The District recognized pension expenses of \$24,488 for its proportionate share of the General Employees Retirement Plan's pension expense.

The District also recognized \$384 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015 through September 15, 2031.

District's proportionate share of the net pension liability	\$ 153,214
State of Minnesota's proportionate share of the net Pension liability associated with the District	<u>1,910</u>
Total	<u>\$ 155,124</u>

The District reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

C. Defined Benefit Pension Plans (Continued)

3. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,049	\$ 9,857
Changes in actuarial assumptions	25,437	15,360
Difference between projected and actual investment earnings	990	-
Changes in proportion	6,713	1,174
Contributions paid to PERA subsequent to the measurement date	5,109	-
Total	\$ 43,298	\$ 26,391

The \$5,109 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2018	\$ 8,263
2019	11,528
2020	(1,489)
	(6,504)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

C. Defined Benefit Pension Plan (Continued)

4. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 237,647	\$ 153,214	\$ 84,091

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle County Economic Development Authority has the following significant accounting policies.

1. Reporting Entity

The Lac qui Parle County Economic Development Authority is a public body politic and corporate and a political subdivision of the State of Minnesota. The primary purpose of the Authority is to serve as an Economic Development Authority pursuant to Minn. Stat. ch. 469. The Authority is governed by a Board of Commissioners consisting of seven members. Two members are from the County Board of Commissioners, three members are "at large" from within the County, and two members are appointed--one from the City of Dawson and one from the City of Madison.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority
(Continued)

A. Summary of Significant Accounting Policies (Continued)

2. Reporting Entity (Continued)

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

2. Basis of Presentation

The Lac qui Parle County Economic Development Authority prepares separate financial statements. The District presents the following major governmental fund:

- The General Fund includes all transactions relating to the Authority.

3. Deposits and Investments

Cash and temporary investments include balances invested to the extent available in various securities as authorized by state law. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

4. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 40 years for buildings and improvements, 5 to 20 years for equipment and vehicles, and 20 to 50 years for public domain infrastructure. Land is not depreciated.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority
(Continued)

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Deposits

The Authority is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The Authority is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Authority's deposits were not exposed to custodial credit risk.

The Authority did not have any investments at December 31, 2017.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority (Continued)

B. Detailed Notes (Continued)

1. Assets and Deferred Outflows of Resources (Continued)

Receivables

Receivables as of December 31, 2017, for the Authority are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 52,412	\$ -
Accounts receivable	6,278	-
Accrued interest receivable	62	-
Loan receivable - Farmers Mutual Telephone Company	248,667	248,667
Total Receivables	\$ 307,419	\$ 248,667

Loan Receivable

On November 1, 2010, the Authority entered into an advancing term promissory note with Farmers Mutual Telephone Company for the purpose of providing assistance in servicing one-half of the Rural Utilities Service loan to provide fiber optic service to certain residents and businesses of Lac qui Parle County who do not currently receive said service until the project becomes self-supporting through revenue generated therefrom. The note authorizes Farmers Mutual Telephone Company to borrow up to \$2,413,239 in periodic installments. The final payment shall be due on or before November 1, 2020. The outstanding principal may become immediately due and payable without notice or demand upon the occurrence of default by Farmers Mutual Telephone Company. As of December 31, 2017, the outstanding balance of the note receivable was \$248,667.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority (Continued)

B. Detailed Notes (Continued)

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

The Lac qui Parle County Economic Development Authority capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 15,168	\$ -	\$ -	\$ 15,168
Less: accumulated depreciation for Machinery, furniture, and equipment	<u>9,354</u>	<u>1,517</u>	<u>-</u>	<u>10,871</u>
Capital Assets, Net	<u>\$ 5,814</u>	<u>\$ (1,517)</u>	<u>\$ -</u>	<u>\$ 4,297</u>

Depreciation expense was charged to functions/programs of the Authority as follows:

Economic development	<u>\$ 1,517</u>
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2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2017, were as follows:

Accounts payable	\$ 4,994
Salaries payable	2,370
Due to other governments	<u>3,374</u>
Total Payables	<u>\$ 10,738</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority (Continued)

B. Detailed Notes (Continued)

2. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle County Economic Development Authority for the year ended December 31, 2017, were:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>	<u>Amount Due Within One Year</u>
Advance from primary government	\$ 248,667	\$ -	\$ -	\$ 248,667	\$ -
Total	<u>\$ 248,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,667</u>	<u>\$ -</u>

Advance from Primary Government

The Authority has a balance due to Lac qui Parle County at December 31, 2017, of \$248,667. Repayment for each disbursement made to the Authority, together with any accrued interest, is due ten years from the date of each disbursement.

<u>Original Loan Date</u>	<u>Due Date</u>	<u>Loan Amount</u>
December 31, 2013	2023	\$ 72,328
December 31, 2014	2024	<u>176,339</u>
Total Advance from Primary Government		<u>\$ 248,667</u>

C. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of the Lac qui Parle County Economic Development Authority are covered by defined benefit pension plans administered by PERA. See Note 3.A. for information on PERA.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority
(Continued)

C. Defined Benefit Pension Plans (Continued)

2. Contributions

The Authority's contributions for the General Employees Retirement Fund for the year ended December 31, 2017, were \$6,821. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2017, the Authority reported a liability of \$89,375 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Authority's proportion was 0.0014 percent. It was 0.0012 percent measured as of June 30, 2016. The Authority recognized pension expense of \$7,726 for its proportionate share of the General Employees Retirement Fund's pension expense.

The Authority also recognized \$375 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

Authority's proportionate share of the net liability	\$ 89,375
State of Minnesota's proportionate share of the net Pension liability associated with the authority	<u>1,133</u>
Total	<u>\$ 90,508</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority
(Continued)

C. Defined Benefit Pension Plans (Continued)

3. Pension Costs (Continued) (Continued)

The Authority reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,946	\$ 5,537
Changes in actuarial assumptions	12,719	8,960
Difference between projected and actual investment earnings	15,219	15,175
Changes in proportion	12,179	20,478
Contributions paid to PERA subsequent to the measurement date	3,266	-
Total	\$ 46,329	\$ 50,150

A total of \$3,266 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ (4,542)
2019	(538)
2020	1,787
2021	(3,793)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Component Unit Disclosures - Lac qui Parle County Economic Development Authority (Continued)

C. Defined Benefit Pension Plans (Continued)

4. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 138,627	\$ 89,375	\$ 49,053

REQUIRED SUPPLEMENTARY INFORMATION

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,945,546	\$ 2,945,546	\$ 2,782,544	\$ (163,002)
Other Taxes	5,000	5,000	5,356	356
Special Assessments	136,000	136,000	127,321	(8,679)
Licenses and Permits	11,730	11,730	17,145	5,415
Intergovernmental	707,854	707,854	1,157,148	449,294
Charges for Services	407,344	407,344	429,778	22,434
Fines and Forfeits	-	-	621	621
Gifts and Contributions	1,500	1,500	13,339	11,839
Interest on Investments	25,700	25,700	11,562	(14,138)
Miscellaneous	131,028	131,028	252,594	121,566
Total Revenues	4,371,702	4,371,702	4,797,408	425,706
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	218,544	218,544	210,234	(8,310)
Courts	20,000	20,000	17,983	(2,017)
Jury Manager	-	-	1,003	1,003
Auditor-Treasurer	585,874	585,874	571,333	(14,541)
Data Processing	77,036	77,036	218,697	141,661
Elections	31,000	31,000	15,949	(15,051)
County Car	812	812	20,504	19,692
Attorney	229,307	229,307	225,572	(3,735)
Recorder	180,899	180,899	152,237	(28,662)
Assessor	171,014	171,014	160,454	(10,560)
GIS	9,000	9,000	39,917	30,917
Planning and Zoning	84,336	84,336	24,428	(59,908)
Building and Plant	138,863	138,863	142,507	3,644
Veterans Service Officer	96,016	96,016	84,034	(11,982)
Other General Government	58,451	58,451	44,556	(13,895)
Total General Government	1,901,152	1,901,152	1,929,408	28,256
PUBLIC SAFETY				
Sheriff	595,359	595,359	628,716	33,357
Safety/AWAIR	5,000	5,000	4,439	(561)
Sheriff's Forfeiture Activity	-	-	2,600	2,600
County Sheriff (City)	228,876	228,876	296,053	67,177
Boat and Water Safety	1,099	1,099	1,361	262
Snowmobile Safety	2,835	2,835	379	(2,456)

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
PUBLIC SAFETY (CONTINUED)				
Coroner	\$ 11,600	\$ 11,600	\$ 12,660	\$ 1,060
Federal Safe and Sober	9,850	9,850	3,616	(6,234)
E-911 System	78,370	78,370	40,847	(37,523)
County Jail	428,733	428,733	442,212	13,479
Civil Defense	68,546	68,546	36,951	(31,595)
Ambulance	3,000	3,000	6,000	3,000
Other	4,679	4,679	1,343	(3,336)
Total Public Safety	1,437,947	1,437,947	1,477,177	39,230
SANITATION				
Solid Waste	56,876	56,876	47,121	(9,755)
Recycling	165,400	165,400	137,906	(27,494)
Total Sanitation	222,276	222,276	185,027	(37,249)
CULTURE AND RECREATION				
Historical Society	10,300	10,300	10,300	-
Parks	7,909	7,909	11,392	3,483
Senior Citizens	500	500	500	-
County/Regional Library	75,697	75,697	75,697	-
Other	50,000	50,000	47,070	(2,930)
Total Culture and Recreation	144,406	144,406	144,959	553
CONSERVATION OF NATURAL RESOURCES				
Extension	92,049	92,049	86,076	(5,973)
Riparian Project	-	-	15,739	15,739
Soil and Water Conservation	149,297	149,297	149,297	-
Water Quality	24,231	24,231	24,231	-
Agricultural Society/County Fair	13,550	13,550	13,550	-
E-Waste	-	-	59	59
Environmental Officer	30,181	30,181	28,505	(1,676)
Planning and Zoning	19,430	19,430	31,820	12,390
Feedlot Administration	29,482	29,482	31,090	1,608
Minnesota River Basin	11,832	11,832	11,833	1
Other	29,446	29,446	36,910	7,464
Total Conservation of Natural Resources	399,498	399,498	429,110	29,612

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
ECONOMIC DEVELOPMENT				
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Economic Development	-	-	100	100
Total Economic Development	7,000	7,000	7,100	100
INTERGOVERNMENTAL				
Public Safety	180,800	180,800	180,800	-
Health	85,123	85,123	85,123	-
Total Intergovernmental	265,923	265,923	265,923	-
Total Expenditures	4,378,202	4,378,202	4,438,704	60,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,500)	(6,500)	358,704	365,204
OTHER FINANCING SOURCES (USES)				
Transfers In	6,500	6,500	6,500	-
Transfers Out	-	-	(2,908)	(2,908)
Total Other Financing Sources (Uses)	6,500	6,500	3,592	(2,908)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	362,296	\$ 362,296
Fund Balance - Beginning of Year			2,460,263	
FUND BALANCE - END OF YEAR			<u>\$ 2,822,559</u>	

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,563,427	\$ 1,563,427	\$ 1,450,665	\$ (112,762)
Other Taxes	80,000	80,000	85,008	5,008
Intergovernmental	3,064,393	3,064,393	2,591,727	(472,666)
Charges for Services	-	-	54,742	54,742
Interest on Investments	4,000	4,000	11,585	7,585
Miscellaneous	195,000	195,000	155,721	(39,279)
Total Revenues	4,906,820	4,906,820	4,349,448	(557,372)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	234,773	234,773	236,256	1,483
Construction	1,554,343	1,554,343	738,196	(816,147)
Maintenance	2,542,399	2,542,399	1,651,766	(890,633)
Equipment and Maintenance Shops	260,635	260,635	577,160	316,525
Total Highways and Streets	4,592,150	4,592,150	3,203,378	(1,388,772)
INTERGOVERNMENTAL				
Highways and Streets	519,260	519,260	517,640	(1,620)
Total Expenditures	5,111,410	5,111,410	3,721,018	(1,390,392)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(204,590)	(204,590)	628,430	(1,947,764)
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	252,581	252,581
Total Other Financing Sources (Uses)	-	-	252,581	252,581
NET CHANGE IN FUND BALANCE	\$ (204,590)	\$ (204,590)	881,011	\$ 1,085,601
Fund Balance - Beginning of Year			3,414,212	
Increase in Inventory			118,247	
FUND BALANCE - END OF YEAR			\$ 4,413,470	

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,243,779	\$ 1,243,779	\$ 1,154,144	\$ (89,635)
Intergovernmental	1,341,875	1,341,875	1,547,469	205,594
Charges for Services	217,500	217,500	241,246	23,746
Interest on Investments	2,500	2,500	10,392	7,892
Miscellaneous	64,177	64,177	31,009	(33,168)
Total Revenues	2,869,831	2,869,831	2,984,260	114,429
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	752,430	752,430	726,357	(26,073)
Social Services	2,117,401	2,117,401	1,846,352	(271,049)
Total Expenditures	2,869,831	2,869,831	2,572,709	(297,122)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	411,551	<u>\$ 411,551</u>
Fund Balance - Beginning of Year			<u>3,897,826</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,309,377</u>	

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 249,883	\$ 249,883	\$ 310,916	\$ 61,033
Interest on Investments	4,000	4,000	-	(4,000)
Miscellaneous	-	-	140	140
Total Revenues	<u>253,883</u>	<u>253,883</u>	<u>311,056</u>	<u>57,173</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	247,383	247,383	272,499	25,116
DEBT SERVICE				
Principal	-	-	184,010	184,010
Interest	-	-	22,894	22,894
Total Debt Service	<u>-</u>	<u>-</u>	<u>206,904</u>	<u>206,904</u>
Total Expenditures	<u>247,383</u>	<u>247,383</u>	<u>479,403</u>	<u>232,020</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	6,500	6,500	(168,347)	(174,847)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,908	2,908
Transfers Out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(6,500)</u>	<u>(6,500)</u>	<u>(3,592)</u>	<u>2,908</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(171,939)</u>	<u>\$ (171,939)</u>
Fund Balance - Beginning of Year			<u>934,494</u>	
FUND BALANCE - END OF YEAR			<u>\$ 762,555</u>	

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 498,400	\$ 498,400	0.00%	\$ 2,632,510	18.93%

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAC QUI PARLE COUNTY**

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan			
County's Proportion of the Net Pension Liability	0.4220%	0.0424%	0.0407%
County's Proportionate Share of the Net Pension Liability	\$ 2,694,020	\$ 3,442,670	\$ 2,109,285
State's Proportionate Share of the Net Pension Liability	\$ 33,843	\$ 45,011	-
Total Proportionate Share of the Net Pension Liability	\$ 2,727,863	\$ 3,487,681	\$ 2,109,285
County's Covered Payroll	\$ 2,716,091	\$ 2,631,796	\$ 2,394,275
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.19%	130.81%	88.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
PERA - Public Employees Police and Fire Plan			
County's Proportion of the Net Pension Liability	0.0480%	0.0520%	0.0540%
County's Proportionate Share of the Net Pension Liability	\$ 648,057	\$ 2,086,850	\$ 613,566
County's Covered Payroll	\$ 495,557	\$ 499,799	\$ 492,919
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.77%	417.54%	124.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.43%	63.90%	82.30%
PERA - Local Government Correctional Plan			
County's Proportion of the Net Pension Liability	0.0900%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 256,501	\$ 328,783	\$ 13,914
County's Covered Payroll	\$ 180,906	\$ 164,570	\$ 161,567
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	141.79%	199.78%	8.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.89%	58.20%	96.90%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year end is June 30.

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PENSION CONTRIBUTIONS
LAC QUI PARLE COUNTY**

	2017	2016	2015
PERA - General Employees Retirement Plan			
Contractually Required Contribution	\$ 204,271	\$ 202,193	\$ 186,855
Contributions in Relation to the Contractually Required Contribution	(204,271)	(202,193)	(186,855)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 County's Covered Payroll	 \$ 2,723,613	 \$ 2,695,883	 \$ 2,491,400
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%
PERA - Public Employees Police and Fire Plan			
Contractually Required Contribution	\$ 86,276	\$ 80,604	\$ 80,893
Contributions in Relation to the Contractually Required Contribution	(86,276)	(80,604)	(80,893)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 County's Covered Payroll	 \$ 532,568	 \$ 497,554	 \$ 499,343
 Contributions as a Percentage of Covered Payroll	 16.20%	 16.20%	 16.20%
PERA - Local Government Correctional Plan			
Contractually Required Contribution	\$ 17,472	\$ 14,664	\$ 14,134
Contributions in Relation to the Contractually Required Contribution	(17,472)	(14,664)	(14,134)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 County's Covered Payroll	 \$ 199,680	 \$ 167,592	 \$ 161,527
 Contributions as a Percentage of Covered Payroll	 8.75%	 8.75%	 8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year end is December 31.

The notes to the required supplementary information are an integral part of this statement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT**

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan			
District's Proportion of the Net Pension Liability	0.0024%	0.0023%	0.0022%
District's Proportionate Share of the Net Pension Liability	\$ 153,214	\$ 186,749	\$ 114,015
State's Proportionate Share of the Net Pension Liability	\$ 1,910	\$ 2,408	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 155,124	\$ 189,157	\$ 114,015
District's Covered Payroll	\$ 148,867	\$ 137,077	\$ 133,986
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	102.92%	136.24%	85.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year end is June 30.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PENSION CONTRIBUTIONS
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
PERA - General Employees Retirement Plan			
Contractually Required Contribution	\$ 10,312	\$ 11,016	\$ 10,077
Contributions in Relation to the Contractually Required Contribution	<u>(10,312)</u>	<u>(11,016)</u>	<u>(10,077)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 137,493	 \$ 146,883	 \$ 134,353
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The Watershed District's year end is December 31.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General Budget Policies

The Lac qui Parle County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparison of the final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

The County did not amend the budgets for the General Fund or any of the special revenue funds.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budgets	Excess
Major Governmental Funds:			
General Fund	\$ 4,438,704	\$ 4,378,202	\$ 60,502
Ditch Fund	479,403	247,383	232,020

5. Defined Benefit Pension Plans

Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions are disclosed in Note 3A7 in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

AGENCY FUNDS

Children's Mental Health Collaborative – to account for the collection and disbursement of funds for the local collaborative.

Forfeited Tax – to account for all funds received from the sale of lands forfeited for unpaid taxes and the subsequent disbursement to the various agencies.

Social Welfare – to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

State – to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties – to account for the collection of taxes and penalties and their distribution to the various fund and government units.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
CHILDREN'S MENTAL HEALTH COLLABORATIVE				
ASSETS				
Cash and Cash Equivalents	\$ 113,905	\$ 58,850	\$ 42,147	\$ 130,608
LIABILITIES				
Due to Other Governments	\$ 113,905	\$ 58,850	\$ 42,147	\$ 130,608
FORFEITED TAX				
ASSETS				
Cash and Cash Equivalents	\$ 11,182	\$ 16,300	\$ 1,604	\$ 25,878
LIABILITIES				
Due to Other Governments	\$ 11,182	\$ 16,300	\$ 1,604	\$ 25,878
SOCIAL WELFARE				
ASSETS				
Cash and Cash Equivalents	\$ 3,392	\$ 54,115	\$ 52,293	\$ 5,214
LIABILITIES				
Accounts Payable	\$ 3,392	\$ 54,115	\$ 52,293	\$ 5,214
STATE				
ASSETS				
Cash and Cash Equivalents	\$ 26,468	\$ 1,352,627	\$ 1,353,879	\$ 25,216
LIABILITIES				
Due to Other Governments	\$ 26,468	\$ 1,352,627	\$ 1,353,879	\$ 25,216

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT B-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
ASSETS				
Cash and Cash Equivalents	\$ 613,740	\$ 27,699,645	\$ 27,904,720	\$ 408,665
LIABILITIES				
Due to Other Governments	\$ 613,740	\$ 27,699,645	\$ 27,904,720	\$ 408,665
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 768,687	\$ 29,181,537	\$ 29,354,643	\$ 595,581
LIABILITIES				
Accounts Payable	\$ 3,392	\$ 54,115	\$ 52,293	\$ 5,214
Due to Other Governments	765,295	29,127,422	29,302,350	590,367
Total Liabilities	\$ 768,687	\$ 29,181,537	\$ 29,354,643	\$ 595,581

OTHER SCHEDULES

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
Appropriations and Shared Revenue		
State		
Highway Users Tax	\$ 2,423,794	\$ -
Market Value Credit	242,901	11,797
PERA Rate Reimbursement	23,513	132
Disparity Reduction Aid	51,119	-
County Program Aid	125,966	-
County Aquatic Inspection Aid	41,952	-
Police Aid	65,079	-
E-911	77,670	-
Riparian Protection Aid	141,270	-
SCORE	68,711	-
Total Appropriations and Shared Revenue	\$ 3,261,975	\$ 11,929
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 267,762	\$ -
Minnesota Department of Public Safety	2,225	-
Local		
Lac qui Parle County	-	5,374
Total Reimbursements for Services	\$ 269,987	\$ 5,374
Payments		
Local		
Payments in Lieu of Taxes	\$ 351,865	\$ -
Grants		
State		
Minnesota Department/Board of		
Education	\$ 4,300	\$ -
Human Services	515,032	-
Natural Resources	48,174	-
Veterans Affairs	7,500	-
Water and Soil Resources	70,106	11,924
Pollution Control Agency	19,668	9,329
Total State	\$ 664,780	\$ 21,253
Federal		
Department of		
Agriculture	\$ 74,612	\$ -
Justice	24,571	-
Transportation	9,384	-
Health and Human Services	607,167	-
Homeland Security	32,003	-
Total Federal	\$ 747,737	\$ -
Total State and Federal Grants	\$ 1,412,517	\$ 21,253
Total Intergovernmental Revenue	\$ 5,296,344	\$ 38,556

**LAC QUI PARLE – YELLOW BANK
WATERSHED DISTRICT**

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-1

**LAC QUI PARLE – YELLOW BANK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,858,134
Taxes Receivable	28,949
Special Assessments Receivable	
Noncurrent	776,837
Accrued Interest Receivable	907
Due from Other Governments	5,133
Capital Assets	
Non-depreciable	628,458
Depreciable (Net)	<u>4,219,366</u>
Total Assets	<u>\$ 7,517,784</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	<u>\$ 43,298</u>
LIABILITIES	
Accounts Payable	\$ 49,222
Salaries Payable	9,505
Unearned Revenue	5,267
ISTS Loans	
Due Within One Year	88,273
Due in More than One Year	812,623
Compensated Absences Payable	
Due Within One Year	974
Due in More than One Year	4,855
Net Pension Liability	<u>153,214</u>
Total Liabilities	<u>\$ 1,123,933</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	<u>\$ 26,391</u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,847,824
Restricted For:	
Conservation of Natural Resources	384,294
Unrestricted	<u>1,178,640</u>
Total Net Position	<u><u>\$ 6,410,758</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-2

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Culture and Recreation	\$ 127,293	\$ 99,893	\$ -	\$ -	\$ (27,400)
Conservation of Natural Resources	664,522	398,931	26,627	-	(238,964)
Interest	9,830	-	-	-	(9,830)
Total Governmental Activities	\$ 801,645	\$ 498,824	\$ 26,627	\$ -	\$ (276,194)
GENERAL REVENUES					
Property Taxes					\$ 294,310
Payments in Lieu of Tax					5,022
Grants and Contributions not Restricted for a Particular Purpose					11,929
Investment Earnings					4,488
Miscellaneous					58,208
Total General Revenues					373,957
CHANGE IN NET POSITION					
Net Position - Beginning of Year					6,312,995
NET POSITION - END OF YEAR					\$ 6,410,758

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-3

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS – BALANCE SHEET
DECEMBER 31, 2017**

	General	Ditch Special Revenue	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,770,929	\$ 87,205	\$ 1,858,134
Taxes Receivable	28,949	-	28,949
Special Assessments Receivable			
Noncurrent	766,837	10,000	776,837
Accrued Interest Receivable	907	-	907
Due from Other Governments	5,133	-	5,133
Total Assets	<u>\$ 2,572,755</u>	<u>\$ 97,205</u>	<u>\$ 2,669,960</u>
LIABILITIES			
Accounts Payable	\$ 45,310	\$ 3,912	\$ 49,222
Salaries Payable	9,505	-	9,505
Unearned Revenue	5,267	-	5,267
Total Liabilities	<u>60,082</u>	<u>3,912</u>	<u>63,994</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	784,469	10,000	794,469
FUND BALANCES			
Restricted			
Septic/Sewer Loans	301,001	-	301,001
Ditch Repairs and Maintenance	-	83,293	83,293
Assigned			
Flood Control	234,602	-	234,602
Unassigned	1,192,601	-	1,192,601
Total Fund Balances	<u>1,728,204</u>	<u>83,293</u>	<u>1,811,497</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,572,755</u>	<u>\$ 97,205</u>	<u>\$ 2,669,960</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-4

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$	1,811,497
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		4,847,824
<p>The Watershed's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net Pension Liability	\$ (153,214)	
Deferred Inflows of Resources - Pension Related	(26,391)	
Deferred Outflows of Resources - Pension Related	<u>43,298</u>	(136,307)
<p>Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		
		794,469
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Loans Payable	(900,896)	
Compensated Absences	<u>(5,829)</u>	<u>(906,725)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>6,410,758</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-5

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Ditch Special Revenue	Total
REVENUES			
Taxes	\$ 288,267	\$ -	\$ 288,267
Special Assessments	76,653	12,680	89,333
Intergovernmental	38,556	-	38,556
Charges for Services	141,294	-	141,294
Interest on Investments	4,472	16	4,488
Miscellaneous	58,208	-	58,208
Total Revenues	607,450	12,696	620,146
EXPENDITURES			
CURRENT			
Culture and Recreation	148,583	-	148,583
Conservation of Natural Resources	581,656	7,425	589,081
DEBT SERVICE			
Principal	86,532	-	86,532
Interest	9,830	-	9,830
Total Expenditures	826,601	7,425	834,026
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(219,151)	5,271	(213,880)
OTHER FINANCING SOURCES (USES)			
Loans Issued	253,194	-	253,194
Total Other Financing Sources (Uses)	253,194	-	253,194
NET CHANGE IN FUND BALANCES	34,043	5,271	39,314
Fund Balances - Beginning of Year	1,694,161	78,022	1,772,183
FUND BALANCES - END OF YEAR	\$ 1,728,204	\$ 83,293	\$ 1,811,497

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-6

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF
ACTIVITIES GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 39,314

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease as unavailable.

Unavailable revenue - December 31	\$ 794,469	
Unavailable revenue - January 1	<u>(515,207)</u>	279,262

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital		40,036
Current Year Depreciation		<u>(77,591)</u>

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability.	(253,194)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	86,532
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences	(2,911)	
Change in Net Pension Liability	33,535	
Change in Deferred Pension Outflows	(38,174)	
Change in Deferred Pension Inflows	<u>(9,046)</u>	<u>(16,596)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>97,763</u>
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-7

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 288,267	\$ 288,267
Special Assessments	-	-	76,653	76,653
Intergovernmental	-	-	38,556	38,556
Charges for Services	-	-	141,294	141,294
Investment Earnings	-	-	4,472	4,472
Miscellaneous	-	-	58,208	58,208
Total Revenues	<u>-</u>	<u>-</u>	<u>607,450</u>	<u>607,450</u>
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
Parks	-	-	148,583	(148,583)
CONSERVATION OF NATURAL RESOURCES				
Watershed	290,000	290,000	581,656	(291,656)
DEBT SERVICE				
Principal	-	-	86,532	(86,532)
Interest	-	-	9,830	(9,830)
Total Debt Service	<u>-</u>	<u>-</u>	<u>96,362</u>	<u>(96,362)</u>
Total Expenditures	290,000	290,000	826,601	(536,601)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(290,000)	(290,000)	(219,151)	70,849
OTHER FINANCING SOURCES (USES)				
Loans Issued	-	-	253,194	253,194
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>253,194</u>	<u>253,194</u>
NET CHANGE IN FUND BALANCE	<u>\$ (290,000)</u>	<u>\$ (290,000)</u>	<u>\$ 34,043</u>	<u>\$ 324,043</u>
Fund Balance - Beginning of Year			<u>1,694,161</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,728,204</u>	



INDEPENDENT AUDITORS' 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*

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lac qui Parle County's basic financial statements, and have issued our report thereon dated August 30, 2018. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2017-001 and 2017-002 to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2017-003 to be a significant deficiency.

Compliance and Other Matters

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

County's Response to Findings

Lac qui Parle County's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. Lac qui Parle County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Alexandria, Minnesota
August 30, 2018

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Lac qui Parle County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated August 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Lac qui Parle Economic Development Authority. This report does not include separate results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for Lac qui Parle-Yellow Bank Watershed District's compliance with the provisions for public indebtedness and tax increment financing because the District cannot issue debt and administers no tax increment financing districts. We did not test for the County's compliance with the provisions for tax increment financing because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Lac qui Parle County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the schedule of findings and recommendations as items 2017-004 and 2017-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the county's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Lac qui Parle County's written response to the legal compliance findings identified in our audit are described in the schedule of findings and recommendations. Lac qui Parle County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of County Commissioners
Lac qui Parle County, Minnesota

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

CliftonLarsonAllen

Alexandria, Minnesota
August 30, 2018

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL STATEMENT FINDINGS

2017-001 – MATERIAL AUDIT ADJUSTMENTS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: As part of the audit we proposed an adjustment to properly state expenditures and payables in the amount of \$68,573.

Criteria: Based on COSO guidelines, County management is responsible for establishing and maintaining internal controls for the proper recording of all County year end balances.

Cause: The payroll clearing account is set up as an expenditure account instead of a liability account within IFS.

Effect: Errors in the preparation of year end balances increases the risk related to financial statement misstatements.

Repeat Finding: No

Recommendation: We recommend management be aware of all procedures and processes involved in recording year-end balances and develop internal controls to ensure proper recording of these items.

Views of Responsible Officials: Management agrees and will ensure all year end balances are reconciled.

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL STATEMENT FINDINGS

2017-002 - LACK OF SEGREGATION OF DUTIES – WATERSHED DISTRICT

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The Lac qui Parle-Yellow Bank Watershed District lacks proper segregation of duties. The District has one person responsible for billing, collecting, recoding, and reconciling the financial transactions.

Criteria: Effective internal control provides an adequate segregation of duties so that no one individual regularly handles a transaction from its inception to its completion.

Cause: The District has a limited number of employees and therefore is not able to adequately segregate duties.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Repeat Finding: Yes, reported originally as 2007-001

Recommendation: We recommend the District's Board of Managers be aware of the lack of segregation of duties within the accounting functions and continue to provide oversight by thoroughly reviewing financial data on a monthly basis.

Views of Responsible Officials: Management agrees and will look for ways to segregate duties in 2018 with the hiring of an additional watershed employee.

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL STATEMENT FINDINGS

2017-003 – ACCOUNTING POLICIES AND PROCEDURES – WATERSHED DISTRICT

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The Lac qui Parle-Yellow Bank Watershed District does not have written accounting policies and procedures.

Criteria: District management is responsible for the District's internal control over financial reporting. Documentation of the internal controls should occur in the form of an accounting manual or through formal policies. These policies should be designed to help detect and deter fraud and include monitoring procedures.

Cause: No formal action has been taken to provide District personnel with procedures to perform consistent treatment of accounting transactions.

Effect: A lack of formal accounting policies and procedures could result in inconsistent accounting from year to year. In addition, should a key individual terminate employment, the procedures would not be documented to allow for a smooth transition.

Repeat Finding: Yes, reported originally as 2016-001

Recommendation: We recommend the District develop and approve written accounting policies and procedures.

Views of Responsible Officials: Management agrees and will continue to develop accounting policies and procedures.

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

MINNESOTA LEGAL COMPLIANCE FINDINGS

2017-004 – TRAVEL POLICY

Condition: The Lac qui Parle-Yellow Bank Watershed District does not have travel policy.

Criteria: Minnesota Statute §471.661 specifies the governing body must have on record a policy that controls travel outside the state of Minnesota for the applicable elected officials of the relevant unit of government. The policy must be approved by a recorded vote.

Cause: Lack of policies and procedures.

Effect: The Watershed is not in compliance with Minnesota Statutes.

Repeat Finding: No

Recommendation: We recommend the District develop a travel policy that governs out of state travel for elected officials.

Views of Responsible Officials: Management agrees and will establish a travel policy.

2017-005 – Insufficient Collateral

Condition: At December 31, 2017 the County had deposits at Dawson Bank that were not adequately covered by collateral.

Criteria: Governmental entities are required by Minn. Stat. §118A.03, subds. 1 and 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by the Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Cause: Lack of oversight.

Effect: The County is not in compliance with Minnesota Statutes and deposits are at risk.

Repeat Finding: No

Recommendation: We recommend the County monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. §118A.03.

Views of Responsible Officials: Management agrees and will monitor deposit balances to ensure adequate collateral coverage.