

**LAC QUI PARLE COUNTY, MINNESOTA  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

**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**

**2019**

<b>Office</b>	<b>Name</b>	<b>Term Expires</b>
Commissioners		
1st District	Todd Patzer**	January 2021
2nd District	DeRon Brehmer	January 2022
3rd District	John Maatz	January 2021
4th District	Benjamin Bothun	January 2022
5th District	Roy Marihart*	January 2021
Officers		
Elected		
Attorney	Richard Stulz	January 2022
Sheriff (interim)	Allen Anderson	January 2022
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2020
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 2023
Commissioner	John Maatz	January 2021
Commissioner	Benjamin Bothun	January 2023
Commissioner	Roy Marihart	January 2021
Member	Ann Jenson	June 2021
Member	Mary Wodrich	June 2020
Director	Kristen Gloege	Indefinite

\*Chair 2019

\*\*Chair 2020

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

**2019**

<b>Position</b>	<b>Name</b>	<b>Term Expires</b>
Managers		
Chair	Darrel Ellefson	March 2021
Vice Chair	John Cornell	March 2021
Treasurer	David Ludvigson	March 2020
Secretary	David Craigmile	March 2022
Publicity Chair	Michael Frank	January 2021
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkensstad	Indefinite
Attorney	Matthew Haugen	Indefinite
Watershed Coordinator	Mitchell Enderson	Indefinite
Drainage Manager/Inspector	Jared Roiland	Indefinite

## **FINANCIAL SECTION**





CliftonLarsonAllen LLP  
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## 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 discretely presented component unit, 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, 2019, 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 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.

Board of County Commissioners  
Lac qui Parle County, Minnesota

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2019, 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 changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability and schedule of pension contributions 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.

***Supplementary 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.

Board of County Commissioners  
Lac qui Parle County, Minnesota

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 relate 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 11, 2020, 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 results 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
August 11, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019  
(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, 2019. 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 \$75,730,419, of which \$52,712,274 represents investment in capital assets, and \$6,397,365 is restricted to specific purposes. The \$16,482,428 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$2,755,418 for the year ended December 31, 2019. The increase is attributable to an increase in Construction Aid and interest income, and a decrease in Out of Home Placement expenses for the year.
- The total cost of governmental activities for the current fiscal year was \$14,105,565. Program expenses exceeded revenues by \$4,910,695 due to an increase in wages and expenses related to the excess snowplowing, seal coating and the spring flooding.
- The fund balances of the governmental funds increased by \$2,488,978 due to an increase in property tax and special assessment collections along with an increase in interest income and a decrease in construction costs paid.
- For the year ended December 31, 2019, the unassigned, assigned, and committed fund balance of the General Fund was \$3,751,243, or 77.3% of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$12,028,802, or 205.0% 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 \$5,220,456, or 193.6% of the total Family Services Special Revenue Fund expenditures for the year.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

## **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 one discrete and one blended component unit 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.

## **LAC QUI PARLE COUNTY MADISON, MINNESOTA**

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 County presents the Lac qui Parle County Economic Development Authority as a blended component unit.

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.

### **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 86 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 \$75,730,419 at the close of 2019. The largest portion of Lac qui Parle County's net position (69.6%) 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 2018 is presented.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Governmental Activities  
Net Position**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current and Other Assets	\$ 28,837,494	\$ 26,484,461
Capital Assets	<u>52,785,280</u>	<u>52,575,939</u>
Total Assets	<u>81,622,774</u>	<u>79,060,400</u>
Deferred Outflows of Resources	<u>794,303</u>	<u>1,323,329</u>
<b>Liabilities</b>		
Long-term Liabilities	4,412,005	4,510,010
Other Liabilities	<u>777,731</u>	<u>891,941</u>
Total Liabilities	<u>5,189,736</u>	<u>5,401,951</u>
Deferred Inflows of Resources	<u>1,496,922</u>	<u>2,006,777</u>
<b>Net Position</b>		
Investment in Capital Assets	52,712,274	52,413,418
Restricted	6,397,365	5,895,678
Unrestricted	<u>16,620,780</u>	<u>14,665,905</u>
Total Net Position	<u>\$ 75,730,419</u>	<u>\$ 72,975,001</u>

Unrestricted net position in the amount of \$16,620,780--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 21.9% of the net position.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Governmental Activities**

The County's governmental activities increased net position by \$2,755,418 (\$75,730,419 for 2019, compared to \$72,975,001 for 2018). Key elements in this increase in net position are as follows for 2019, with comparative data for 2018.

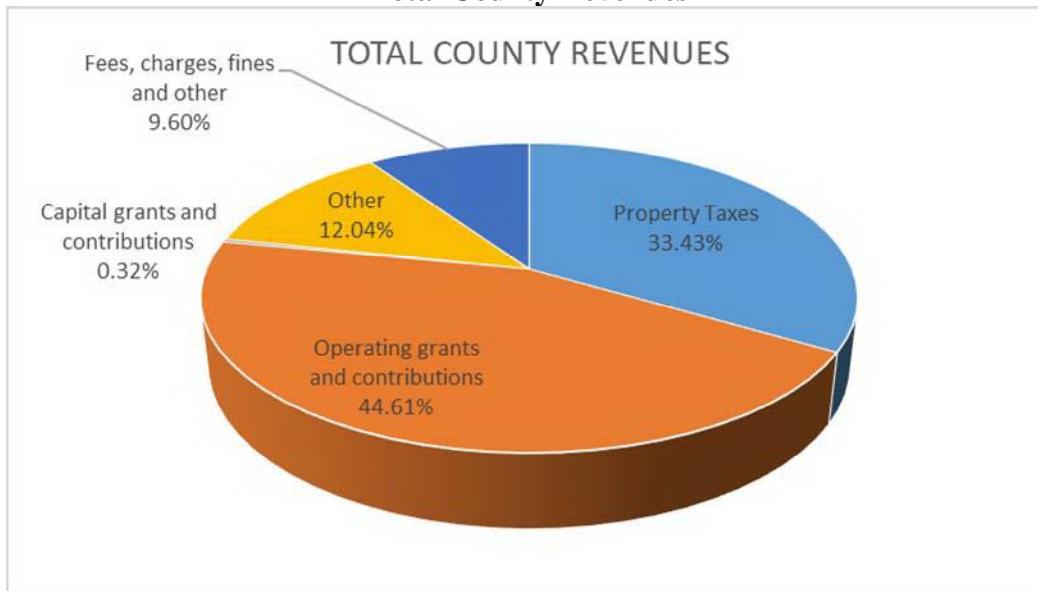
**Governmental Activities  
Changes in Net Position**

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues		
Fees, Charges, Fines, and Other	\$ 1,618,574	\$ 1,356,504
Operating Grants and Contributions	7,522,414	5,081,178
Capital Grants and Contributions	53,882	9,901,903
General Revenues		
Property Taxes	5,636,412	5,590,514
Other	<u>2,029,701</u>	<u>1,821,775</u>
Total Revenues	<u>16,860,983</u>	<u>23,751,874</u>
Expenses		
General Government	2,196,825	2,170,094
Public Safety	1,796,769	1,603,660
Highways and Streets	5,684,183	4,428,148
Sanitation	196,482	193,649
Human Services	2,722,294	2,838,166
Culture and Recreation	159,070	164,717
Conservation of Natural Resources	1,189,010	1,298,833
Economic Development	125,202	165,982
Interest	<u>35,730</u>	<u>42,589</u>
Total Expenses	<u>14,105,565</u>	<u>12,905,838</u>
Increase in Net Position	2,755,418	10,846,036
Net Position - January 1, as Originally Stated	72,975,001	61,852,815
Restatement	<u>-</u>	<u>276,150</u>
Net Position - January 1, as Restated	<u>72,975,001</u>	<u>62,128,965</u>
Net Position - December 31	<u>\$ 75,730,419</u>	<u>\$ 72,975,001</u>

## **LAC QUI PARLE COUNTY MADISON, MINNESOTA**

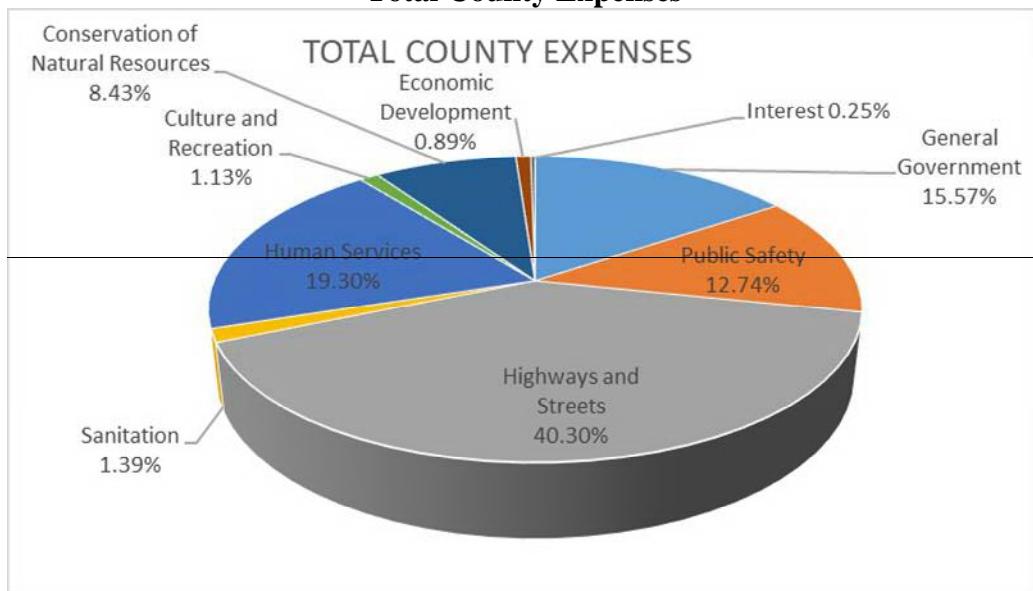
The County's total revenues were \$16,860,983. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2019.

**Table 1  
Total County Revenues**



Total expenses were \$14,105,565 while total revenues were \$16,860,983. This reflects a \$2,755,418 increase in net position for the year ended December 31, 2019. Table 2 presents the county costs by function.

**Table 2  
Total County Expenses**



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

The cost of all governmental activities this year was \$14,105,565. 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 \$6,128,352 because some of the costs were paid by those who directly benefited from the programs (\$1,618,574) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,576,296). The County paid for the remaining “public benefit” portion of governmental activities with \$1,537,761 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**

	2019	
	Total Cost of Services	Net Cost of Services
General Government	\$ 2,196,825	\$ (1,789,308)
Public Safety	1,796,769	(1,315,600)
Highways and Streets	5,684,183	(342,246)
Human Services	2,722,294	(877,448)
All others	<u>1,705,494</u>	<u>(586,093)</u>
 Totals	 <u>\$ 14,105,565</u>	 <u>\$ (4,910,695)</u>

## **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 \$22,751,079 an increase of \$2,488,978 in comparison with the prior year. Of the combined ending fund balances, \$21,126,859 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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 \$3,751,243. 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 77.3% of total General Fund expenditures. During 2019, the ending fund balance increased by \$870,970 due to an increase in property tax collections and intergovernmental revenues.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$12,028,802 at fiscal year-end, representing 205.3% of its annual expenditures. The ending fund balance increased \$1,254,106 during 2019. The primary reason for the increase was we received more in construction funds.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$5,220,456 at fiscal year-end, representing 193.6% of its annual expenditures. The ending fund balance increased \$482,002 during 2019, primarily due to the decrease in Out of Home Placement expenditures.

The Ditch Special Revenue Fund had a restricted fund balance of \$558,672 at fiscal year-end. The ending fund balance decreased \$29,838 during 2019, primarily due to the costs of additional ditch redeterminations.

**General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were \$279,202 under the final budget amounts.

Resources available for appropriation were \$585,572 above the final budgeted amount due to additional grant and aid dollars and federal payment in lieu of taxes that were not budgeted for.

**CAPITAL ASSETS**

The County's capital assets at December 31, 2019, totaled \$52,785,280 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

	<b>2019</b>	<b>2018</b>
Land	\$ 164,903	\$ 164,903
Right-of-Way	470,198	470,198
Construction in Progress	180,664	1,156,440
Buildings	2,432,945	2,495,658
Improvements Other than Building	77,714	80,432
Machinery, Furniture and Equipment	2,609,883	2,788,773
Infrastructure	<u>46,848,973</u>	<u>45,419,535</u>
 Totals	 <u>\$ 52,785,280</u>	 <u>\$ 52,575,939</u>

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

**LONG-TERM DEBT**

At December 31, 2019, the County had total net outstanding debt of \$791,089, which was backed by the full faith and credit of the government.

Minnesota statutes limit the amount of debt a county may levy to 3% of its total market value. At the end of 2019, the County's outstanding debt was less than 0.01% of its total estimated market value.

Additional information on the County's long-term debt can be found in Notes 3.C.3 to 3.C.5 to the financial statements.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The County's elected and appointed officials considered many factors when setting the 2020 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2019 was 3.8%. This is comparable with the state unemployment rate of 3.5% and shows no change from the County's 3.8% rate of one year ago. The low unemployment rates, combined with a workforce that is aging and shrinking, has increased pressure on the County and other local employers to remain competitive in the job market. These factors did not have a tangible effect on the 2019 budget but the impact may be felt in future years
- In 2018 the County initiated a project to create a long-term Capital Facilities Plan. It is apparent that several of the County's major building assets are at or nearing replacement age, and the Plan will provide a structured approach to address these needs. Implementation of the Plan will likely result in recommendations for multi-million dollar investments that can be financed by a combination of fund balance reserves and the issuance of debt. The County is in an advantageous position to make these investments, considering its fund reserve levels and the absence of any existing debt financed by property tax levies.
- Agriculture is the singularly dominant local industry, and tillable ag land makes up the biggest portion of the County's tax base. Land values had increased significantly from 2005 - 2014 following a temporary surge in grain commodity prices, but have stabilized or trended slightly downward overall since 2015. For assessment years 2015-2019, the average change in tillable land values was -3.87%, but increased by 0.09% in the most recent assessment year. The decreases were attributed to depressed grain market prices combined with increased input costs, such as seed, fertilizer, chemicals and equipment. The lack of diversification in the local economy, along with the historical volatility of commodity prices, adds an additional dimension of economic risk to the County's financial health
- Investment returns for the County reached nearly 5% in the years leading up to 2007, but the Great Recession in the late 2000's and early 2010's resulted in rates bottoming out to near 0% for nearly a decade. Historically Lac qui Parle County's surplus fund balances have generated investment revenues which offset reliance on other revenue streams, most notably the County's annual property tax levy. Investment rates began recovering in 2018 and continued through 2019, at which time the County also elected to join the Minnesota Association of Governments Investing for Counties (MAGIC), a joint powers entity that allows counties to take advantage of pooled investment funds. MAGIC fund investment options generated favorable returns as high as 2.5% during 2019, which allowed the County to budget for 2020 returns using a rate of 2.0%. However, the COVID-19 pandemic starting in 2020 prompted the Federal Reserve to reduce interest rates further, and at the time of this writing the County's savings returns are around 0.25%. As a result, the County not be able to rely on these investment returns as a significant revenue stream for the foreseeable future.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

- The COVID-19 pandemic reached Minnesota in early 2020, and the effects on the local, state, federal, and global economies is difficult to project. At the time of this writing, federal revenues have been able to offset many of the County's direct expenses incurred to mitigate the impact of the pandemic. However, a state budget deficit is expected to bring change in the future. As the County's work is driven largely by state directives and funding, this presents financial risk in the form of reduced program revenues, cost shifts, and unfunded mandates.
- The 2020 property tax levy for the County increased 2.25% from 2019, which is comparable with an average increase of 3.69% for the preceding 5 years. This period shows a trend of stable and manageable levy increases that the tax base can reasonably absorb, and the levies have been based on structurally sound and balanced budgets. The levy stability during this period is largely attributable to changes made by the legislature to fix structural problems with the formulas apportioning County Program Aid (CPA), which is the largest general-purpose aid received by the County. Lac qui Parle County's annual CPA allotment was abruptly reduced from \$663,236 in 2009 down to \$125,562 in 2011, but has since recovered to \$478,473 for 2010. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized. However, this optimism should be tempered by the risk factors outside of County management control, most notably state intergovernmental revenues and other political actions.

<b>County Tax Rate and Levy History</b>			
<b>Year</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>Levy Increases</b>
2020	32.3%	\$6,049,929	2.25%
2019	31.1%	\$5,916,814	2.93%
2018	32.3%	\$5,748,230	1.83%
2017	30.4%	\$5,645,179	6.77%
2016	27.8%	\$5,442,677	2.94%
2015	24.2%	\$5,287,221	3.99%
2014	27.1%	\$5,084,355	4.14%
2013	37.1%	\$4,882,431	8.76%
2012	38.7%	\$4,489,222	9.80%
2011	33.8%	\$4,088,544	12.80%
2010	31.3%	\$3,624,596	0.0%

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**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, 2019**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
	<u>Governmental Activities</u>	<u>Lac qui Parle-Yellow Bank Watershed District</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,214,771	\$ 1,911,976
Undistributed Cash in Agency Funds	374,073	-
Accounts Receivable, Net	5,806,164	820,967
Note Receivable	126,372	-
Inventories	313,550	-
Prepaid Items	2,564	-
Capital Assets		
Non-Depreciable	815,765	973,091
Depreciable - Net of Accumulated Depreciation	<u>51,969,515</u>	<u>4,064,183</u>
Total Assets	<u>81,622,774</u>	<u>7,770,217</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	763,075	30,186
OPEB Related	<u>31,228</u>	-
Total Deferred Outflows of Resources	<u>794,303</u>	<u>30,186</u>
<b>LIABILITIES</b>		
Accounts Payable and Other Current Liabilities	730,160	35,358
Unearned Revenue	36,753	155,267
Interest Payable	10,818	-
Long Term Liabilities:		
Due Within One Year	72,975	99,554
Due in More Than One Year	1,075,759	944,684
Net Pension Liability	2,846,823	154,806
Current Other Postemployment Benefits Liability	31,228	-
Other Postemployment Benefits Liability	<u>385,220</u>	-
Total Liabilities	<u>5,189,736</u>	<u>1,389,669</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	1,439,868	27,859
OPEB Related	9,890	-
Taxes Levied for Subsequent Period	<u>47,164</u>	-
Total Deferred Inflows of Resources	<u>1,496,922</u>	<u>27,859</u>
<b>NET POSITION</b>		
Investment in Capital Assets	52,712,274	5,027,198
Restricted For:		
General Government	100,484	-
Public Safety	444,378	-
Highways and Streets	4,561,775	-
Conservation of Natural Resources	1,175,085	1,191,801
Economic Development	85,935	-
Other Purposes	29,708	-
Unrestricted	<u>16,620,780</u>	<u>163,876</u>
Total Net Position	<u><u>\$ 75,730,419</u></u>	<u><u>\$ 6,382,875</u></u>

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>FUNCTIONS/PROGRAMS</b> <b>PRIMARY GOVERNMENT</b> <b>GOVERNMENTAL ACTIVITIES</b>				<b>Program Revenues</b>
	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	
General Government	\$ 2,196,825	\$ 197,484	\$ 156,151	
Public Safety	1,796,769	305,961	175,208	
Highways and Streets	5,684,183	212,789	5,129,148	
Sanitation	196,482	149,443	92,941	
Human Services	2,722,294	163,290	1,681,556	
Culture and Recreation	159,070	2,500	59,521	
Conservation of Natural Resources	1,189,010	587,107	220,889	
Economic Development	125,202	-	7,000	
Interest	35,730	-	-	
<b>Total Governmental Activities</b>	<b>\$ 14,105,565</b>	<b>\$ 1,618,574</b>	<b>\$ 7,522,414</b>	
<b>COMPONENT UNIT</b>				
Lac qui Parle-Yellow Bank Watershed District	\$ 792,684	\$ 390,357	\$ 88,815	
				<b>GENERAL REVENUES</b>
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				
Miscellaneous				
				Total General Revenues
				<b>CHANGE IN NET POSITION</b>
				Net Position - Beginning of Year
				<b>NET POSITION - END OF YEAR</b>

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 2  
(Continued)**

Net (Expense) Revenue and Changes in Net Position		
<u>Discretely Presented Component Unit</u>		
<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Lac qui Parle-Yellow Bank Watershed District</u>
\$ 53,882	\$ (1,789,308)	
-	(1,315,600)	
-	(342,246)	
-	45,902	
-	(877,448)	
-	(97,049)	
-	(381,014)	
-	(118,202)	
-	(35,730)	
<b>\$ 53,882</b>	<b>(4,910,695)</b>	
\$ -	\$ (313,512)	
5,636,412	314,895	
4,480	-	
87,653	-	
399,807	3,478	
798,239	12,643	
430,166	10,950	
309,356	50,158	
<b>7,666,113</b>	<b>392,124</b>	
2,755,418	78,612	
<b>72,975,001</b>	<b>6,304,263</b>	
<b>\$ 75,730,419</b>	<b>\$ 6,382,875</b>	

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

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## **FUND FINANCIAL STATEMENTS**

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,033,736	\$ 12,117,631	\$ 5,053,407	\$ 841,846	\$ 166,301	\$ 22,212,921
Undistributed Cash in Agency Funds	201,283	80,517	62,805	29,468	-	374,073
Petty Cash and Change Funds	1,650	-	200	-	-	1,850
Taxes Receivable - Delinquent	20,626	8,815	6,869	-	-	36,310
Special Assessments Receivable						
Delinquent	-	-	-	625,915	-	625,915
Noncurrent	11,449	-	-	1,313	-	12,762
Accounts Receivable	18,586	-	50,578	851	-	70,015
Notes Receivable	-	-	-	-	126,372	126,372
Interest Receivable	4,625	10,729	4,474	749	206	20,783
Due from Other Governments	149,160	4,635,668	229,267	26,284	-	5,040,379
Due From Other Funds	228,043	-	-	-	-	228,043
Inventory	-	313,550	-	-	-	313,550
Prepaid Items	2,564	-	-	-	-	2,564
Total Assets	<u>\$ 4,671,722</u>	<u>\$ 17,166,910</u>	<u>\$ 5,407,600</u>	<u>\$ 1,526,426</u>	<u>\$ 292,879</u>	<u>\$ 29,065,537</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 105,008	\$ 118,554	\$ 59,465	\$ 51,754	\$ 128	\$ 334,909
Salaries Payable	79,156	44,710	49,685	-	725	174,276
Contracts Payable	-	73,006	-	-	-	73,006
Due to Other Funds	-	-	-	228,043	-	228,043
Due to Other Governments	25,639	6,487	55,004	60,729	110	147,969
Unearned Revenue	36,753	-	-	-	-	36,753
Total Liabilities	<u>246,556</u>	<u>242,757</u>	<u>164,154</u>	<u>340,526</u>	<u>963</u>	<u>994,956</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Collected for Subsequent Period	27,242	11,211	8,711	-	-	47,164
Unavailable Revenue	32,075	4,481,661	13,129	627,228	118,245	5,272,338
Total Deferred Inflows of Resources	<u>59,317</u>	<u>4,492,872</u>	<u>21,840</u>	<u>627,228</u>	<u>118,245</u>	<u>5,319,502</u>

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, 2019**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
<b>FUND BALANCES</b>						
Nonspendable						
Inventory	-	313,550	-	-	-	313,550
Prepaid Items	2,564	-	-	-	-	2,564
Restricted						
Highway Allotments	-	88,929	-	-	-	88,929
Recorder's Compliance Fund	43,631	-	-	-	-	43,631
Recorder's Technology Fund	49,485	-	-	-	-	49,485
E-911	444,378	-	-	-	-	444,378
Forfeitures	7,368	-	-	-	-	7,368
Income Maintenance -EFSP	-	-	1,150	-	-	1,150
EDA Loans	38,622	-	-	-	-	38,622
Ditch Repairs and Maintenance	-	-	-	558,672	-	558,672
Small Cities Development Program	28,558	-	-	-	-	28,558
EDA Revolving Loans	-	-	-	-	14,361	14,361
Computer Commuter	-	-	-	-	32,952	32,952
Committed						
Solid Waste Assessments	355,451	-	-	-	-	355,451
Capital Equipment	-	914,854	-	-	-	914,854
Buildings and Grounds	-	326,622	6,190	-	-	332,812
Future Road Construction	-	6,972,652	-	-	-	6,972,652
Out of Home Placements	-	-	43,367	-	-	43,367
Assigned						
Out of Home Placements	-	-	150,000	-	-	150,000
Rule 20	-	-	120,000	-	-	120,000
PrimeWest Health CBP	-	-	750,000	-	-	750,000
Recorder's Enhancements	16,695	-	-	-	-	16,695
Future Capital Purchases	-	1,290,239	-	-	-	1,290,239
Annex Roof Improvements	107,000	-	-	-	-	107,000
Sheriff's Forfeiture	24,459	-	-	-	-	24,459
Sheriff's Contingency	2,860	-	-	-	-	2,860
County Park Board	14,856	-	-	-	-	14,856
Buffer Law	284,649	-	-	-	-	284,649
Road and Bridge	-	2,524,435	-	-	-	2,524,435
Human Services	-	-	4,150,899	-	-	4,150,899
Economic Development	-	-	-	-	126,358	126,358
Unassigned	<u>2,945,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,945,273</u>
Total Fund Balances	<u>4,365,849</u>	<u>12,431,281</u>	<u>5,221,606</u>	<u>558,672</u>	<u>173,671</u>	<u>22,751,079</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 4,671,722</u></u>	<u><u>\$ 17,166,910</u></u>	<u><u>\$ 5,407,600</u></u>	<u><u>\$ 1,526,426</u></u>	<u><u>\$ 292,879</u></u>	<u><u>\$ 29,065,537</u></u>

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, 2019**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>	\$ 22,751,079
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.	52,785,280
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.	5,272,338
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	763,075
Deferred Inflows of Resources Related to Pensions	(1,439,868)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to OPEB	31,228
Deferred Inflows of Resources Related to OPEB	(9,890)
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	\$ (791,089)
Accrued Interest	(10,818)
Compensated Absences	(357,645)
Net Pension Liability	(2,846,823)
Total Other Postemployment Benefits	<u>(416,448)</u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 75,730,419</u></b>

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, 2019**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 3,261,732	\$ 1,336,371	\$ 1,037,906	\$ -	\$ -	\$ 5,636,009
Other Taxes	4,480	87,653	-	-	-	92,133
Special Assessments	125,468	-	-	697,599	-	823,067
Licenses and Permits	13,590	-	-	-	-	13,590
Intergovernmental	1,514,466	5,148,877	1,699,258	-	-	8,362,601
Charges for Services	461,137	195,812	296,337	-	-	953,286
Fines and Forfeits	432	-	-	-	-	432
Gifts and Contributions	4,712	-	350	-	7,000	12,062
Interest on Investments	107,909	194,153	100,206	16,695	11,203	430,166
Miscellaneous	216,568	167,252	44,318	54,427	2,062	484,627
Total Revenues	<u>5,710,494</u>	<u>7,130,118</u>	<u>3,178,375</u>	<u>768,721</u>	<u>20,265</u>	<u>16,807,973</u>
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
General Government	2,073,446	-	-	-	-	2,073,446
Public Safety	1,576,820	-	-	-	-	1,576,820
Highways and Streets	-	5,272,551	-	-	-	5,272,551
Sanitation	189,933	-	-	-	-	189,933
Human Services	-	-	2,696,373	-	-	2,696,373
Culture and Recreation	165,991	-	-	-	-	165,991
Conservation of Natural Resources	513,299	-	-	657,973	-	1,171,272
Economic Development	7,190	-	-	-	108,527	115,717
<b>INTERGOVERNMENTAL</b>	<u>329,041</u>	<u>594,471</u>	<u>-</u>	<u>7,035</u>	<u>-</u>	<u>930,547</u>
<b>DEBT SERVICE</b>						
Principal	-	-	-	99,911	-	99,911
Interest	-	-	-	26,744	-	26,744
Total Expenditures	<u>4,855,720</u>	<u>5,867,022</u>	<u>2,696,373</u>	<u>791,663</u>	<u>108,527</u>	<u>14,319,305</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	854,774	1,263,096	482,002	(22,942)	(88,262)	2,488,668
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10,000	-	-	3,104	-	13,104
Transfers Out	(3,104)	-	-	(10,000)	-	(13,104)
Proceeds from Sale of Capital Assets	9,300	-	-	-	-	9,300
Insurance Proceeds	-	57,293	-	-	-	57,293
Total Other Financing Sources (Uses)	<u>16,196</u>	<u>57,293</u>	<u>-</u>	<u>(6,896)</u>	<u>-</u>	<u>66,593</u>
<b>NET CHANGE IN FUND BALANCES</b>	870,970	1,320,389	482,002	(29,838)	(88,262)	2,555,261
Fund Balances - Beginning of Year	3,494,879	11,177,175	4,739,604	588,510	261,933	20,262,101
<b>DECREASE IN INVENTORY</b>	<u>-</u>	<u>(66,283)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,283)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><b>\$ 4,365,849</b></u>	<u><b>\$ 12,431,281</b></u>	<u><b>\$ 5,221,606</b></u>	<u><b>\$ 558,672</b></u>	<u><b>\$ 173,671</b></u>	<u><b>\$ 22,751,079</b></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, 2019**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 2,555,261
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 2,167,879
Net Book Value of Capital Asset Disposals	(4,502)
Current Year Depreciation	<u>(1,954,036)</u> 209,341

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 19,341

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. (40,705)

Other postemployment benefit expenditures on the governmental funds are measured by current year employer contributions. Other postemployment benefit expenses in the Statement of Activities are measured by the change in other postemployment benefit obligation and the related outflows of resources. (23,912)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments	
General Obligation Bonds and Notes	99,911

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 Accrued Interest Payable	(1,952)
Change in Compensated Absences	4,416
Change in Inventory	<u>(66,283)</u> (63,819)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 2,755,418**

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, 2019**

**ASSETS**

Cash and Cash Equivalent	\$ 580,440
Accounts Receivable	115
Total Assets	<u><u>\$ 580,555</u></u>

**LIABILITIES**

Due to Others	\$ 24,294
Due to Other Governments	556,261
Total Liabilities	<u><u>\$ 580,555</u></u>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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**1. Summary of Significant Accounting Policies**

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in U.S. 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.

The County has considered all potential units for which it is financially accountable and other organizations for which the nature and significant of the relationship with the County are such that the exclusion would cause the County's financial statements to be misleading or incomplete. The Lac qui Parle County Economic Development Authority (the EDA) is considered to be part of the primary government and is presented as a blended component unit. At December 31, 2019 the County Board of Commissioners are members of the EDA board. Separate financial statements are not issued for the EDA.

**Discretely Presented Component Unit**

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

Significant accounting policies of the discretely presented component unit does not differ significantly from those of the County.

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures which are described in Note 5.C.

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; 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.
- The EDA Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as property tax revenues used for economic development programs.

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. The County considers all revenues as available if collected within 60 days after the end of the current period.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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 2019 were \$430,166.

Lac qui Parle County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which was created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The County's investment in the pool consists of two parts: a portion of which is measured at the amortized cost per share provided by the pool; the second portion of the County's investment is measured at a floating net asset value (NAV). More information including the most recent audited financial statement is available on their website [www.magicfund.org](http://www.magicfund.org).

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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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

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.”

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 2013 through 2019 and deferred special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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

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.

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

Assets	Years
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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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

5. Compensated Absences (Continued)

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.

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 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**

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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 assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The County has two items, deferred pension and deferred other postemployment benefits outflows that qualifies for this category. These outflows arise only under the accrual basis of accounting and consist of contributions paid subsequent to the measurement date, differences between expected and actual plan experience, changes in actuarial assumptions, pension plan changes in proportionate share, and differences between protected and actual earnings on pension plan investments.

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 governmental funds report unavailable revenue from delinquent taxes receivable, delinquent, 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 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 also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension and OPEB plans 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**

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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, 2019, Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District reported no debt other than accounts payable 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.
- 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.

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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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)

- 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 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, 2019, unrestricted fund balance for the General Fund exceeded the minimum fund balance level.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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

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.

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<hr/>			
Major Governmental Funds:			
Road and Bridge Fund	\$ 5,867,022	\$ 5,694,435	\$ 172,587
Ditch Fund	791,663	250,000	541,663

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. 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 Investments	\$	22,214,771
Undistributed Cash in Agency Funds		374,073
Statement of Fiduciary Net Position		
Cash and Cash Equivalents		<u>580,440</u>
 Total Cash and Investments	\$	<u>23,169,284</u>
 Petty Cash and Change Funds	\$	1,850
Checking		2,980,264
Money Market Savings		410,691
Invested in MAGIC		<u>19,776,479</u>
 Total Deposits and Investments	\$	<u>23,169,284</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 10% 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

a. Deposits (Continued)

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. It is the County's policy 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, 2019, the County's deposits were not exposed to custodial credit risk.

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;
- (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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

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.

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. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio.

At December 31, 2019, the County had the following investments:

	Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund Portfolio	\$ 14,776,479
Term	5,000,000
Total	<u><u>\$ 19,776,479</u></u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Fair Value Measurements

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its new asset value not reasonably practical. The MAGIC term investment pool is valued at net asset value (NAV) as it does not meet the liquidity criteria to be valued at amortized cost. The County would face penalties if early redemptions were made from the term investment pool. There are no unfunded commitments relating to this investment. The County reports its investment in the term investment pool at the NAV per share, the fair value established by the pool.

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities follow:

	<u>Total Receivables</u>
Governmental Activities	
Taxes	\$ 36,310
Special Assessments	638,677
Accounts Receivable	70,015
Notes Receivable	126,372
Interest Receivable	20,783
Due from Other Governments	<u>5,040,379</u>
 Total Governmental Activities	 <u>\$ 5,932,536</u>

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-Way	470,198	-	-	470,198
Construction-in-Process	1,156,440	1,874,543	2,850,319	180,664
Total Capital Assets, Not Being Depreciated	1,791,541	1,874,543	2,850,319	815,765
Capital Assets, Being Depreciated				
Buildings	3,553,100	9,875	-	3,562,975
Improvements Other than Buildings	100,993	-	-	100,993
Machinery, Furniture, and Equipment	7,027,719	283,461	131,905	7,179,275
Infrastructure	68,193,611	2,850,319	-	71,043,930
Total Capital Assets, Being Depreciated	78,875,423	3,143,655	131,905	81,887,173
Less Accumulated Depreciation for				
Buildings	\$ 1,057,442	\$ 72,588	\$ -	\$ 1,130,030
Improvements Other than Buildings	20,561	2,718	-	23,279
Machinery, Furniture, and Equipment	4,238,946	457,849	127,403	4,569,392
Infrastructure	22,774,076	1,420,881	-	24,194,957
Total Accumulated Depreciation	28,091,025	1,954,036	127,403	29,917,658
Total Capital Assets, Being Depreciated, Net	<u>50,784,398</u>	<u>1,189,619</u>	<u>4,502</u>	<u>51,969,515</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,575,939</u>	<u>\$ 3,064,162</u>	<u>\$ 2,854,821</u>	<u>\$ 52,785,280</u>

Construction in progress consists of road projects that are scheduled to be completed in 2020.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 73,558
Public Safety	132,409
Highways and Streets, Including Depreciation of Infrastructure Assets	1,721,474
Sanitation	17,080
Conservation of Natural Resources	5,992
Culture and Recreation	1,060
Economic Development	946
	<hr/>
Total Depreciation Expense	<u>\$ 1,954,036</u>

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Due to General Fund from Ditch Special Revenue Fund	<u>\$ 228,043</u>	Provide cash flow for various drainage systems.
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The balance is expected to be liquidated within one year.

Interfund Transfers

Fund Transferred To	Fund Transferred From	Amount	Purpose
General Fund	Ditch Fund	\$ 10,000	Ditch administrative and accounting services provided
Ditch Fund	General Fund	3,104	To account for the ditch record grant

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	<b>Governmental Activities</b>
Accounts payable	\$ 334,909
Salaries Payable	174,276
Contracts Payable	73,006
Due to Other Governments	<u>147,969</u>
 Total Payables	 <u>\$ 730,160</u>

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, taxes levied for the subsequent period collected prior to year-end, 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, 2019, are summarized below by fund:

	Special Assessments	Taxes	Taxes Collected for Subsequent Period	Grants	Loans and Interest	Total
Major governmental funds						
General	\$ 11,449	\$ 20,926	\$ 27,242	\$ 36,453	\$ -	\$ 96,070
Road and Bridge	-	8,815	11,211	4,472,846	-	4,492,872
Family Services	-	13,129	8,711	-	-	21,840
Ditch	627,228	-	-	-	-	627,228
EDA	-	-	-	-	118,245	118,245
 Total	 <u>\$ 638,677</u>	 <u>\$ 42,870</u>	 <u>\$ 47,164</u>	 <u>\$ 4,509,299</u>	 <u>\$ 118,245</u>	 <u>\$ 5,356,255</u>
 Liability						
Unearned Revenue	\$ -	\$ -	\$ -	\$ 36,753	\$ -	\$ 36,753
Deferred Inflows of Resources						
Unavailable Revenue	638,677	42,870	-	4,472,546	118,245	5,272,338
Taxes Collected for Subsequent Period	-	-	47,164	-	-	47,164
 Total	 <u>\$ 638,677</u>	 <u>\$ 42,870</u>	 <u>\$ 47,164</u>	 <u>\$ 4,509,299</u>	 <u>\$ 118,245</u>	 <u>\$ 5,356,255</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Bonds and Notes Payable

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General Obligation Drainage Bonds, Series 2015A	2031	\$3,000 - \$10,000	3.5	\$308,000	<u>\$70,644</u>
General Obligation Drainage Notes, Series 2016A	2032	\$26,000 - \$35,000	2.75	\$465,000	<u>\$392,445</u>
General Obligation Drainage Notes, Series 2018A	2034	\$14,000 - \$29,000	3.95	\$328,000	<u>\$328,000</u>

4. Debt Service Requirements

Payments on the Series 2015A, Series 2016A, and Series 2018A general obligation bonds and notes are made by the Ditch Special Revenue Fund. Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2020	\$ 3,644	\$ 2,472	\$ 40,445	\$ 23,472
2021	3,000	2,344	43,000	22,131
2022	4,000	2,240	45,000	20,725
2023	4,000	2,100	46,000	19,252
2024	4,000	1,960	47,000	17,761
2025 - 2029	33,000	7,037	265,000	64,355
2030 - 2034	<u>19,000</u>	<u>1,015</u>	<u>234,000</u>	<u>19,102</u>
Total	<u><u>\$ 70,644</u></u>	<u><u>\$ 19,168</u></u>	<u><u>\$ 720,445</u></u>	<u><u>\$ 186,798</u></u>

**LAC QUI PARLE COUNTY**  
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3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 120,000	\$ -	\$ (49,356)	\$ 70,644	\$ 3,644
General Obligation Notes	771,000	-	(50,555)	720,445	40,445
Compensated Absences	362,061	230,977	(235,393)	357,645	28,886
Governmental Activities					
Long-Term Liabilities	<u>\$ 1,253,061</u>	<u>\$ 230,977</u>	<u>\$ (335,304)</u>	<u>\$ 1,148,734</u>	<u>\$ 72,975</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

General Employees Retirement Plan

All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

1. Plan Description (Continued)

Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members.

Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

3. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50 percent for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019, were \$232,204. The County's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$100,043. The County's contributions were equal to the required contributions as set by state statute.

Correctional Fund Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and the County was required to contribute 8.75 percent of pay for plan members in fiscal year 2019. The County's contributions to the Correctional Fund for the year ended December 31, 2019, were \$19,601. The County's contributions were equal to the required contributions as set by state statute.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the County reported a liability of \$2,288,913 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$71,164. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.0414 percent which was a decrease of 0.0001 percent from its proportionate share measured as of June 30, 2018.

County's Proportionate Share of the Net Pension Liability	\$ 2,288,913
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County	<u>71,164</u>
Total	<u><u>\$ 2,360,077</u></u>

For the year ended December 31, 2019, the County recognized pension expense of \$292,365 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$5,329 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

At December 31, 2019, the County reported its proportionate share of the General Employees 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	\$ 63,434	\$ -
Changes in Actuarial Assumptions	-	179,910
Difference between Projected and Actual		
Investment Earnings	-	232,008
Changes in Proportion	-	28,922
Contributions paid to PERA Subsequent to the Measurement Date	<u>113,257</u>	<u>-</u>
 Total	 <u>\$ 176,691</u>	 <u>\$ 440,840</u>

The \$113,257 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>December 31</u>	Pension Expense Amount
2020	\$ (137,201)
2021	(196,515)
2022	(47,378)
2023	3,688

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

**Public Employees Police and Fire Fund**

At December 31, 2019, the County reported a liability of \$544,011 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.0511 percent which was an increase of 0.0005 percent from its proportionate share measured as of June 30, 2018.

The County also recognized \$6,898 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$68,425 for its proportionate share of the Police and Fire Plan's pension expense.

**LAC QUI PARLE COUNTY**  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Fund (Continued)

At December 31, 2019, the County reported its proportionate share of the Police and Fire 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	\$ 23,098	\$ 82,804
Changes in Actuarial Assumptions	451,443	610,758
Difference between Projected and Actual		
Investment Earnings	-	113,305
Changes in Proportion	38,696	44,134
Contributions paid to PERA Subsequent to the Measurement Date	<u>49,546</u>	<u>-</u>
 Total	 <u>\$ 562,783</u>	 <u>\$ 851,001</u>

The \$49,546 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. 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
2020	\$ (46,222)
2021	(83,062)
2022	(218,325)
2023	8,847
2024	998

**LAC QUI PARLE COUNTY**  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2019, the County reported a liability of \$13,899 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.1004 percent which was a decrease of 0.004 percent from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$31,718 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2019, the County reported its proportionate share of the Correctional 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	\$ 510	\$ 2,269
Changes in Actuarial Assumptions	-	123,411
Difference between Projected and Actual		
Investment Earnings	-	17,887
Changes in Proportion	13,365	4,460
Contributions paid to PERA Subsequent to the Measurement Date	<u>9,726</u>	<u>-</u>
Total	<u><u>\$ 23,601</u></u>	<u><u>\$ 148,027</u></u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Fund (Continued)

The \$9,726 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>December 31</u>	Pension Expense Amount
2020	\$ (69,032)
2021	(59,431)
2022	(5,826)
2023	137

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$397,837.

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.5 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.5 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 and adding inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25	5.90
Fixed Income	20	0.75
International Equity	17.5	5.90
Cash Equivalents	2	0.00
Total	<u>100%</u>	

6. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LAC QUI PARLE COUNTY**  
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4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

7. 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:

	Proportionate Share of the					
	General Employees		Public Employees		Public Employees	
	Retirement Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 3,762,850	6.50%	\$ 1,189,107	6.50%	\$ 148,149
Current	7.50	2,288,913	7.50	544,011	7.50	13,899
1% Increase	8.50	1,071,885	8.50	11	8.50	(93,521)

8. Pension Plan Fiduciary Net Position

Detailed information about each 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](http://www.mnpera.org).

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 IRC, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan (Continued)

Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution Amount	\$ 6,465	\$ 6,465
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 2019.

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.

**LAC QUI PARLE COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

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 2019.

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

The County currently has no assets that have been irrevocable deposits in the trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement unless otherwise specified:

Discount Rate	3.8%
Payroll Growth Rate	3.0%
Healthcare Cost Trend Rates	6.25% in 2019 grading down to 5.0% over 5 years

Mortality rates were based on the RP-2014 white-collar mortality tables generational improvement scale, with blue-collar adjustment for police and fire personnel.

The actuarial assumptions used in the January 1, 2018 valuation were based on the Public Employees Retirement Association of Minnesota actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016.

The discount rate used to measure the total OPEB liability was 3.8% the discount rate is equal to the 20-year municipal bond yield.

Summary of Changes in Actuarial Assumptions

There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

- The discount rate was changed from 3.3% to 3.8%.

**LAC QUI PARLE COUNTY**  
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4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Employees Covered by Benefit Terms

Active Plan Members with Coverage	73
Inactive Plan Members with Coverage	3
Total	<u>76</u>

Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances - December 31, 2018	\$ 398,183
Changes for the Year:	
Service Cost	42,682
Interest	14,107
Changes in Assumptions	(11,539)
Benefit Payments	(26,985)
Net Changes	<u>18,265</u>
Balances - December 31, 2019	<u><u>\$ 416,448</u></u>

Discount Rate Sensitivity

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	2.8%	3.8%	4.8%
Total OPEB Liability	\$ 446,421	\$ 416,448	\$ 388,643

Healthcare Trend Rate Sensitivity

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Description	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Medical Trend Rate	5.25%	6.25%	7.25%
Total OPEB Liability	\$ 371,742	\$ 416,448	\$ 469,535

**LAC QUI PARLE COUNTY**  
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4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 31,228	\$ -
Changes in actuarial assumptions	-	9,890

For the year ended December 31, 2019, the County recognized OPEB expense of \$55,140.

At December 31, 2019, the County reported \$31,228 in deferred outflows of resources resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the OPEB liability in the year ending December 31, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPEB Expense
2020	\$ (1,649)
2021	(1,649)
2022	(1,649)
2023	(1,649)
2024	(1,649)
Thereafter	(1,645)

5. 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.

**LAC QUI PARLE COUNTY  
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**5. Summary of Significant Contingencies and Other Items (Continued)**

**A. Risk Management (Continued)**

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 2019 and 2020. 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.

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.

**LAC QUI PARLE COUNTY  
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5. Summary of Significant Contingencies and Other Items (Continued)

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. The line of credit was been paid in full during the year ended December 31, 2019.

Lincoln-Pipestone Rural Water System

At December 31, 2019, the most recent information available, the Lincoln-Pipestone Rural Water System had \$37,305,119 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  
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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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 2019 was \$128,150.

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.

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 2019 was \$232,273.

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

**LAC QUI PARLE COUNTY  
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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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% 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, 2019, (the latest information available) were \$37,305,119.

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.

**LAC QUI PARLE COUNTY  
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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board

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).

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 2019, Lac qui Parle County contributed \$1,977 to the Joint Powers Board.

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, 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 an 11-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  
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5. Summary of Significant Contingencies and Other Items

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.

Southwestern Minnesota Adult Mental Health Consortium Board

The County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board (the Board) under the authority of Minnesota Statutes §471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2019:

Total Assets	\$ 1,596,274
Total Liabilities	394,112
Total Net Position	1,202,162
Total Revenues	3,303,647
Total Expenditures	3,558,197
Net Change in Net Position	(254,550)

**LAC QUI PARLE COUNTY  
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**5. Summary of Significant Contingencies and Other Items**

**D. Tax Abatement**

The County has entered into a tax abatement agreement with Puris Proteins LLC, under Minnesota Statutes §469.1812 through 469.1815. The abatement agreement shall be for 20 years and shall apply to the property taxes payable in the years 2022 through 2041. The abatement shall be for 100% of the County's share of the increase in ad valorem property taxes generated by the Property resulting from development on the parcels which are attributable to the Project. The County will recapture the abated taxes through continued operations of local business and increased employment. As of December 31, 2019, the County had not abated any taxes related to this program. The County has not made any commitments as part of the agreement other than to reduce taxes.

**E. Subsequent Event**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020 through August 11, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year-end and are still developing.

**6. 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.

**LAC QUI PARLE COUNTY  
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6. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

A. Summary of Significant Accounting Policies (Continued)

Reporting Entity

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.
- 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.

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

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.

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

Cash and Cash Equivalents	<u>\$ 1,911,976</u>
Checking	\$ 971,519
Money Market Savings	574,279
Non-Negotiable Certificates of Deposit	<u>366,178</u>
 Total Deposits	 <u>\$ 1,911,976</u>

**LAC QUI PARLE COUNTY  
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6. 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 10% 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, 2019, the District's deposits were not exposed to custodial credit risk. The District does not have a policy addressing custodial credit risk.

The District had no investments at December 31, 2019.

Receivables

Receivables as of December 31, 2019, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year	
Taxes	\$ 16,054	\$ -	-
Special Assessments	773,515	647,177	-
Accounts, Net	21,393	-	-
Due from Other Governments	10,005	-	-
 Total Governmental Activities	 \$ 820,967	 \$ 647,177	

All receivables are reported net of an allowance for uncollectible accounts which is calculated on a case-by-case basis. As of December 31, 2019 the allowance for doubtful accounts is \$21,393.

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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6. 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, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Construction-in-Process	-	344,633	-	344,633
Total Capital Assets, Not Being Depreciated	<u>\$ 628,458</u>	<u>\$ 344,633</u>	<u>\$ -</u>	<u>\$ 973,091</u>
Capital Assets, Being Depreciated				
Buildings	201,731	-	-	201,731
Machinery, Furniture and Equipment	90,847	-	-	90,847
Land Improvements	304,212	-	-	304,212
Infrastructure	5,334,207	-	-	5,334,207
Total Capital Assets, Being Depreciated	<u>5,930,997</u>	<u>-</u>	<u>-</u>	<u>5,930,997</u>
Less Accumulated Depreciation For				
Buildings	50,513	5,504	-	56,017
Machinery, Furniture and Equipment	44,000	7,790	-	51,790
Land Improvements	176,059	10,955	-	187,014
Infrastructure	1,518,650	53,343	-	1,571,993
Total Accumulated Depreciation	<u>1,789,222</u>	<u>77,592</u>	<u>-</u>	<u>1,866,814</u>
Total Capital Assets, Being Depreciated, Net	<u>4,141,775</u>	<u>(77,592)</u>	<u>-</u>	<u>4,064,183</u>
Capital Assets, Net	<u>\$ 4,770,233</u>	<u>\$ 267,041</u>	<u>\$ -</u>	<u>\$ 5,037,274</u>

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

Conservation of Natural Resources	\$ 58,846
Culture and Recreation	<u>18,746</u>
Total Depreciation Expense	<u>\$ 77,592</u>

**LAC QUI PARLE COUNTY**  
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6. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

B. Detailed Notes on All Funds (Continued)

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2019, were as follows:

Accounts Payable	\$ 8,694
Contracts Payable	10,076
Due to Other Governments	1,022
Salaries Payable	15,566
Total Payables	<u><u>\$ 35,358</u></u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had \$499,599 in outstanding construction commitments for County Ditch number 54 as of December 31, 2019.

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.

Long-term debt outstanding at December 31, 2019, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

Types of Indebtedness	Final Maturity	Semi Annual Installment Amounts	Interest Rate (%)	Original Issues Amount	Outstanding Balance December 31, 2019
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	\$ 8,304	2.00%	\$ 149,859	\$ 48,129
North and South Fork Yellow Bank Rivers	2026	24,840	2.00%	448,248	323,009
Clean Water Partnership Project	2029	23,274	2.00%	419,997	400,923
Lac qui Parle Yellow Bank CWP Project	Not Finalized	Not Finalized	Not Finalized	500,000	262,182
Total Loans Payable				\$ 1,518,104	\$ 1,034,243

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds (Continued)

2. Liabilities and Deferred Inflows of Resources (Continued)

Long-Term Debt - Loans Payable (Continued)

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31,	Loans Payable	
	Principal	Interest
2020	\$ 97,883	\$ 14,954
2021	99,851	12,986
2022	101,858	10,980
2023	87,213	9,016
2024	88,965	7,262
2025-2029	296,291	12,538
Total	<u>\$ 772,061</u>	<u>\$ 67,736</u>

Loans of \$262,182 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, 2019, were:

	Balance January 1	Additions	Deductions	Balance December 31,	Amount Due Within One Year
Loans Payable	\$ 954,855	\$ 188,509	\$ 109,121	\$ 1,034,243	\$ 97,883
Compensated Absences	8,896	18,317	17,218	9,995	1,671
Total	<u>\$ 963,751</u>	<u>\$ 206,826</u>	<u>\$ 126,339</u>	<u>\$ 1,044,238</u>	<u>\$ 99,554</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 4.A. for information on PERA.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Defined Benefit Pension Plans (Continued)

2. Contributions

The District's contributions for the General Employees Retirement Plan for the year ended December 31, 2019, were \$14,779. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2019, the District reported a liability of \$154,806 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$4,666. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0028% percent which was an increase of 0.0003% percent from its proportionate share measured as of June 30, 2018.

District's Proportionate Share of the Net Pension Liability	\$ 154,806
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>4,666</u>
Total	<u><u>\$ 159,472</u></u>

For the year ended December 31, 2019, the District recognized pension expense of \$27,864 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$349 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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**

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6. 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	\$ 4,290	\$ -
Changes in Actuarial Assumptions	-	12,168
Difference between Projected and Actual		
Investment Earnings	-	15,691
Changes in Proportion	18,475	-
Contributions paid to PERA Subsequent to		
the Measurement Date	<u>7,421</u>	<u>-</u>
 Total	 <u>\$ 30,186</u>	 <u>\$ 27,859</u>

The \$7,421 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 ending December 31, 2020. 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
2020	\$ (648)
2021	(6,263)
2022	1,568
2023	249

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. 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%, 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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 254,492	\$ 154,806	\$ 72,495

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**REQUIRED SUPPLEMENTARY INFORMATION**

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,463,370	\$ 3,463,370	\$ 3,261,732	\$ (201,638)
Other Taxes	4,000	4,000	4,480	480
Special Assessments	135,500	135,500	125,468	(10,032)
Licenses and Permits	12,300	12,300	13,590	1,290
Intergovernmental	957,252	957,252	1,514,466	557,214
Charges for Services	409,800	409,800	461,137	51,337
Fines and Forfeits	-	-	432	432
Gifts and Contributions	2,500	2,500	4,712	2,212
Interest on Investments	25,700	25,700	107,909	82,209
Miscellaneous	114,500	114,500	216,568	102,068
Total Revenues	5,124,922	5,124,922	5,710,494	585,572
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	233,121	233,121	222,037	11,084
Courts	20,000	20,000	20,880	(880)
Jury Manager	-	-	4,904	(4,904)
Auditor-Treasurer	655,403	655,403	647,691	7,712
Data Processing	139,482	139,482	126,716	12,766
Elections	24,500	24,500	8,391	16,109
County Car	973	973	519	454
Attorney	242,141	242,141	245,731	(3,590)
Recorder	181,001	181,001	177,537	3,464
Assessor	221,567	221,567	216,240	5,327
GIS	9,000	9,000	25,440	(16,440)
Planning and Zoning	46,766	46,766	36,952	9,814
Building and Plant	221,491	221,491	156,061	65,430
Veterans Service Officer	93,416	93,416	84,904	8,512
Employee Wellness	-	-	4,410	(4,410)
Other General Government	424,663	424,663	95,033	329,630
Total General Government	2,513,524	2,513,524	2,073,446	440,078
<b>PUBLIC SAFETY</b>				
Sheriff	654,959	654,959	630,959	24,000
Safety/AWAIR	7,500	7,500	4,721	2,779
Sheriff's Forfeiture Activity	-	-	19,207	(19,207)
County Sheriff (City)	238,720	238,720	301,056	(62,336)
Boat and Water Safety	1,344	1,344	14,467	(13,123)
Snowmobile Safety	2,835	2,835	3,258	(423)

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		
	Original	Final				
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
<b>PUBLIC SAFETY (CONTINUED)</b>						
Coroner	\$ 11,600	\$ 11,600	\$ 10,425	\$ 1,175		
Federal Safe and Sober	-	-	355	(355)		
Crisis Transportation	-	-	5,058	(5,058)		
Community Corrections	-	-	298	(298)		
E-911 System	78,370	78,370	72,077	6,293		
County Jail	477,884	477,884	464,420	13,464		
Civil Defense	30,045	30,045	41,644	(11,599)		
Ambulance	6,000	6,000	6,000	-		
Other	4,886	4,886	2,875	2,011		
Total Public Safety	1,514,143	1,514,143	1,576,820	(62,677)		
<b>SANITATION</b>						
Solid Waste	64,328	64,328	50,342	13,986		
Recycling	158,129	158,129	139,591	18,538		
Total Sanitation	222,457	222,457	189,933	32,524		
<b>CULTURE AND RECREATION</b>						
Historical Society	13,000	13,000	13,234	(234)		
Parks	18,609	18,609	20,826	(2,217)		
Senior Citizens	500	500	500	-		
County/Regional Library	75,697	75,697	75,697	-		
Other	50,000	50,000	55,734	(5,734)		
Total Culture and Recreation	157,806	157,806	165,991	(8,185)		
<b>CONSERVATION OF NATURAL RESOURCES</b>						
Extension	96,089	96,089	97,634	(1,545)		
Riparian Project	-	-	91,582	(91,582)		
Soil and Water Conservation	148,901	148,901	148,901	-		
Water Quality	24,231	24,231	24,529	(298)		
Agricultural Society/County Fair	16,550	16,550	16,550	-		
Ditch Record Modernization	-	-	21,740	(21,740)		
Environmental Officer	37,041	37,041	33,538	3,503		
Planning and Zoning	23,212	23,212	33,832	(10,620)		
Feedlot Administration	33,095	33,095	33,160	(65)		
Minnesota River Basin	11,832	11,832	11,833	(1)		
Total Conservation of Natural Resources	390,951	390,951	513,299	(122,348)		

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, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget		
	Original	Final				
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
<b>ECONOMIC DEVELOPMENT</b>						
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -		
Economic Development	- - -	- - -	190	(190)		
Total Economic Development	7,000	7,000	7,190	(190)		
<b>INTERGOVERNMENTAL</b>						
Public Safety	232,273	232,273	232,273	- - -		
Health	96,768	96,768	96,768	- - -		
Total Intergovernmental	329,041	329,041	329,041	- - -		
Total Expenditures	<u>5,134,922</u>	<u>5,134,922</u>	<u>4,855,720</u>	<u>279,202</u>		
<b>EXCESS OF REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	(10,000)	(10,000)	854,774	864,774		
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10,000	10,000	10,000	- - -		
Transfers Out	- - -	- - -	(3,104)	(3,104)		
Proceeds from Sale of Capital Assets	- - -	- - -	9,300	9,300		
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>16,196</u>	<u>6,196</u>		
<b>NET CHANGE IN FUND BALANCE</b>						
Fund Balance - Beginning of Year	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>870,970</u>	<u>\$ 870,970</u>		
<b>FUND BALANCE - END OF YEAR</b>						
			<u>\$ 4,365,849</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,520,334	\$ 1,520,334	\$ 1,336,371	\$ (183,963)
Other Taxes	80,000	80,000	87,653	7,653
Intergovernmental	3,590,211	3,590,211	5,148,877	1,558,666
Charges for Services	67,000	67,000	195,812	128,812
Interest on Investments	85,000	85,000	194,153	109,153
Miscellaneous	<u>188,480</u>	<u>188,480</u>	<u>167,252</u>	<u>(21,228)</u>
Total Revenues	5,531,025	5,531,025	7,130,118	1,599,093
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	245,410	245,410	239,283	6,127
Construction	1,689,705	1,689,705	2,351,672	(661,967)
Maintenance	2,741,809	2,741,809	2,293,848	447,961
Equipment and Maintenance Shops	<u>417,511</u>	<u>417,511</u>	<u>387,748</u>	<u>29,763</u>
Total Highways and Streets	5,094,435	5,094,435	5,272,551	(178,116)
<b>INTERGOVERNMENTAL</b>				
Highways and Streets	<u>600,000</u>	<u>600,000</u>	<u>594,471</u>	<u>5,529</u>
Total Expenditures	<u>5,694,435</u>	<u>5,694,435</u>	<u>5,867,022</u>	<u>(172,587)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(163,410)</u>	<u>(163,410)</u>	<u>1,263,096</u>	<u>1,426,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	-	-	57,293	(57,293)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (163,410)</u>	<u>\$ (163,410)</u>	<u>1,320,389</u>	<u>\$ 1,483,799</u>
Fund Balance - Beginning of Year			11,177,175	
Decrease in Inventory			(66,283)	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 12,431,281</u>	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,180,907	\$ 1,180,907	\$ 1,037,906	\$ (143,001)
Intergovernmental	1,466,613	1,466,613	1,699,258	232,645
Charges for Services	232,363	232,363	296,337	63,974
Gifts and Contributions	-	-	350	350
Interest on Investments	85,000	85,000	100,206	15,206
Miscellaneous	33,702	33,702	44,318	10,616
Total Revenues	2,998,585	2,998,585	3,178,375	179,790
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	833,253	833,253	838,538	(5,285)
Social Services	2,165,332	2,165,332	1,857,835	307,497
Total Expenditures	2,998,585	2,998,585	2,696,373	302,212
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	482,002	<u>\$ 482,002</u>
Fund Balance - Beginning of Year			4,739,604	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,221,606</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, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 250,000	\$ 250,000	\$ 697,599	\$ 447,599
Interest on Investments	10,000	10,000	16,695	6,695
Miscellaneous	-	-	54,427	54,427
Total Revenues	260,000	260,000	768,721	508,721
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	250,000	250,000	657,973	(407,973)
<b>INTERGOVERNMENTAL</b>				
Conservation	-	-	7,035	(7,035)
<b>DEBT SERVICE</b>				
Principal	-	-	99,911	(99,911)
Interest	-	-	26,744	(26,744)
Total Debt Service	-	-	126,655	(126,655)
Total Expenditures	250,000	250,000	791,663	(541,663)
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	10,000	10,000	(22,942)	(32,942)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	3,104	3,104
Transfers Out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(6,896)	3,104
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	(29,838)	<u>\$ (29,838)</u>
Fund Balance - Beginning of Year			588,510	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 558,672</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 CHANGES IN THE COUNTY'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS  
LAST TEN MEASUREMENT PERIODS**

	12/31/2019	12/31/2018
	<u>1/1/2019</u>	<u>1/1/2018</u>
Plan Reporting Period Ended		
Employer Measurement Date		
Total OPEB Liability		
Service Cost	\$ 42,682	\$ 44,428
Interest	14,107	13,737
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	-
Changes of Assumptions	(11,539)	-
Benefit Payments	(26,985)	(63,142)
Net Change in Total OPEB Liability	<u>18,265</u>	<u>(4,977)</u>
Total OPEB Liability - Beginning	398,183	403,160
Total OPEB Liability - Ending	<u><u>\$ 416,448</u></u>	<u><u>\$ 398,183</u></u>
 Covered Employee Payroll	 \$ 3,267,157	 \$ 3,171,997
Total OPEB Liability as a Percentage of the Covered Employee Payroll	12.7%	12.6%

Notes to Schedule:

The OPEB plan is not administered through a trust, and there are no assets accumulated in trust for payment of benefits.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT A-6**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAC QUI PARLE COUNTY  
LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Retirement Plan</b>					
County's Proportion of the Net Pension Liability	0.0414%	0.0415%	0.0422%	0.0424%	0.0407%
County's Proportionate Share of the Net Pension Liability	\$ 2,288,913	\$ 2,302,250	\$ 2,694,020	\$ 3,442,670	\$ 2,109,285
State's Proportionate Share of the Net Pension Liability	\$ 71,164	\$ 78,581	\$ 33,843	\$ 45,011	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 2,360,077	\$ 2,380,831	\$ 2,727,863	\$ 3,487,681	\$ 2,109,285
County's Covered Payroll	\$ 2,929,563	\$ 2,792,289	\$ 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	78.13%	82.45%	99.19%	130.81%	88.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%
<b>PERA - Public Employees Police and Fire Plan</b>					
County's Proportion of the Net Pension Liability	0.0511%	0.0506%	0.0480%	0.0520%	0.0540%
County's Proportionate Share of the Net Pension Liability	\$ 544,011	\$ 539,344	\$ 648,057	\$ 2,086,850	\$ 613,566
County's Covered Payroll	\$ 538,809	\$ 504,975	\$ 495,557	\$ 499,799	\$ 492,919
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.97%	106.81%	130.77%	417.54%	124.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.80%	85.43%	63.90%	82.30%
<b>PERA - Local Government Correctional Plan</b>					
County's Proportion of the Net Pension Liability	0.1004%	0.1044%	0.0900%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 13,899	\$ 17,172	\$ 256,501	\$ 328,783	\$ 13,914
County's Covered Payroll	\$ 214,153	\$ 212,544	\$ 180,906	\$ 164,570	\$ 161,567
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	6.49%	8.08%	141.79%	199.78%	8.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.20%	97.60%	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**  
**LAST TEN YEARS**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>PERA - General Employees Retirement Plan</b>					
Contractually Required Contribution	\$ 232,204	\$ 215,615	\$ 204,271	\$ 202,193	\$ 186,855
Contributions in Relation to the Contractually Required Contribution	(232,204)	(215,615)	(204,271)	(202,193)	(186,855)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
County's Covered Payroll	\$ 3,096,053	\$ 2,874,867	\$ 2,723,613	\$ 2,695,883	\$ 2,491,400
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
<b>PERA - Public Employees Police and Fire Plan</b>					
Contractually Required Contribution	\$ 100,043	\$ 82,719	\$ 86,276	\$ 80,604	\$ 80,893
Contributions in Relation to the Contractually Required Contribution	(100,043)	(82,719)	(86,276)	(80,604)	(80,893)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
County's Covered Payroll	\$ 617,549	\$ 510,611	\$ 532,568	\$ 497,554	\$ 499,343
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	16.20%	16.20%
<b>PERA - Local Government Correctional Plan</b>					
Contractually Required Contribution	\$ 19,601	\$ 18,993	\$ 17,472	\$ 14,664	\$ 14,134
Contributions in Relation to the Contractually Required Contribution	(19,601)	(18,993)	(17,472)	(14,664)	(14,134)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
County's Covered Payroll	\$ 224,011	\$ 217,063	\$ 199,680	\$ 167,592	\$ 161,527
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	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  
LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Retirement Plan</b>					
District's Proportion of the Net Pension Liability	0.0028%	0.0025%	0.0024%	0.0023%	0.0022%
District's Proportionate Share of the Net Pension Liability	\$ 154,806	\$ 138,690	\$ 153,214	\$ 186,749	\$ 114,015
State's Proportionate Share of the Net Pension Liability	\$ 4,666	\$ 4,581	\$ 1,910	\$ 2,408	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 159,472	\$ 143,271	\$ 155,124	\$ 189,157	\$ 114,015
District's Covered Payroll	\$ 150,487	\$ 150,487	\$ 148,867	\$ 137,077	\$ 133,986
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	102.87%	92.16%	102.92%	136.24%	85.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	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.

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT A-9**

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

	2019	2018	2017	2016	2015
<b>PERA - General Employees Retirement Plan</b>					
Contractually Required Contribution	\$ 14,779	\$ 14,354	\$ 10,312	\$ 11,016	\$ 10,077
Contributions in Relation to the Contractually Required Contribution	(14,779)	(14,354)	(10,312)	(11,016)	(10,077)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
District's Covered Payroll	\$ 197,053	\$ 191,387	\$ 137,493	\$ 146,883	\$ 134,353
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	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, 2019**

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**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, except the EDA Fund. 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, except the EDA Fund.

**2. Budget Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**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	Budget	Excess
<b>Major Governmental Funds:</b>			
Road and Bridge Fund	\$ 5,867,022	\$ 5,694,435	\$ 172,587
Ditch Fund	791,663	250,000	541,663

**5. Defined Benefit Pension Plans**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**General Employees Fund**

**2019 Changes**

**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2017 to MP-2018.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**General Employees Fund (Continued)**

**Changes in Plan Provisions**

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018 Changes**

**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**Changes in Plan Provisions**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

**Changes in Actuarial Assumptions**

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**General Employees Fund (Continued)**

**Changes in Plan Provisions**

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015 Changes**

**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**Changes in Plan Provisions:**

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Police and Fire Fund**

**2019 Changes**

**Changes in Actuarial Assumptions**

- The morality projection scale was changed from MP-2017 to MP-2018.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2018 Changes**

**Changes in Actuarial Assumptions**

- The morality projection scale was changed from MP-2016 to MP-2017.

**Changes in Plan Provisions**

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

**Changes in Actuarial Assumptions**

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and nonvested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Police and Fire Fund (Continued)**

**Changes in Actuarial Assumptions (Continued)**

- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2016 Changes**

**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015 Changes**

**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

**Changes in Plan Provisions:**

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Correctional Fund**

**2019 Changes**

**Changes in Actuarial Assumptions**

- The morality projection scale was changed from MP-2017 to MP-2018.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2018 Changes**

**Changes in Actuarial Assumptions**

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

**Changes in Plan Provisions**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Correctional Fund (Continued)**

**2017 Changes**

**Changes in Actuarial Assumptions**

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The combined service annuity (CSA) load was 30.00 percent for vested and nonvested, deferred members. The CSA has been changed to 35.00 percent for vested members and 1.00 percent for nonvested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2016 Changes**

**Changes in Actuarial Assumptions**

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.31 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015 Changes**

**Changes in Actuarial Assumptions**

- There have been no changes since the prior valuation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**5. Other Postemployment Benefit Plans**

The following changes were reflected for the year ended December 31:

2019

- The discount rate was changed from 3.30% to 3.80%.

2018

Benefit Changes

- There have been no substantive plan provision changes since the last full valuation.

Assumption Changes

- The healthcare trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Tables projected to 2012 with Scale BB (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal table for all employees were updated.
- The discount rate was changed from 4.50% to 3.30%.

**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.

Sheriff Account – to account for the collection and remittance of the County's civil process activity.

**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, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>CHILDREN'S MENTAL HEALTH COLLABORATIVE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 130,796	\$ 63,958	\$ 64,981	\$ 129,773
Due from Other Governments	14,679	-	14,679	-
Interest Receivable	64	115	64	115
Total Assets	<u>\$ 145,539</u>	<u>\$ 64,073</u>	<u>\$ 79,724</u>	<u>\$ 129,888</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 145,539</u>	<u>\$ 64,073</u>	<u>\$ 79,724</u>	<u>\$ 129,888</u>
<b>FORFEITED TAX</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,878	\$ 87	\$ 466	\$ 25,499
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 25,878</u>	<u>\$ 87</u>	<u>\$ 466</u>	<u>\$ 25,499</u>
<b>SOCIAL WELFARE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 15,894	\$ 122,015	\$ 125,133	\$ 12,776
<b>LIABILITIES</b>				
Due to Others	<u>\$ 15,894</u>	<u>\$ 122,015</u>	<u>\$ 125,133</u>	<u>\$ 12,776</u>
<b>STATE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 34,799	\$ 1,200,036	\$ 1,205,724	\$ 29,111
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 34,799</u>	<u>\$ 1,200,036</u>	<u>\$ 1,205,724</u>	<u>\$ 29,111</u>

**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, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 372,496	\$ 13,955,352	\$ 13,956,085	\$ 371,763
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 372,496</u>	<u>\$ 13,955,352</u>	<u>\$ 13,956,085</u>	<u>\$ 371,763</u>
<b>SHERIFF ACCOUNT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 11,862</u>	<u>\$ 112,474</u>	<u>\$ 112,818</u>	<u>\$ 11,518</u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 11,862</u>	<u>\$ 112,474</u>	<u>\$ 112,818</u>	<u>\$ 11,518</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 591,725	\$ 15,453,922	\$ 15,465,207	\$ 580,440
Due from Other Governments	14,679	-	14,679	-
Interest Receivable	64	115	64	115
Total Assets	<u>\$ 606,468</u>	<u>\$ 15,454,037</u>	<u>\$ 15,479,950</u>	<u>\$ 580,555</u>
<b>LIABILITIES</b>				
Due to Others	\$ 27,756	\$ 234,489	\$ 237,951	\$ 24,294
Due to Other Governments	<u>578,712</u>	<u>15,219,548</u>	<u>15,241,999</u>	<u>556,261</u>
Total Liabilities	<u>\$ 606,468</u>	<u>\$ 15,454,037</u>	<u>\$ 15,479,950</u>	<u>\$ 580,555</u>

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## **OTHER SCHEDULES**



**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

**EXHIBIT C-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Primary Government</b>	<b>Discretely Presented Component Unit</b>
	<b>Lac qui Parle- Yellow Bank Watershed District</b>	
<b>Appropriations and Shared Revenue</b>		
<b>State</b>		
Highway Users Tax	\$ 4,230,749	\$ -
Market Value Credit	246,156	12,511
PERA Rate Reimbursement	19,065	132
Disparity Reduction Aid	51,195	-
County Program Aid	478,473	-
County Aquatic Inspection Aid	41,556	-
Police Aid	65,643	-
E-911	78,433	-
Riparian Protection Aid	142,135	-
SCORE	68,710	-
<b>Total Appropriations and Shared Revenue</b>	<b>\$ 5,422,115</b>	<b>\$ 12,643</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 281,618	\$ -
Minnesota Department of Public Safety	6,992	-
<b>Local</b>		
Lac qui Parle County	-	3,081
<b>Total Reimbursements for Services</b>	<b>\$ 288,610</b>	<b>\$ 3,081</b>
<b>Payments</b>		
<b>Local</b>		
Payments in Lieu of Taxes	\$ 399,807	\$ -
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of		
Education	\$ 5,600	\$ -
Human Services	606,077	-
Natural Resources	61,735	-
Public Safety	27,058	-
Veterans Affairs	7,500	-
Water and Soil Resources	96,092	32,769
Secretary of State	53,882	-
Transportation	231,176	-
Pollution Control Agency	20,398	17,935
<b>Total State</b>	<b>\$ 1,109,518</b>	<b>\$ 50,704</b>
<b>Federal</b>		
Department of		
Agriculture	\$ 76,825	\$ -
Justice	10,851	-
Transportation	439,000	-
Health and Human Services	597,928	-
Homeland Security	17,947	-
<b>Total Federal</b>	<b>\$ 1,142,551</b>	<b>\$ -</b>
<b>Total State and Federal Grants</b>	<b>\$ 2,252,069</b>	<b>\$ 50,704</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 8,362,601</b>	<b>\$ 66,428</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**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, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,911,976
Taxes Receivable	16,054
Special Assessments Receivable	
Noncurrent	773,515
Accounts Receivable - Net	21,393
Due from Other Governments	10,005
Capital Assets	
Non-depreciable	973,091
Depreciable (Net)	<u>4,064,183</u>
Total Assets	<u>\$ 7,770,217</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	<u>\$ 30,186</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 8,694
Contracts Payable	10,076
Salaries Payable	15,566
Due to Other Governments	1,022
Unearned Revenue	155,267
ISTS Loans	
Due Within One Year	97,883
Due in More than One Year	936,360
Compensated Absences Payable	
Due Within One Year	1,671
Due in More than One Year	8,324
Net Pension Liability	<u>154,806</u>
Total Liabilities	<u>\$ 1,389,669</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	<u>\$ 27,859</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,027,198
Restricted For:	
Conservation of Natural Resources	1,191,801
Unrestricted	<u>163,876</u>
Total Net Position	<u>\$ 6,382,875</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, 2019**

<b>FUNCTIONS/PROGRAMS</b>	<b>Program Revenues</b>				<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>GOVERNMENTAL ACTIVITIES</b>					
Culture and Recreation	\$ 151,753	\$ 98,218	\$ -	\$ -	\$ (53,535)
Conservation of Natural Resources	597,816	292,139	88,815	-	(216,862)
Interest	43,115	-	-	-	(43,115)
Total Governmental Activities	<b>\$ 792,684</b>	<b>\$ 390,357</b>	<b>\$ 88,815</b>	<b>\$ -</b>	<b>\$ (313,512)</b>
<b>GENERAL REVENUES</b>					
Property Taxes					\$ 314,895
Payments in Lieu of Tax					3,478
Grants and Contributions not Restricted for a Particular Purpose					12,643
Investment Earnings					10,950
Miscellaneous					50,158
Total General Revenues					<b>392,124</b>
<b>CHANGE IN NET POSITION</b>					<b>78,612</b>
Net Position - Beginning of Year					<b>6,304,263</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 6,382,875</b>

**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

**EXHIBIT D-3**

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT**  
**GOVERNMENTAL FUNDS – BALANCE SHEET**  
**DECEMBER 31, 2019**

	General	Ditch Special Revenue	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,820,360	\$ 91,616	\$ 1,911,976
Taxes Receivable	16,054	-	16,054
Special Assessments Receivable			
Noncurrent	766,015	7,500	773,515
Accounts Receivable	21,393	-	21,393
Due from Other Governments	10,005	-	10,005
Total Assets	<u>\$ 2,633,827</u>	<u>\$ 99,116</u>	<u>\$ 2,732,943</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 8,694	\$ -	\$ 8,694
Contracts Payable	10,076	-	10,076
Salaries Payable	15,566	-	15,566
Due to Other Governments	1,022	-	1,022
Unearned Revenue	155,267	-	155,267
Total Liabilities	<u>190,625</u>	<u>-</u>	<u>190,625</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	782,477	7,500	789,977
<b>FUND BALANCES</b>			
Restricted			
Septic/Sewer Loans	334,170	-	334,170
Ditch Repairs and Maintenance	-	91,616	91,616
Assigned			
Flood Control	240,108	-	240,108
Unassigned	1,086,447	-	1,086,447
Total Fund Balances	<u>1,660,725</u>	<u>91,616</u>	<u>1,752,341</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,633,827</u>	<u>\$ 99,116</u>	<u>\$ 2,732,943</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, 2019**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>	\$ 1,752,341
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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.	5,037,274
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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:

Net Pension Liability	\$ (154,806)
Deferred Inflows of Resources - Pension Related	(27,859)
Deferred Outflows of Resources - Pension Related	<u>30,186</u>
	(152,479)

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.	789,977
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loans Payable	(1,034,243)
Compensated Absences	<u>(9,995)</u>
	<u>(1,044,238)</u>

<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 6,382,875</u></b>
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**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, 2019**

	General	Ditch Special Revenue	Total
<b>REVENUES</b>			
Taxes	\$ 320,278	\$ -	\$ 320,278
Special Assessments	144,351	6,882	151,233
Intergovernmental	66,428	-	66,428
Charges for Services	185,748	-	185,748
Interest on Investments	10,905	45	10,950
Miscellaneous	48,665	60	48,725
Total Revenues	<u>776,375</u>	<u>6,987</u>	<u>783,362</u>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
Culture and Recreation	133,007	-	133,007
Conservation of Natural Resources	866,726	2,972	869,698
<b>DEBT SERVICE</b>			
Principal	109,121	-	109,121
Interest	28,045	-	28,045
Total Expenditures	<u>1,136,899</u>	<u>2,972</u>	<u>1,139,871</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(360,524)</u>	<u>4,015</u>	<u>(356,509)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loans Issued	<u>188,509</u>	<u>-</u>	<u>188,509</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(172,015)</u>	<u>4,015</u>	<u>(168,000)</u>
Fund Balances - Beginning of Year	<u>1,832,740</u>	<u>87,601</u>	<u>1,920,341</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,660,725</u></u>	<u><u>\$ 91,616</u></u>	<u><u>\$ 1,752,341</u></u>

**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, 2019**

**NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ (168,000)

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	\$ 789,977	
Unavailable revenue - January 1	<u>(717,113)</u>	72,864

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	344,633	
Current Year Depreciation	<u>(77,592)</u>	

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability. (188,509)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 109,121

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	(1,099)	
Change in Net Pension Liability	<u>(16,116)</u>	
Change in Deferred Pension Outflows	11,542	
Change in Deferred Pension Inflows	<u>(8,232)</u>	<u>(13,905)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 78,612

**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, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 290,000	\$ 290,000	\$ 320,278	\$ 30,278
Special Assessments	-	-	144,351	144,351
Intergovernmental	11,114	11,114	66,428	55,314
Charges for Services	185,500	185,500	185,748	248
Investment Earnings	1,125	1,125	10,905	9,780
Miscellaneous	<u>55,980</u>	<u>55,980</u>	<u>48,665</u>	<u>(7,315)</u>
Total Revenues	543,719	543,719	776,375	232,656
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CULTURE AND RECREATION</b>				
Parks	151,377	151,377	133,007	18,370
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Watershed	378,145	378,145	866,726	(488,581)
<b>DEBT SERVICE</b>				
Principal	-	-	109,121	(109,121)
Interest	-	-	<u>28,045</u>	<u>(28,045)</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>137,166</u>	<u>(137,166)</u>
Total Expenditures	529,522	529,522	1,136,899	(607,377)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	14,197	14,197	(360,524)	(374,721)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loans Issued	-	-	188,509	188,509
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>188,509</u>	<u>188,509</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ 14,197</u>	<u>\$ 14,197</u>	<u>\$ (172,015)</u>	<u>\$ (186,212)</u>
Fund Balance - Beginning of Year			<u>1,832,740</u>	
<b>FUND BALANCE - END OF YEAR</b>				
			<u>\$ 1,660,725</u>	



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**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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Lac qui Parle County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lac qui Parle County's (the County) basic financial statements, and have issued our report thereon dated August 11, 2020.

**Internal Control Over Financial Reporting**

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

Board of County Commissioners  
Lac qui Parle County, Minnesota

We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002 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 2019-003 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 is 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 results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
August 11, 2020

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS**

**2019-001 – MATERIAL AUDIT ADJUSTMENTS**

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

**Condition:** As part of the audit we proposed adjustments to properly state beginning EDA fund balance, record undistributed cash in agency funds, activity in EDA income statement, accounts payable in the Ditch fund, highway revenue that was received within 60 days that was recorded as unavailable, and to correct net pension liability and related deferred inflows and outflows.

**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:** Inadequate internal controls over year-end reporting.

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

**Repeat Finding:** Yes, reported originally as 2017-001

**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  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-002 - 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. Throughout 2019, one person was primarily 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 and authority have a limited number of employees and therefore is not able to adequately segregate duties.

**Effect:** Inadequate segregation of duties could adversely affect the entity'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 Board 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 2020.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-003 – 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  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2019-004 – 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:** Yes, reported originally as 2017-004

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

**2019-005 – PUBLISHED COUNTY BOARD MEETING MINUTES**

**Condition:** County Board meeting minutes are not published within 30 days of each meeting.

**Criteria:** State statute 375.12 states that within 30 days of each meeting, the County Board should have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the county

**Cause:** Lack of personnel resources.

**Effect:** Noncompliance with Minnesota Statutes.

**Repeat Finding:** Yes, reported originally as 2018-005

**Recommendation:** We recommend County management cross train employees to allow for adequate back of up necessary county functions to ensure compliance with state statutes.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**2019-006 – PROMPT PAYMENT OF BILLS**

**Condition:** District must pay each vendor obligation within the standard payment period, as defined by state statute. 1 of 25 transactions tested was not paid timely.

**Criteria:** State Statute 471.425 specifies that all bills must be paid within the standard payment period, as defined by state statute, or pay interest of 1.5% a month.

**Cause:** District does not have a way of tracking when invoices are received.

**Effect:** Noncompliance with Minnesota Statutes.

**Repeat Finding:** No

**Recommendation:** We recommend the District stamp and date invoice as they are received and develop procedures to ensure invoices are paid within the standard payment period.

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**- NONE -**

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## 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 discretely presented component unit, 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, 2019, 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 11, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and recommendations as item 2019-004 through 2019-006. 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 because the District cannot issue debt. 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 responses to the legal compliance findings identified in our audit is 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.

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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
August 11, 2020