

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

YEAR ENDED DECEMBER 31, 2018

**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**

2018

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Todd Patzer	January 2021
2nd District	DeRon Brehmer	January 2023
3rd District	John Maatz*	January 2021
4th District	Benjamin Bothun	January 2023
5th District	Roy Marihart**	January 2021
Officers		
Elected		
Attorney	Richard Stulz	January 2023
Sheriff (interim)	Allen Anderson***	January 2023
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2019
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Sam Muntean	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2021
Commissioner	DeRon Brehmer	January 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 2018

**Chair 2019

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

2018

Position	Name	Term Expires
Managers		
Chair	Darrel Ellefson	March 2021
Vice Chair	John Cornell	March 2021
Treasurer	David Ludvigson	March 2020
Secretary	David Craigmile	March 2019
Publicity Chair	Michael Frank	January 2021
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerenstad	Indefinite
Attorney	Matthew Haugen	Indefinite
Watershed Coordinator	Mitchell Enderson	Indefinite
Drainage Manager/Inspector	Jared Roiland	Indefinite

FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAconnect.com

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, 2018, 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, 2018, 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.

Emphasis of a Matter

As described in Note 1.D.14 governmental activities beginning net position was restated to account for a change in reporting entity. The Lac qui Parle Economic Development Authority is reported as a blended component unit for the year ended December 31, 2018. Our auditors' opinion was not modified with respect to the restatement.

Emphasis of a Matter Regarding a Correction of an Error

As described in Note 6.D. to the financial statements, beginning net position of the discretely presented component unit was restated to account for an overstatement of special assessment revenue in prior years. Our auditors' opinion was not modified with respect to the restatement.

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. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of changes in assets and liabilities – agency funds, schedule of intergovernmental revenue and Lac qui Parle – Yellow Bank Watershed District statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of changes in assets and liability – agency funds, schedule of intergovernmental revenue and Lac qui Parle – Yellow Bank Watershed District statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, on our consideration of Lac qui Parle County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Lac qui Parle County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lac qui Parle County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. 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 \$72,975,001, of which \$52,413,418 represents investment in capital assets, and \$5,895,678 is restricted to specific purposes. The \$14,665,905 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$11,122,186 (with restatement) for the year ended December 31, 2018. A large part of the increase is attributable to the \$6.7 million received for future construction of a road.
- The total cost of governmental activities for the current fiscal year was \$12,905,838. The cost was covered by program revenues. Program revenues exceeded expense by \$3,433,747 due to state turnback funds received in 2018 that will be expended in future years on road constructions.
- The fund balances of the governmental funds increased by \$7,596,336. The most significant portion of the increase was due to the \$6.7 million and received for future construction of a road.
- For the year ended December 31, 2018, the unassigned, assigned, and committed fund balance of the General Fund was \$2,650,134, or 55.9% of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$10,698,942, or 160.7% of the total Road and Bridge Special Revenue Fund expenditures for the year.
- The assigned and committed fund balance of the Family Services Special Revenue Fund was \$4,739,604, or 172.2% of the total Family Services Special Revenue Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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 87 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 \$72,974,882 at the close of 2018. The largest portion of Lac qui Parle County's net position (71.8%) 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 2017 is presented.

Governmental Activities Net Position	2018	2017
Assets		
Current and Other Assets	\$ 26,484,461	\$ 17,112,537
Capital Assets	<u>52,575,939</u>	<u>50,357,475</u>
Total Assets	<u>79,060,400</u>	<u>67,470,012</u>
Deferred Outflows of Resources	<u>1,323,329</u>	<u>1,767,168</u>
Liabilities		
Long-term Liabilities	4,510,010	4,658,520
Other Liabilities	<u>891,941</u>	<u>799,616</u>
Total Liabilities	<u>5,401,951</u>	<u>5,458,136</u>
Deferred Inflows of Resources	<u>2,006,777</u>	<u>1,926,229</u>
Net Position		
Investment in Capital Assets	52,413,418	50,209,490
Restricted	5,895,678	5,156,110
Unrestricted	<u>14,665,905</u>	<u>6,487,215</u>
Total Net Position	<u><u>\$ 72,975,001</u></u>	<u><u>\$ 61,852,815</u></u>

Unrestricted net position in the amount of \$14,665,905--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 20.1% of the net position.

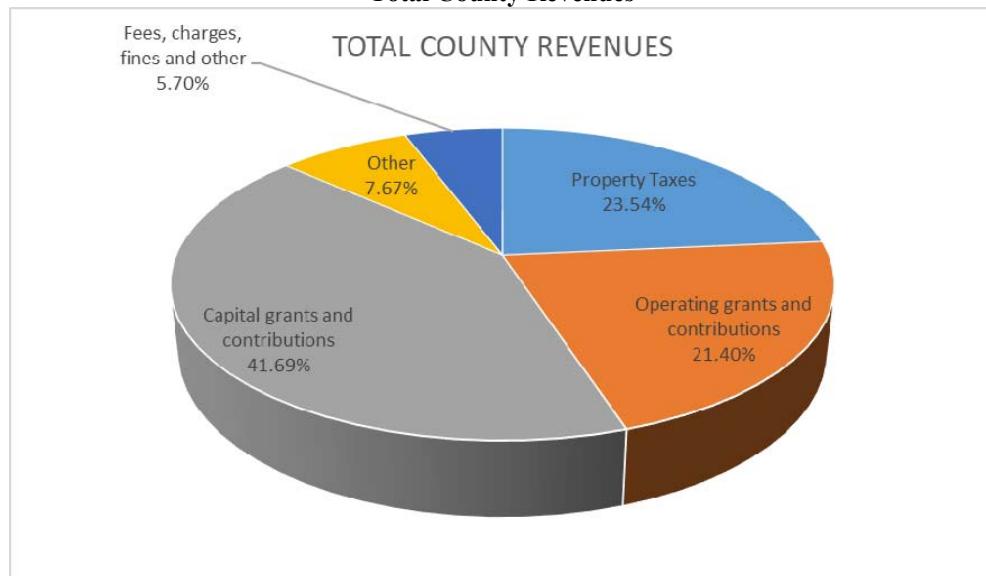
Governmental Activities

The County's governmental activities increased net position by \$10,846,036 (\$72,974,882 for 2018, compared to \$62,128,965 (as restated) for 2017). Key elements in this increase in net position are as follows for 2018, with comparative data for 2017.

	Governmental Activities Changes in Net Position	
	2018	2017
Revenues		
Program Revenues		
Fees, Charges, Fines, and Other	\$ 1,356,504	\$ 1,126,602
Operating Grants and Contributions	5,081,178	4,537,853
Capital Grants and Contributions	9,901,903	2,114,414
General Revenues		
Property Taxes	5,590,514	5,382,189
Other	<u>1,821,775</u>	<u>1,323,102</u>
Total Revenues	<u>23,751,874</u>	<u>14,484,160</u>
Expenses		
General Government	2,170,094	2,057,852
Public Safety	1,603,660	1,823,497
Highways and Streets	4,428,148	4,794,618
Sanitation	193,649	191,019
Human Services	2,838,166	2,634,845
Culture and Recreation	164,717	145,742
Conservation of Natural Resources	1,298,833	673,110
Economic Development	165,982	7,100
Interest	<u>42,589</u>	<u>29,972</u>
Total Expenses	<u>12,905,838</u>	<u>12,357,755</u>
Increase in Net Position	10,846,036	2,126,405
Net Position - January 1, as Originally Stated	61,852,815	59,726,410
Restatement	<u>276,150</u>	-
Net Position - January 1, as Restated	<u>62,128,965</u>	<u>59,726,410</u>
Net Position - December 31	<u>\$ 72,975,001</u>	<u>\$ 61,852,815</u>

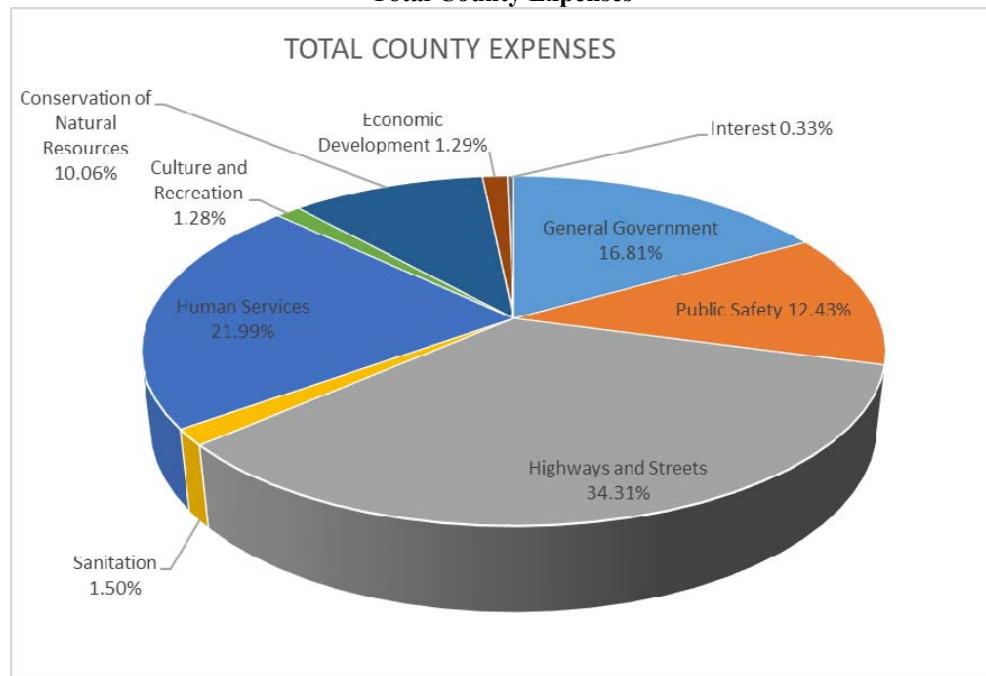
The County's total revenues were \$23,751,874. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2018.

Table 1
Total County Revenues



Total expenses were \$12,905,838 while total revenues were \$23,751,874. This reflects a \$10,846,036 increase in net position for the year ended December 31, 2018. Table 2 presents the county costs by function.

Table 2
Total County Expenses



The cost of all governmental activities this year was \$12,905,838. 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 \$6,025,915 because some of the costs were paid by those who directly benefited from the programs (\$1,356,504) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14,983,081). The County paid for the remaining “public benefit” portion of governmental activities with \$1,386,374 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

	2018	
	Total Cost of Services	Net Cost of Services
General Government	\$ 2,170,094	\$ (1,841,331)
Public Safety	1,603,660	(1,159,958)
Highways and Streets	4,428,148	8,046,641
Human Services	2,838,166	(965,852)
All others	<u>1,865,770</u>	<u>(645,753)</u>
 Totals	 <u>\$ 12,905,838</u>	 <u>\$ 3,433,747</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 \$20,262,101 an increase of \$7,596,336 in comparison with the prior year. Of the combined ending fund balances, \$18,350,613 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is not in spendable form.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$2,650,134. 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 55.9% of total General Fund expenditures. During 2018, the ending fund balance increased by \$672,320 due to an increase in County Program Aid, investment earnings and collection of property taxes.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$10,698,942 at fiscal year-end, representing 160.7% of its annual expenditures. The ending fund balance increased \$6,763,705 during 2018. The primary reason for the increase was because the County received \$6.7 million in turnback funds for future road construction.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$4,739,604 at fiscal year-end, representing 172.2% of its annual expenditures. The ending fund balance increased \$430,227 during 2018, primarily due to the decrease in adoption assistance, foster care and residential treatment expenditures for the year.

The Ditch Special Revenue Fund had a restricted fund balance of \$588,510 at fiscal year-end. The ending fund balance decreased \$174,045 during 2018, primarily due to the cost of County Ditch #12 redetermination.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$123,559 under the final budget amounts.

Resources available for appropriation were \$498,639 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, 2018, totaled \$52,575,939 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Table 4
Capital Assets at Year-End

	2018	2017
Land	\$ 164,903	\$ 164,903
Right-of-Way	470,198	470,198
Construction in Progress	1,156,440	345,579
Buildings	2,495,658	2,221,761
Improvements Other than Building	80,432	83,150
Machinery, Furniture and Equipment	2,788,773	2,688,484
Infrastructure	<u>45,419,535</u>	<u>44,387,697</u>
 Totals	 <u>\$ 52,575,939</u>	 <u>\$ 50,361,772</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, 2018, the County had total net outstanding debt of \$891,000, 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 2018, 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.4. to 3.C.6. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2019 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2018 was 3.8%. This is comparable with the state unemployment rate of 3.2% 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%. The decrease is 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, 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 have generated favorable returns as high as 2.5%, but Federal Reserve interest rate cuts during 2019 are driving savings rates on a downward trend. Overall interest revenues for the County are much improved from the post-recession period but still not anywhere near pre-recession levels. As a result, the County will continue to budget conservative reliance on investment revenues in 2019 and future years.

- The Great Recession Budget created budget crises at the state level which eventually filtered down to county government. Examples of these impacts included unallowable property tax aids, cost shifts, unfunded mandates, and reduced operating grants and reimbursement revenues. As most services and programs administered by counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on county finances. Furthermore, efforts to address the state budget issues often only manage the problems on a short-term basis. As a result, Lac qui Parle County's financial management strategies account for the volatility created by these conditions.
- The 2019 property tax levy for the County increased 2.93% from 2018, which is comparable with an average increase of 3.3% 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 \$478,915 for 2018. 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.

County Tax Rate and Levy History

Year	Tax Rate	Tax Levy	Levy Increas e
2019	31.1%	\$5,916,814	2.9%
2018	32.3%	\$5,748,230	1.8%
2017	30.4%	\$5,645,179	6.8%
2016	27.8%	\$5,442,677	2.9%
2015	24.2%	\$5,287,221	4.0%
2014	27.1%	\$5,084,355	4.1%
2013	37.1%	\$4,882,431	8.8%
2012	38.7%	\$4,489,222	9.8%
2011	33.8%	\$4,088,544	12.8%
2010	31.3%	\$3,624,596	0.0%

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

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

FINANCIAL HIGHLIGHTS

Governmental activities' total net position is \$6,304,263, of which \$4,770,233 represents the District's investment in capital assets, \$414,981 is restricted, and \$1,119,049 is unrestricted. The District's net position decreased by \$13,069 for the year ended December 31, 2018, before restatement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$6,304,263 at the close of 2018. The largest portion of the net position (75.7%) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

	Net Position	
	2018	2017 Restated
Assets		
Current and Other Assets	\$ 2,667,507	\$ 2,576,534
Capital Assets	<u>4,770,233</u>	<u>4,847,824</u>
Total Assets	<u>7,437,740</u>	<u>7,424,358</u>
Deferred Outflows of Resources	<u>18,644</u>	<u>43,298</u>
Liabilities		
Long-Term Liabilities	1,102,441	970,692
Other Liabilities	<u>30,053</u>	<u>153,241</u>
Total Liabilities	<u>1,132,494</u>	<u>1,123,933</u>
Deferred Inflows of Resources	<u>19,627</u>	<u>26,391</u>
Net Position		
Investment in Capital Assets	4,770,233	4,847,824
Restricted	414,981	384,294
Unrestricted	<u>1,119,049</u>	<u>1,085,214</u>
Total Net Position	<u>\$ 6,304,263</u>	<u>\$ 6,317,332</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lac qui Parle County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Jake Sieg, the County's Auditor-Treasurer-Coordinator, Lac qui Parle County Courthouse, 600 - 6th Street, Suite 6, Madison, Minnesota 56256. For additional information regarding the Watershed, contact Trudy Hastad, Lac qui Parle Yellow Bank Watershed District's Administrator, Lac qui Parle County Courthouse, 600 6th Street, Suite 7, Madison, Minnesota 56256.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
	Governmental Activities	Lac qui Parle-Yellow Bank Watershed District
ASSETS		
Cash and Cash Equivalents	\$ 19,763,579	\$ 1,923,563
Undistributed Cash in Agency Funds	429,298	-
Accounts Receivable	5,911,698	743,944
Inventories	379,834	-
Prepaid Items	52	-
Capital Assets		
Non-Depreciable	1,791,541	628,458
Depreciable - Net of Accumulated Depreciation	<u>50,784,398</u>	<u>4,141,775</u>
Total Assets	<u>79,060,400</u>	<u>7,437,740</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,296,344	18,644
OPEB Related	<u>26,985</u>	-
Total Deferred Outflows of Resources	<u>1,323,329</u>	<u>18,644</u>
LIABILITIES		
Accounts Payable and Other Current Liabilities	778,509	24,786
Unearned Revenue	104,566	5,267
Interest Payable	8,866	-
Long Term Liabilities:		
Due Within One Year	58,038	91,533
Due in More Than One Year	1,195,023	872,218
Net Pension Liability	2,858,766	138,690
Current Other Postemployment Benefits Liability	26,985	-
Other Postemployment Benefits Liability	<u>371,198</u>	-
Total Liabilities	<u>5,401,951</u>	<u>1,132,494</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,920,489	19,627
Taxes Levied for Subsequent Period	<u>86,288</u>	-
Total Deferred Inflows of Resources	<u>2,006,777</u>	<u>19,627</u>
NET POSITION		
Investment in Capital Assets	52,413,418	4,770,233
Restricted For:		
General Government	109,936	-
Public Safety	419,206	-
Highways and Streets	3,904,023	-
Conservation of Natural Resources	1,395,629	414,981
Economic Development	38,326	-
Other Purposes	28,558	-
Unrestricted	<u>14,665,905</u>	<u>1,119,049</u>
Total Net Position	<u><u>\$ 72,975,001</u></u>	<u><u>\$ 6,304,263</u></u>

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES
DECEMBER 31, 2018**

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	Expenses	Program Revenues	
		Fees, Charges, Fines, and Other	Operating Grants and Contributions
General Government	\$ 2,170,094	\$ 206,289	\$ 122,474
Public Safety	1,603,660	273,576	170,126
Highways and Streets	4,428,148	67,895	2,504,991
Sanitation	193,649	158,901	91,960
Human Services	2,838,166	154,231	1,718,083
Culture and Recreation	164,717	-	62,089
Conservation of Natural Resources	1,298,833	495,612	280,456
Economic Development	165,982	-	130,999
Interest	42,589	-	-
Total Governmental Activities	\$ 12,905,838	\$ 1,356,504	\$ 5,081,178
COMPONENT UNIT			
Lac qui Parle-Yellow Bank Watershed District	\$ 755,798	\$ 340,797	\$ 34,928
GENERAL REVENUES			
Property Taxes			
Mortgage Registry and Deed Tax			
Wheelage Tax			
Payments in Lieu of Tax			
Grants and Contributions not Restricted for a Particular Purpose			
Investment Earnings			
Miscellaneous			
Total General Revenues			
CHANGE IN NET POSITION			
Net Position - Beginning of Year, as Originally Stated			
Restatement			
Net Position - Beginning of Year, As Restated			
NET POSITION - END OF YEAR			

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
		<u>Discretely Presented Component Unit</u>	
		Primary Government	Lac qui Parle-Yellow Bank Watershed District
Capital Grants and Contributions	Governmental Activities		
\$	-	\$ (1,841,331)	
	-	(1,159,958)	
9,901,903		8,046,641	
	-	57,212	
	-	(965,852)	
	-	(102,628)	
	-	(522,765)	
	-	(34,983)	
	-	<u>(42,589)</u>	
\$	9,901,903	3,433,747	
\$	-	\$ (380,073)	
		5,590,514	288,879
		1,710	-
		86,131	-
		347,560	3,292
		846,818	11,712
		244,982	5,138
		<u>294,574</u>	<u>57,983</u>
		<u>7,412,289</u>	<u>367,004</u>
		10,846,036	(13,069)
		61,852,815	6,410,758
		<u>276,150</u>	<u>(93,426)</u>
		<u>62,128,965</u>	<u>6,317,332</u>
\$	72,975,001	\$ 6,304,263	

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

FUND FINANCIAL STATEMENTS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,008,032	\$ 10,903,474	\$ 4,602,202	\$ 992,674	\$ 255,347	\$ 19,761,729
Undistributed Cash in Agency Funds	231,037	102,543	79,352	16,366	-	429,298
Petty Cash and Change Funds	1,650	-	200	-	-	1,850
Taxes Receivable - Delinquent	19,411	9,270	7,224	-	6,870	42,775
Special Assessments Receivable						
Delinquent	-	-	-	767,208	-	767,208
Noncurrent	10,482	-	-	946	-	11,428
Accounts Receivable	9,127	-	31,991	-	1,500	42,618
Notes Receivable	-	-	-	-	383,665	383,665
Interest Receivable	4,740	50,852	2,241	329	367	58,529
Due from Other Governments	105,428	4,253,964	198,133	47,950	-	4,605,475
Due From Other Funds	318,000	-	-	-	-	318,000
Advance to Other Funds	248,667	-	-	-	-	248,667
Inventory	-	379,834	-	-	-	379,834
Prepaid Items	52	-	-	-	-	52
Total Assets	<u>\$ 3,956,626</u>	<u>\$ 15,699,937</u>	<u>\$ 4,921,343</u>	<u>\$ 1,825,473</u>	<u>\$ 647,749</u>	<u>\$ 27,051,128</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 164,919	\$ 32,773	\$ 57,012	\$ 102,859	\$ 4,776	\$ 362,339
Salaries Payable	69,699	39,179	46,120	-	-	154,998
Contracts Payable	-	162,521	-	-	-	162,521
Due to Other Funds	-	-	-	318,000	-	318,000
Advance from Other Funds	-	-	-	-	248,667	248,667
Due to Other Governments	25,658	12,443	54,393	-	6,157	98,651
Unearned Revenue	<u>104,566</u>	-	-	-	-	104,566
Total Liabilities	364,842	246,916	157,525	420,859	259,600	1,449,742
DEFERRED INFLOWS OF RESOURCES						
Taxes Collected for Subsequent Period	47,346	21,952	16,990	-	-	86,288
Unavailable Revenue	<u>49,559</u>	<u>4,253,894</u>	<u>7,224</u>	<u>816,104</u>	<u>126,216</u>	<u>5,252,997</u>
Total Deferred Inflows of Resources	<u>96,905</u>	<u>4,275,846</u>	<u>24,214</u>	<u>816,104</u>	<u>126,216</u>	<u>5,339,285</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, 2018**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventory	-	379,834	-	-	-	379,834
Prepaid Items	52	-	-	-	-	52
Advance To EDA	248,667	-	-	-	-	248,667
Restricted						
Highway Allotments	-	98,399	-	-	-	98,399
Recorder's Compliance Fund	43,762	-	-	-	-	43,762
Recorder's Technology Fund	58,306	-	-	-	-	58,306
E-911	419,206	-	-	-	-	419,206
Forfeitures	7,868	-	-	-	-	7,868
EDA Loans	38,326	-	-	-	-	38,326
Ditch Repairs and Maintenance	-	-	-	588,510	-	588,510
Small Cities Development Program	28,558	-	-	-	-	28,558
Committed						
Solid Waste Assessments	347,524	-	-	-	-	347,524
Capital Equipment	-	454,989	-	-	-	454,989
Buildings and Grounds	-	179,617	-	-	-	179,617
Future Road Construction	-	6,833,033	-	-	-	6,833,033
Out of Home Placements	-	-	50,174	-	-	50,174
Assigned						
Capital Improvements	37,000	-	-	-	-	37,000
Out of Home Placements	-	-	150,000	-	-	150,000
Rule 20	-	-	120,000	-	-	120,000
PrimeWest Health CBP	-	-	750,000	-	-	750,000
Recorder's Enhancements	19,591	-	-	-	-	19,591
Future Capital Purchases	-	1,290,239	-	-	-	1,290,239
Sheriff's Forfeiture	40,955	-	-	-	-	40,955
Sheriff's Contingency	2,682	-	-	-	-	2,682
County Park Board	17,479	-	-	-	-	17,479
Buffer Law	234,096	-	-	-	-	234,096
Road and Bridge	-	1,941,064	-	-	-	1,941,064
Human Services	-	-	3,669,430	-	-	3,669,430
Economic Development	-	-	-	-	261,933	261,933
Unassigned	<u>1,950,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,950,807</u>
Total Fund Balances	<u>3,494,879</u>	<u>11,177,175</u>	<u>4,739,604</u>	<u>588,510</u>	<u>261,933</u>	<u>20,262,101</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 3,956,626</u></u>	<u><u>\$ 15,699,937</u></u>	<u><u>\$ 4,921,343</u></u>	<u><u>\$ 1,825,473</u></u>	<u><u>\$ 647,749</u></u>	<u><u>\$ 27,051,128</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, 2018**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 20,262,101
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.	52,575,939
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.	5,252,997
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	1,296,344
Deferred Inflows of Resources Related to Pensions	(1,920,489)
Deferred outflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	26,985
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	\$ (891,000)
Accrued Interest	(8,866)
Compensated Absences	(362,061)
Net Pension Liability	(2,858,766)
Total Other Postemployment Benefits	<u>(398,183)</u> <u>(4,518,876)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 72,975,001</u></u>

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, 2018**

	General	Road and Bridge	Family Services	Ditch	EDA	Total Governmental Funds
REVENUES						
Taxes	\$ 3,016,628	\$ 1,387,266	\$ 1,073,572	\$ -	\$ 113,683	\$ 5,591,149
Other Taxes	5,207	86,131	-	-	-	91,338
Special Assessments	126,146	-	-	276,033	-	402,179
Licenses and Permits	14,390	-	-	-	-	14,390
Intergovernmental	1,450,045	11,610,026	1,740,917	-	130,999	14,931,987
Charges for Services	429,908	64,566	261,887	-	-	756,361
Fines and Forfeits	5,438	-	-	-	-	5,438
Gifts and Contributions	6,527	-	816	-	-	7,343
Interest on Investments	102,828	100,597	43,591	6,392	2,563	255,971
Miscellaneous	199,220	80,761	61,808	800	32,444	375,033
Total Revenues	<u>5,356,337</u>	<u>13,329,347</u>	<u>3,182,591</u>	<u>283,225</u>	<u>279,689</u>	<u>22,431,189</u>
EXPENDITURES						
CURRENT						
General Government	2,077,469	-	-	-	-	2,077,469
Public Safety	1,465,435	-	-	-	-	1,465,435
Highways and Streets	-	6,055,863	-	-	-	6,055,863
Sanitation	187,158	-	-	-	-	187,158
Human Services	-	-	2,752,364	-	-	2,752,364
Culture and Recreation	163,934	-	-	-	-	163,934
Conservation of Natural Resources	546,495	-	-	689,422	-	1,235,917
Economic Development	7,249	-	-	-	375,560	382,809
INTERGOVERNMENTAL	<u>292,899</u>	<u>599,810</u>	-	11,356	-	904,065
DEBT SERVICE						
Principal	-	-	-	25,990	-	25,990
Interest	-	-	-	16,755	-	16,755
Bond Issuance Costs	-	-	-	12,690	-	12,690
Total Expenditures	<u>4,740,639</u>	<u>6,655,673</u>	<u>2,752,364</u>	<u>756,213</u>	<u>375,560</u>	<u>15,280,449</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>615,698</u>	<u>6,673,674</u>	<u>430,227</u>	<u>(472,988)</u>	<u>(95,871)</u>	<u>7,150,740</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	29,057	-	-	-	-	29,057
Transfers Out	-	-	-	(29,057)	-	(29,057)
Proceeds from Sale of Capital Assets	27,565	-	-	-	-	27,565
Proceeds from Bond Issuance	-	-	-	328,000	-	328,000
Total Other Financing Sources (Uses)	<u>56,622</u>	<u>-</u>	<u>-</u>	<u>298,943</u>	<u>-</u>	<u>355,565</u>
NET CHANGE IN FUND BALANCES	<u>672,320</u>	<u>6,673,674</u>	<u>430,227</u>	<u>(174,045)</u>	<u>(95,871)</u>	<u>7,506,305</u>
Fund Balances - Beginning of Year	<u>2,822,559</u>	<u>4,413,470</u>	<u>4,309,377</u>	<u>762,555</u>	<u>357,804</u>	<u>12,665,765</u>
INCREASE IN INVENTORY	<u>-</u>	<u>90,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,031</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 3,494,879</u></u>	<u><u>\$ 11,177,175</u></u>	<u><u>\$ 4,739,604</u></u>	<u><u>\$ 588,510</u></u>	<u><u>\$ 261,933</u></u>	<u><u>\$ 20,262,101</u></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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,506,305
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	\$ 4,136,274
Net Book Value of Capital Asset Disposals	(34,755)
Current Year Depreciation	<u>(1,887,352)</u>
	2,214,167
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
	1,434,197
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.	
	167,441
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.	
	(253,595)
The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds.	
Proceeds from General Obligation Notes	(328,000)
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	25,990
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	(1,788)
Change in Compensated Absences	(8,712)
Change in Inventory	<u>90,031</u>
	<u>79,531</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,846,036</u></u>

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

FIDUCIARY FUNDS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018**

ASSETS

Cash and Cash Equivalent	\$ 591,575
Due from Other Governments	14,679
Accounts Receivable	64
Total Assets	<u><u>\$ 606,318</u></u>

LIABILITIES

Due to Others	\$ 15,894
Due to Other Governments	<u><u>590,424</u></u>
Total Liabilities	<u><u>\$ 606,318</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, 2018**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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, 2018 the County board of commissioners are members of the EDA board. Separate financial statements are not issued for the EDA.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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:

Component Unit	Component Unit of Reporting Entity Because	Separate Financial Statements
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.

Joint Ventures

The County participates in several joint ventures which are described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

B. Basic Financial Statements

1. Government-Wide Statements

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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.

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

- 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.

Property taxes are recognized as revenues in the year for which they are levied provided they are also available.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 2018 were \$255,971.

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2018 and deferred special assessments payable in 2019 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

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

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

5. Compensated Absences

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

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

8. Deferred Outflows/Inflows of Resources

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 plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

9. Unearned Revenue

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

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, 2018, Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District reported no debt related to acquisition, construction, or improvement of capital assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

11. Classification of Fund Balances

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.
- **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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

11. Classification of Fund Balances (Continued)

- 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, 2018, unrestricted fund balance for the General Fund was below the minimum fund balance level.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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.

14. Restatement Due to Change in Reporting Entity

During the year ended December 31, 2018, Lac qui Parle County EDA's governance structure changed and operational responsibility rests with County management. As a result, the EDA is reported as a blended component unit. Beginning governmental activities net position was restated to account for the change in reporting entity.

	<u>Governmental Activities</u>
Net Position - December 31, 2017, as Previously Reported	\$ 61,852,815
Change in Reporting Entity	<u>276,150</u>
Net Position - December 31, 2017, as Restated	<u><u>\$ 62,128,965</u></u>

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: Ditch Fund	\$ 756,213	\$ 246,500	\$ 509,713

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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	\$	19,763,579
Undistributed Cash in Agency Funds		429,298
Statement of Fiduciary Net Position		
Cash and Cash Equivalents		<u>591,575</u>
Total Cash and Investments	\$	<u>20,784,452</u>
Petty Cash and Change Funds	\$	1,850
Checking		3,508,416
Money Market Savings		235,234
Certificates of Deposit		1,200,000
Invested in MAGIC		<u>15,838,952</u>
Total Deposits and Investments	\$	<u>20,784,452</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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. 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, 2018, the County's deposits were not exposed to custodial credit risk.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

2. Deposits and Investments (Continued)

b. Investments

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

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

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio.

At December 31, 2018, the County had the following investments:

	<u>Less Than One Year</u>
MN Association of Governments Investing for Counties (MAGIC) Fund	
Portfolio	\$ 8,824,541
Term	6,771,411
Certificates of Deposit	243,000
Total	<u><u>\$ 15,838,952</u></u>

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities follow:

	<u>Total Receivables</u>
Governmental Activities	
Taxes	\$ 42,775
Special Assessments	778,636
Accounts Receivable	42,618
Notes Receivable	383,665
Interest Receivable	58,529
Due from Other Governments	<u>4,605,475</u>
 Total Governmental Activities	 <u>\$ 5,911,698</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance As Restated	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-Way	470,198	-	-	470,198
Construction-in-Process	<u>345,579</u>	<u>1,887,466</u>	<u>1,076,605</u>	<u>1,156,440</u>
Total Capital Assets, Not Being Depreciated	980,680	1,887,466	1,076,605	1,791,541
Capital Assets, Being Depreciated				
Buildings	3,208,734	344,366	-	3,553,100
Improvements Other than Buildings	100,993	-	-	100,993
Machinery, Furniture, and Equipment	6,625,458	585,334	183,073	7,027,719
Infrastructure	<u>65,797,898</u>	<u>2,395,713</u>	<u>-</u>	<u>68,193,611</u>
Total Capital Assets, Being Depreciated	75,733,083	3,325,413	183,073	78,875,423

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets (Continued)

	Beginning Balance As Restated	Additions	Deletions	Ending Balance
Less Accumulated Depreciation for				
Buildings	\$ 986,973	\$ 70,469	\$ -	\$ 1,057,442
Improvements Other than Buildings	17,843	2,718	-	20,561
Machinery, Furniture, and Equipment	3,936,974	450,290	148,318	4,238,946
Infrastructure	21,410,201	1,363,875	-	22,774,076
Total Accumulated Depreciation	<u>26,351,991</u>	<u>1,887,352</u>	<u>148,318</u>	<u>28,091,025</u>
Total Capital Assets, Being Depreciated, Net	<u>49,381,092</u>	<u>1,438,061</u>	<u>34,755</u>	<u>50,784,398</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 50,361,772</u></u>	<u><u>\$ 3,325,527</u></u>	<u><u>\$ 1,111,360</u></u>	<u><u>\$ 52,575,939</u></u>

Construction in progress consists of road projects that are scheduled to be completed in 2019.

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

Governmental Activities		
General Government	\$ 72,541	
Public Safety	119,642	
Highways and Streets, Including Depreciation of		
Infrastructure Assets	1,669,617	
Sanitation	5,992	
Human Services	16,201	
Conservation of Natural Resources	1,060	
Culture and Recreation	783	
Economic Development	<u>1,516</u>	
Total Depreciation Expense	<u><u>\$ 1,887,352</u></u>	

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Advance to/from Other Fund

The Lac qui Parle County Economic Development Authority (EDA) Fund has a balance due to the General Fund at December 31, 2018, of \$248,667. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement. No advances were made to the EDA in 2018.

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

Due To/From Other Funds

Due to General Fund from Ditch Special Revenue Fund	<u>\$ 318,000</u>	Provide cash flow for various drainage systems.
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The balance is expected to be liquidated within one year.

Interfund Transfers

Transfer to General Fund from Ditch Special Revenue Fund	<u>\$ 29,057</u>	Provide funding for County ditch administrative and accounting services provided
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

	<u>Governmental Activities</u>
Accounts payable	\$ 362,339
Salaries Payable	154,998
Contracts Payable	162,521
Due to Other Governments	<u>98,651</u>
 Total Payables	 <u>\$ 778,509</u>

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, and state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and unavailable revenues at December 31, 2018, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans and Interest	Total
Major governmental funds					
General	\$ 10,482	\$ 19,411	\$ 124,232	\$ -	\$ 154,125
Road and Bridge	-	9,270	4,244,624	-	4,253,894
Family Services	-	7,224	-	-	7,224
Ditch	768,154	-	47,950	-	816,104
EDA	-	851	-	125,365	126,216
 Total	 <u>\$ 778,636</u>	 <u>\$ 36,756</u>	 <u>\$ 4,416,806</u>	 <u>\$ 125,365</u>	 <u>\$ 5,357,563</u>
 Liability					
Unearned Revenue	\$ -	\$ -	\$ 104,566	\$ -	\$ 104,566
Deferred Inflows of Resources					
Unavailable Revenue	<u>778,636</u>	<u>36,756</u>	<u>4,312,240</u>	<u>125,365</u>	<u>5,252,997</u>
 Total	 <u>\$ 778,636</u>	 <u>\$ 36,756</u>	 <u>\$ 4,416,806</u>	 <u>\$ 125,365</u>	 <u>\$ 5,357,563</u>

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Bonds and Notes Payable

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General Obligation Drainage Bonds, Series 2015A	2031	\$16,000 - \$26,000	3.5	\$308,000	<u>\$120,000</u>
General Obligation Drainage Notes, Series 2016A	2032	\$22,000 - \$37,000	2.75	\$465,000	<u>\$443,000</u>
General Obligation Drainage Notes, Series 2018A	2034	\$14,000 - \$29,000	3.95	\$328,000	<u>\$328,000</u>

5. 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, 2018, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2019	\$ 5,000	\$ 4,113	\$ 26,000	\$ 21,542
2020	6,000	3,921	41,000	23,777
2021	6,000	3,711	45,000	22,408
2022	7,000	3,483	47,000	20,929
2023	8,000	3,220	48,000	19,403
2024 - 2028	49,000	11,395	265,000	72,454
2029 - 2033	39,000	2,112	270,000	26,490
2034	-	-	29,000	573
Total	<u>\$ 120,000</u>	<u>\$ 31,955</u>	<u>\$ 771,000</u>	<u>\$ 207,576</u>

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 123,990	\$ -	\$ (3,990)	\$ 120,000	\$ 5,000
General Obligation Notes	465,000	328,000	(22,000)	771,000	26,000
Compensated Absences	<u>353,349</u>	<u>245,745</u>	<u>(237,033)</u>	<u>362,061</u>	<u>27,038</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 942,339</u>	<u>\$ 573,745</u>	<u>\$ (263,023)</u>	<u>\$ 1,253,061</u>	<u>\$ 58,038</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

1. Plan Description (Continued)

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2018. Public Employees Police and Fire Plan members were required to contribute 10.8% of their annual covered salary in 2018. Public Employees Correctional Plan members were required to contribute 5.83% of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Retirement Fund	\$ 215,615
Public Employees Police and Fire Fund	82,719
Public Employees Correctional Fund	18,993

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2018, the County reported a liability of \$2,302,250 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the County's proportion was 0.0415%. It was 0.0422% measured as of June 30, 2017.

The County recognized pension expense of \$209,066 for its proportionate share of the General Employees Retirement Fund's pension expense. In addition, the County recognized an additional \$6,640 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

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$78,581.

County's Proportionate Share of the Net Pension Liability	\$ 2,302,250
State of Minnesota's Proportionate Share of the Net Pension	
Liability Associated with the County	<u>78,581</u>
Total	<u>\$ 2,380,831</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual		
Economic Experience	\$ 60,937	\$ 67,147
Changes in Actuarial Assumptions	219,923	258,682
Difference between Projected and Actual		
Investment Earnings	-	235,253
Changes in Proportion	21,051	37,796
Contributions paid to PERA Subsequent to		
the Measurement Date	<u>109,069</u>	-
Total	<u>\$ 410,980</u>	<u>\$ 598,878</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

A total of \$109,069 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2019	\$ 86,667
2020	(138,059)
2021	(197,523)
2022	(48,052)

Public Employees Police and Fire Fund

At December 31, 2018, the County reported a liability of \$539,344 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.051%. It was 0.048% measured as of June 30, 2017. The County recognized pension expense of \$50,239 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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)

The County also recognized \$4,554 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the state of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the state of Minnesota to contribute \$9 million to the public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90% funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual		
Economic Experience	\$ 21,738	\$ 132,315
Changes in Actuarial Assumptions	670,539	793,984
Difference between Projected and Actual	-	112,967
Investment Earnings		
Changes in Proportion	39,246	62,492
Contributions paid to PERA Subsequent to		
the Measurement Date	42,279	-
 Total	<hr/> <u>\$ 773,802</u>	<hr/> <u>\$ 1,101,758</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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)

A total of \$42,279 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2019	\$ (23,596)
2020	(48,640)
2021	(85,083)
2022	(218,987)
2023	6,071

Public Employees Correctional Fund

At December 31, 2018, the County reported a liability of \$17,172 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.104%. It was 0.090% measured as of June 30, 2017. The County recognized pension expense of (\$13,316) for its proportionate share of the Public Employees Correctional Fund's pension expense.

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual		
Economic Experience	\$ 896	\$ 1,835
Changes in Actuarial Assumptions	80,996	198,534
Difference between Projected and Actual		
Investment Earnings	-	19,484
Changes in Proportion	20,048	-
Contributions paid to PERA Subsequent to		
the Measurement Date	<u>9,622</u>	<u>-</u>
 Total	 <u>\$ 111,562</u>	 <u>\$ 219,853</u>

A total of \$9,622 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Pension Expense Amount
<u>December 31</u>	
2019	\$ 14,868
2020	(69,588)
2021	(59,599)
2022	(3,594)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

5. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$317,327.

6. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

	<u>GERF</u>	<u>PEPFF</u>	<u>PECF</u>
Inflation	2.50% per Year	2.50% per Year	2.00% per Year
Active Member Payroll Growth	3.25% per Year	3.25% per Year	3.50% per Year
Investment Rate of Return	7.5%	7.5%	7.5%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disablements were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.25% per year for all future years for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. 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 2017 based on a review of inflation and investment return assumptions.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

6. 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 Stocks	36%	5.10%
International Stocks	17	5.30
Private Markets	25	5.90
Fixed Income	20	0.75
Unallocated Cash	2	0.00
Total	<u>100%</u>	

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

7. Discount Rate

The discount rate used to measure the total pension liability was 7.50% in 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, Public Employees Police and Fire Plan and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Police and Fire Fund

- The morality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100% funding, or July 1, 2048 if earlier.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

8. Changes in Actuarial Assumptions (Continued)

Police and Fire Fund (Continued)

- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80% to 11.30% and 11.80% of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20% to 16.95 and 17.70% of pay, respectively. Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

Correctional Fund

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

9. 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%	\$ 3,885,699	6.50%	\$ 1,156,387	6.50%	\$ 146,951
Current	7.50	2,302,250	7.50	539,344	7.50	17,172
1% Increase	8.50	1,157,189	8.50	29,075	8.50	(86,650)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

10. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution Amount	\$ 5,575	\$ 5,575
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 2018.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has three current elected officials eligible, and one former elected officials receiving this benefit in 2018.

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:

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

Discount Rate	3.3%
Payroll Growth Rate	3.0%
Healthcare Cost Trend Rates	6.5% as of January 1, 2018 grading down to 5.0% over 6 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 discount rate used to measure the total OPEB liability was 3.3% the discount rate is equal to the 20-year municipal bond yield.

Summary of Changes in Actuarial Assumptions

Since the most recent valuation, the following changes have been made:

- The health care 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 tables for all employees were updated.
- The discount rate was changed from 4.5% to 3.3%.

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

Employees Covered by Benefit Terms

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

Total OPEB Liability

	Total OPEB Liability
Balances - December 31, 2017	\$ 403,160
Changes for the Year:	
Service Cost	44,428
Interest	13,737
Benefit Payments	<u>(63,142)</u>
Net Changes	<u>(4,977)</u>
Balances - December 31, 2018	<u><u>\$ 398,183</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		1% Increase in Discount Rate	
	2.3%	3.3%	4.3%	
OPEB Plan Discount Rate				
Total OPEB Liability	\$ 425,894	\$ 398,183	\$ 372,297	

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

4. Pension Plans and Other Postemployment Benefits (Continued)

D. Other Postemployment Benefits (OPEB) (Continued)

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
	5.5%	6.5%	7.5%
Medical Trend Rate			
Total OPEB Liability	\$ 358,970	\$ 398,183	\$ 444,510

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	\$ 26,985	\$ -

For the year ended December 31, 2018, the County recognized OPEB expense of \$58,165. At December 31, 2018, the County reported no deferred inflows of resources, and \$26,985 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 ended December 31, 2019.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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.

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 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County and the District in a method and amount to be determined by MCIT.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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

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

B. Contingent Liabilities

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for \$2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through December 31, 2018, \$248,667 has been advanced from the County's General Fund through the EDA Fund to Farmers Mutual Telephone Company as part of this agreement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2018, the most recent information available, the Lincoln-Pipestone Rural Water System had \$40,841,000 of general obligation bonds and other loans outstanding through 2056. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Countryside Public Health Service

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

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

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2018 was \$95,338.

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

Region 6W Community Corrections

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Region 6W Community Corrections

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

Lac qui Parle County's contribution for 2018 was \$197,434.

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

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

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85% 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, 2018, (the latest information available) were \$40,841,000.

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board Continued)

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2018, 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 a 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
MADISON, MINNESOTA**

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.

D. Commitments

The County had the following construction commitments at December 31, 2018.

Project	Work Performed to Date	Construction Commitment
Road Project 37-607-037	\$ 971,215	\$ 86,258

During 2018, the County board adopted a resolution to participate in county-based purchasing of health care services on behalf of persons eligible for medical assistance in Lac qui Parle County. The County shall join PrimeWest Health upon execution of the Families and Children contract between the Minnesota Department of Human Service and PrimeWest Health engaging PrimeWest Health to administer Prepaid Medical Assistance and Minnesota Care in the County. Upon joining, the County shall make a financial contribution of \$750,000. A minimum of one-half of this amount is due upon execution of the contract, the remaining balance is due by May 1, 2020.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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.

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.

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits

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

Cash and Cash Equivalents	\$ <u>1,923,563</u>
Checking	\$ 1,196,812
Money Market Savings	564,522
Non-Negotiable Certificates of Deposit	<u>162,229</u>
 Total Deposits	 <u>\$ 1,923,563</u>

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, 2018, the District's deposits were not exposed to custodial credit risk.

The District had no investments at December 31, 2018.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds (Continued)

Receivables

Receivables as of December 31, 2018, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Year
Special Assessments	\$ 718,292	\$ 603,714
Taxes	15,693	-
Due from Other Governments	9,959	-
 Total Receivables	 <u>\$ 743,944</u>	 <u>\$ 603,714</u>

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

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, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets not Depreciated				
Land	<u>\$ 628,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,458</u>
Capital Assets Depreciated				
Buildings	<u>\$ 201,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,731</u>
Machinery, Furniture, and	<u>90,847</u>	<u>-</u>	<u>-</u>	<u>90,847</u>
Land Improvements	<u>304,212</u>	<u>-</u>	<u>-</u>	<u>304,212</u>
Infrastructure	<u>5,334,207</u>	<u>-</u>	<u>-</u>	<u>5,334,207</u>
Total Capital Assets Depreciated	<u>\$ 5,930,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,930,997</u>
Less: Accumulated Depreciation for				
Buildings	<u>\$ 45,009</u>	<u>\$ 5,504</u>	<u>\$ -</u>	<u>\$ 50,513</u>
Machinery, Furniture, and	<u>36,210</u>	<u>7,790</u>	<u>-</u>	<u>44,000</u>
Land Improvements	<u>165,104</u>	<u>10,955</u>	<u>-</u>	<u>176,059</u>
Infrastructure	<u>1,465,308</u>	<u>53,342</u>	<u>-</u>	<u>1,518,650</u>
Total Accumulated Depreciation	<u>\$ 1,711,631</u>	<u>\$ 77,591</u>	<u>\$ -</u>	<u>\$ 1,789,222</u>
Total Capital Assets Depreciated,	<u>\$ 4,219,366</u>	<u>\$ (77,591)</u>	<u>\$ -</u>	<u>\$ 4,141,775</u>
Capital Assets, Net	<u>\$ 4,847,824</u>	<u>\$ (77,591)</u>	<u>\$ -</u>	<u>\$ 4,770,233</u>

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

Conservation of Natural Resources	\$ 58,845
Culture and Recreation	<u>18,746</u>
Total Depreciation Expense	<u>\$ 77,591</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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, 2018, were as follows:

Accounts Payable	\$ 8,800
Due to Other Governments	1,332
Salaries Payable	<u>14,654</u>
 Total Payables	 <u>\$ 24,786</u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2018.

Long-Term Debt - Loans Payable

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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)

Long-term debt outstanding at December 31, 2018, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate	Original Issue Amount	Remaining Commitment
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 32,052
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	63,544
North and South Fork Yellow Bank Rivers	2026	24,840	2.00%	448,248	365,589
Clean Water Partnership Project	Not	Not	Not	404,927	404,927
Lac qui Parle Yellow Bank CWP Project	Not	Not	Not	<u>88,743</u>	<u>88,743</u>
Total Loans Payable				<u>\$ 1,385,317</u>	<u>\$ 954,855</u>

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2019	\$ 90,046	\$ 8,776
2020	59,160	7,128
2021	60,349	5,939
2022	61,562	4,726
2023	46,108	3,572
2024 - 2026	<u>143,960</u>	<u>5,080</u>
Total	<u>\$ 461,185</u>	<u>\$ 35,221</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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)

Loans of \$670,214 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, 2018, were:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 900,896	\$ 142,231	\$ 88,272	\$ 954,855	\$ 90,046
Compensated Absences	5,829	16,686	13,619	8,896	1,487
Total	\$ 906,725	\$ 158,917	\$ 101,891	\$ 963,751	\$ 91,533

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.

2. Contributions

The District's contributions for the General Employees Retirement Plan for the year ended December 31, 2018, were \$14,354. The contributions are equal to the contractually required contributions as set by state statute.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

C. Defined Benefit Pension Plans (Continued)

3. Pension Costs

At December 31, 2018, the District reported a liability of \$138,690 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.0025%. It was 0.0024% measured as of June 30, 2017. The District recognized pension expenses of \$18,120 for its proportionate share of the General Employees Retirement Plan's pension expense.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$4,581.

District's Proportionate Share of the Net Pension Liability	\$ 138,690
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>4,581</u>
Total	<u><u>\$ 143,271</u></u>

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

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	\$ 164	\$ 538
Changes in Actuarial Assumptions	2,582	4,917
Difference between Projected and Actual		
Investment Earnings	-	14,172
Changes in Proportion	8,655	-
Contributions paid to PERA Subsequent to		
the Measurement Date	<u>7,243</u>	<u>-</u>
 Total	 <u>\$ 18,644</u>	 <u>\$ 19,627</u>

The \$7,243 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2019	\$ 8,950
2020	(4,558)
2021	(9,723)
2022	(2,895)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 225,389	\$ 138,690	\$ 67,122

D. Prior Period Restatement

There is a prior period restatement of net position in the amount of \$93,426. This restatement is necessary to adjust beginning net position for special assessment revenue that was overstated in the previously issued financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,197,302	\$ 3,197,302	\$ 3,016,628	\$ (180,674)
Other Taxes	4,500	4,500	5,207	707
Special Assessments	135,500	135,500	126,146	(9,354)
Licenses and Permits	11,730	11,730	14,390	2,660
Intergovernmental	944,517	944,517	1,450,045	505,528
Charges for Services	401,621	401,621	429,908	28,287
Fines and Forfeits	-	-	5,438	5,438
Gifts and Contributions	1,500	1,500	6,527	5,027
Interest on Investments	25,700	25,700	102,828	77,128
Miscellaneous	135,328	135,328	199,220	63,892
Total Revenues	4,857,698	4,857,698	5,356,337	498,639
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	229,733	229,733	205,543	24,190
Courts	20,000	20,000	20,426	(426)
Jury Manager	-	-	2,946	(2,946)
Auditor-Treasurer	588,338	588,338	610,160	(21,822)
Data Processing	81,606	81,606	164,313	(82,707)
Elections	36,925	36,925	57,574	(20,649)
County Car	25,831	25,831	660	25,171
Attorney	234,125	234,125	247,135	(13,010)
Recorder	176,561	176,561	161,475	15,086
Assessor	195,758	195,758	184,319	11,439
GIS	9,000	9,000	41,140	(32,140)
Planning and Zoning	44,354	44,354	30,347	14,007
Building and Plant	164,561	164,561	154,760	9,801
Veterans Service Officer	88,541	88,541	77,989	10,552
Employee Wellness	-	-	1,776	(1,776)
Other General Government	435,437	435,437	116,906	318,531
Total General Government	2,330,770	2,330,770	2,077,469	253,301
PUBLIC SAFETY				
Sheriff	642,734	642,734	551,494	91,240
Safety/AWAIR	7,500	7,500	5,996	1,504
Sheriff's Forfeiture Activity	-	-	4,722	(4,722)
County Sheriff (City)	225,741	225,741	281,840	(56,099)
Boat and Water Safety	1,099	1,099	4,380	(3,281)
Snowmobile Safety	2,652	2,652	2,780	(128)

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		
	Original	Final				
EXPENDITURES						
CURRENT						
PUBLIC SAFETY (CONTINUED)						
Coroner	\$ 11,600	\$ 11,600	\$ 7,561	\$ 4,039		
Crisis Transportation	-	-	3,415	(3,415)		
Community Corrections	-	-	149	(149)		
E-911 System	78,370	78,370	69,912	8,458		
County Jail	469,716	469,716	472,059	(2,343)		
Civil Defense	33,442	33,442	32,804	638		
Ambulance	6,000	6,000	6,000	-		
Other	3,827	3,827	22,323	(18,496)		
Total Public Safety	1,482,681	1,482,681	1,465,435	17,246		
SANITATION						
Solid Waste	59,821	59,821	49,144	10,677		
Recycling	158,129	158,129	138,014	20,115		
Total Sanitation	217,950	217,950	187,158	30,792		
CULTURE AND RECREATION						
Historical Society	10,300	10,300	10,965	(665)		
Parks	9,510	9,510	23,510	(14,000)		
Senior Citizens	500	500	500	-		
County/Regional Library	75,697	75,697	75,697	-		
Other	50,000	50,000	53,262	(3,262)		
Total Culture and Recreation	146,007	146,007	163,934	(17,927)		
CONSERVATION OF NATURAL RESOURCES						
Extension	94,900	94,900	92,430	2,470		
Riparian Project	-	-	68,024	(68,024)		
Soil and Water Conservation	163,594	163,594	163,339	255		
Water Quality	24,231	24,231	24,380	(149)		
Agricultural Society/County Fair	13,550	13,550	13,550	-		
Ditch Record Modernization	-	-	43,558	(43,558)		
Environmental Officer	34,629	34,629	30,480	4,149		
Planning and Zoning	19,430	19,430	67,759	(48,329)		
Feedlot Administration	31,180	31,180	31,142	38		
Minnesota River Basin	11,832	11,832	11,833	(1)		
Total Conservation of Natural Resources	393,346	393,346	546,495	(153,149)		

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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget		
	Original	Final				
EXPENDITURES						
CURRENT						
ECONOMIC DEVELOPMENT						
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -		
Economic Development	-	-	249	(249)		
Total Economic Development	7,000	7,000	7,249	(249)		
INTERGOVERNMENTAL						
Public Safety	191,106	191,106	197,434	(6,328)		
Health	95,338	95,338	95,465	(127)		
Total Intergovernmental	286,444	286,444	292,899	(6,455)		
Total Expenditures	4,864,198	4,864,198	4,740,639	123,559		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,500)	(6,500)	615,698	622,198		
OTHER FINANCING SOURCES (USES)						
Transfers In	6,500	6,500	29,057	22,557		
Proceeds from Sale of Capital Assets	-	-	27,565	27,565		
Total Other Financing Sources (Uses)	6,500	6,500	56,622	50,122		
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	672,320	<u>\$ 672,320</u>		
Fund Balance - Beginning of Year			2,822,559			
FUND BALANCE - END OF YEAR			<u>\$ 3,494,879</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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,584,367	\$ 1,584,367	\$ 1,387,266	\$ (197,101)
Other Taxes	80,000	80,000	86,131	6,131
Intergovernmental	5,488,444	5,488,444	11,610,026	6,121,582
Charges for Services	56,000	56,000	64,566	8,566
Interest on Investments	4,000	4,000	100,597	96,597
Miscellaneous	<u>134,000</u>	<u>134,000</u>	80,761	(53,239)
Total Revenues	7,346,811	7,346,811	13,329,347	5,982,536
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	237,678	237,678	230,918	6,760
Construction	3,953,413	3,953,413	3,541,044	412,369
Maintenance	2,078,688	2,078,688	1,735,416	343,272
Equipment and Maintenance Shops	<u>291,882</u>	<u>291,882</u>	548,485	(256,603)
Total Highways and Streets	6,561,661	6,561,661	6,055,863	505,798
INTERGOVERNMENTAL				
Highways and Streets	<u>517,640</u>	<u>517,640</u>	599,810	(82,170)
Total Expenditures	<u>7,079,301</u>	<u>7,079,301</u>	6,655,673	423,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>267,510</u>	<u>267,510</u>	6,673,674	6,406,164
Fund Balance - Beginning of Year			4,413,470	
Increase in Inventory			<u>90,031</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,177,175</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,226,000	\$ 1,226,000	\$ 1,073,572	\$ (152,428)
Intergovernmental	1,421,173	1,421,173	1,740,917	319,744
Charges for Services	221,644	221,644	261,887	40,243
Gifts and Contributions	-	-	816	816
Interest on Investments	2,500	2,500	43,591	41,091
Miscellaneous	<u>54,564</u>	<u>54,564</u>	<u>61,808</u>	<u>7,244</u>
Total Revenues	2,925,881	2,925,881	3,182,591	256,710
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	824,181	824,181	829,178	(4,997)
Social Services	<u>2,101,700</u>	<u>2,101,700</u>	<u>1,923,186</u>	<u>178,514</u>
Total Expenditures	<u>2,925,881</u>	<u>2,925,881</u>	<u>2,752,364</u>	<u>173,517</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>430,227</u></u>	<u><u>\$ 430,227</u></u>
Fund Balance - Beginning of Year			<u><u>4,309,377</u></u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 4,739,604</u></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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 250,000	\$ 250,000	\$ 276,033	\$ 26,033
Interest on Investments	3,000	3,000	6,392	3,392
Miscellaneous	-	-	800	800
Total Revenues	253,000	253,000	283,225	30,225
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	246,500	246,500	689,422	(442,922)
INTERGOVERNMENTAL				
Conservation	-	-	11,356	(11,356)
DEBT SERVICE				
Principal	-	-	25,990	(25,990)
Interest	-	-	16,755	(16,755)
Bond Issuance Costs	-	-	12,690	(12,690)
Total Debt Service	-	-	55,435	(55,435)
Total Expenditures	246,500	246,500	756,213	(509,713)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	6,500	6,500	(472,988)	(479,488)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(6,500)	(6,500)	(29,057)	(22,557)
Proceeds from Bond Issuance	-	-	328,000	328,000
Total Other Financing Sources (Uses)	(6,500)	(6,500)	298,943	305,443
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning of Year	\$ -	\$ -	762,555	
FUND BALANCE - END OF YEAR	\$ 588,510			

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
DECEMBER 31, 2018**

Plan Reporting Period Ended	12/31/2018
Employer Measurement Date	1/1/2018
Total OPEB Liability	
Service Cost	\$ 44,428
Interest	13,737
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(63,142)
Net Change in Total OPEB Liability	(4,977)
Total OPEB Liability - Beginning	403,160
Total OPEB Liability - Ending	398,183

Covered Employee Benefit \$ 3,171,997

Total OPEB Liability as a Percentage of the
Covered Employee Payroll 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.

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

Benefit changes. There have been changes of assumptions include:

- 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%.

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.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-6

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

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan				
County's Proportion of the Net Pension Liability		0.4150%	0.4220%	0.0424%
County's Proportionate Share of the Net Pension Liability	\$ 2,302,250	\$ 2,694,020	\$ 3,442,670	\$ 2,109,285
State's Proportionate Share of the Net Pension Liability	\$ 78,581	\$ 33,843	\$ 45,011	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 2,380,831	\$ 2,727,863	\$ 3,487,681	\$ 2,109,285
County's Covered Payroll	\$ 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		82.45%	99.19%	130.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		79.50%	75.90%	68.90%
				88.10%
PERA - Public Employees Police and Fire Plan				
County's Proportion of the Net Pension Liability		0.0506%	0.0480%	0.0520%
County's Proportionate Share of the Net Pension Liability	\$ 539,344	\$ 648,057	\$ 2,086,850	\$ 613,566
County's Covered Payroll	\$ 504,975	\$ 495,557	\$ 499,799	\$ 492,919
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll		106.81%	130.77%	417.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		88.80%	85.43%	63.90%
				124.48%
PERA - Local Government Correctional Plan				
County's Proportion of the Net Pension Liability		0.1044%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 17,172	\$ 256,501	\$ 328,783	\$ 13,914
County's Covered Payroll	\$ 212,544	\$ 180,906	\$ 164,570	\$ 161,567
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll		8.08%	141.79%	199.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		97.60%	67.89%	58.20%
				8.61%
				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**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PERA - General Employees Retirement Plan				
Contractually Required Contribution	\$ 215,615	\$ 204,271	\$ 202,193	\$ 186,855
Contributions in Relation to the Contractually Required Contribution	<u>(215,615)</u>	<u>(204,271)</u>	<u>(202,193)</u>	<u>(186,855)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
County's Covered Payroll	\$ 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%
PERA - Public Employees Police and Fire Plan				
Contractually Required Contribution	\$ 82,719	\$ 86,276	\$ 80,604	\$ 80,893
Contributions in Relation to the Contractually Required Contribution	<u>(82,719)</u>	<u>(86,276)</u>	<u>(80,604)</u>	<u>(80,893)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
County's Covered Payroll	\$ 510,611	\$ 532,568	\$ 497,554	\$ 499,343
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	16.20%
PERA - Local Government Correctional Plan				
Contractually Required Contribution	\$ 18,993	\$ 17,472	\$ 14,664	\$ 14,134
Contributions in Relation to the Contractually Required Contribution	<u>(18,993)</u>	<u>(17,472)</u>	<u>(14,664)</u>	<u>(14,134)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
County's Covered Payroll	\$ 217,063	\$ 199,680	\$ 167,592	\$ 161,527
Contributions as a Percentage of Covered Payroll	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**

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan				
District's Proportion of the Net Pension Liability		0.0025%	0.0024%	0.0023%
District's Proportionate Share of the Net Pension Liability	\$	138,690	\$	153,214
State's Proportionate Share of the Net Pension Liability	\$	4,581	\$	1,910
Total Proportionate Share of the Net Pension Liability	\$	143,271	\$	155,124
District's Covered Payroll	\$	150,487	\$	148,867
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll		92.16%	102.92%	136.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		79.50%	75.90%	68.90%
				85.09%
				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**

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<hr/>			
Major Governmental Funds:			
Ditch Fund	\$ 756,213	\$ 246,500	\$ 509,713

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:

A. General Employees Fund

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Defined Benefit Pension Plans (Continued)

A. General Employees Fund (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

B. Police and Fire Fund

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% per year for all years with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100% funding or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80% to 11.30 and 11.80% of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20% to 16.95% and 17.70% of pay, respectively, Interest credited on member contributions decreased from 4.00% to 3.00% beginning July 1, 2018.
- Deferred augmentation was changed to 0.00% 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Defined Benefit Pension Plans (Continued)

B.Police and Fire Fund (Continued)

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% 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.
- Assumed termination rates were decreased to 3.0% 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% to 60%.
- 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 post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Defined Benefit Pension Plans (Continued)

C. Correctional Fund

2018

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50% per year to 2.00% per year.

2017

- 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% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

2016

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
CHILDREN'S MENTAL HEALTH COLLABORATIVE				
ASSETS				
Cash and Cash Equivalents	\$ 130,608	\$ 49,024	\$ 48,836	\$ 130,796
Due from Other Governments	-	14,679	-	14,679
Interest Receivable	-	64	-	64
Total Assets	<u>\$ 130,608</u>	<u>\$ 63,767</u>	<u>\$ 48,836</u>	<u>\$ 145,539</u>
LIABILITIES				
Due to Other Governments	<u>\$ 130,608</u>	<u>\$ 63,767</u>	<u>\$ 48,836</u>	<u>\$ 145,539</u>
FORFEITED TAX				
ASSETS				
Cash and Cash Equivalents	<u>\$ 25,878</u>	<u>\$ 1,310</u>	<u>\$ 1,460</u>	<u>\$ 25,728</u>
LIABILITIES				
Due to Other Governments	<u>\$ 25,878</u>	<u>\$ 1,310</u>	<u>\$ 1,460</u>	<u>\$ 25,728</u>
SOCIAL WELFARE				
ASSETS				
Cash and Cash Equivalents	<u>\$ 5,214</u>	<u>\$ 87,199</u>	<u>\$ 76,519</u>	<u>\$ 15,894</u>
LIABILITIES				
Due to Others	<u>\$ 5,214</u>	<u>\$ 87,199</u>	<u>\$ 76,519</u>	<u>\$ 15,894</u>
STATE				
ASSETS				
Cash and Cash Equivalents	<u>\$ 25,216</u>	<u>\$ 1,070,535</u>	<u>\$ 1,060,952</u>	<u>\$ 34,799</u>
LIABILITIES				
Due to Other Governments	<u>\$ 25,216</u>	<u>\$ 1,070,535</u>	<u>\$ 1,060,952</u>	<u>\$ 34,799</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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
ASSETS				
Cash and Cash Equivalents	\$ 408,665	\$ 13,349,327	\$ 13,385,496	\$ 372,496
LIABILITIES				
Due to Other Governments	\$ 408,665	\$ 13,349,327	\$ 13,385,496	\$ 372,496
SHERIFF ACCOUNT				
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 70,369	\$ 58,507	\$ 11,862
LIABILITIES				
Due to Others	\$ -	\$ 70,369	\$ 58,507	\$ 11,862
ASSETS				
Cash and Cash Equivalents	\$ 595,581	\$ 14,627,764	\$ 14,631,770	\$ 591,575
Due from Other Governments	-	14,679	-	14,679
Interest Receivable	-	64	-	64
Total Assets	\$ 595,581	\$ 14,642,507	\$ 14,631,770	\$ 606,318
LIABILITIES				
Due to Others	\$ 5,214	\$ 87,199	\$ 135,026	\$ 15,894
Due to Other Governments	\$ 590,367	\$ 14,555,308	\$ 14,496,744	\$ 590,424
Total Liabilities	\$ 595,581	\$ 14,642,507	\$ 14,631,770	\$ 606,318

OTHER SCHEDULES

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Primary Government	Discretely Presented Component Unit
		Lac qui Parle- Yellow Bank Watershed District
Appropriations and Shared Revenue		
State		
Highway Users Tax	\$ 4,534,281	\$ -
Turnback Aid	6,771,411	-
Market Value Credit	238,089	11,580
PERA Rate Reimbursement	19,081	132
Disparity Reduction Aid	51,120	-
County Program Aid	478,915	-
County Aquatic Inspection Aid	41,594	-
Police Aid	60,176	-
E-911	77,670	-
Riparian Protection Aid	176,587	-
SCORE	67,729	-
Total Appropriations and Shared Revenue	\$ 12,516,653	\$ 11,712
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 284,001	\$ -
Minnesota Department of Public Safety	6,699	-
Local		
Lac qui Parle County	-	4,793
Total Reimbursements for Services	\$ 290,700	\$ 4,793
Payments		
Local		
Local Contributions	\$ 31,000	\$ -
Payments in Lieu of Taxes	347,560	-
Total payments	\$ 378,560	\$ -
Grants		
State		
Minnesota Department/Board of Human Services	\$ 625,910	\$ -
Natural Resources	54,263	-
Public Safety	66,125	-
Veterans Affairs	7,500	-
Water and Soil Resources	137,219	22,440
Pollution Control Agency	24,475	7,555
Total State	\$ 915,492	\$ 29,995
Federal		
Department of Agriculture		
Agriculture	\$ 179,459	\$ -
Justice	22,986	-
Health and Human Services	607,673	-
Homeland Security	20,464	-
Total Federal	\$ 830,582	\$ -
Total State and Federal Grants	\$ 1,746,074	\$ 29,995
Total Intergovernmental Revenue	\$ 14,931,987	\$ 46,500
Reconciliation of SEFA to Schedule of Intergovernmental Revenue		
Total federal revenue per Schedule of Intergovernmental Revenue	\$ 830,582	
Grants received more than 60 days after year-end unavailable in 2018	439,000	
Department of Transportation	\$ 1,269,582	

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Rural Business Development Grant	10.351	N/A	\$ 99,999	\$ -
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	182MN101S2514	77,555	-
Passed Through Southwest Minnesota Private Industry Council				
SNAP Cluster				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	182MN101S2514	1,905	-
(Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program \$79,460)				
Total U.S. Department of Agriculture			<u>179,459</u>	<u>-</u>
U.S Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVS-2018- LACCAO-3148	22,986	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	SAP 037-607-037	439,000	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	1,459	-
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1801MNTANF	65,028	-
Child Support Enforcement	93.563	1804MNCEST	4,080	-
Child Support Enforcement	93.563	1804MNCSES	80,651	-
(Total Child Support Enforcement 93.563 \$84,731)				
CCFD Cluster				
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	G1801MNCCDF	1,012	-
Parental Support Outreach Program - Children's Trust Fund	93.590	G-1702MNFRPG	2,000	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,170	-
Foster Care Title IV-E	93.658	1805MNFOST	17,507	-
Social Services Block Grant	93.667	G-1801MNSOSR	67,026	-
Chafee Foster Care Independence Program	93.674	G-1801MNLIP	2,150	-
Children Health Insurance Program	93.767	1805MN5R21	70	-
Medicaid Cluster				
Medical Assistance Program	93.778	1805MN5ADM	365,520	-
Total U.S. Department of Health and Human Services			<u>607,673</u>	<u>\$ -</u>

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G40CGFFY17	\$ 3,711	\$ -
Passed Through Minnesota Department of Public Safety		F-EMPG-2017-		
Emergency Management Performance Grants	97.042	LACQUICO-2321	15,603	-
Passed Through United Way		LACQUIPARLE		
Emergency Food and Shelter	97.024	FBE-081318	1,150	-
Total U.S. Department of Homeland Security			<u>20,464</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,269,582</u>	<u>\$ -</u>

The County did not pass any federal awards through to subrecipients in 2018.

Totals by Cluster

Total Expenditures for SNAP Cluster	\$ 79,460
Total Expenditures for Highway Planning and Construction Cluster	439,000
Total Expenditures for TANF Cluster	65,028
Total Expenditures for CCDF Cluster	1,012
Total Expenditures for Medicaid Cluster	365,520

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Lac qui Parle County. The County's reporting entity is defined in Note 1 to the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lac Qui Parle County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lac qui Parle County, it is not intended to and does not present the financial position or changes in net position of Lac qui Parle County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Lac qui Parle County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,923,563
Taxes Receivable	15,693
Special Assessments Receivable	
Noncurrent	718,292
Due from Other Governments	9,959
Capital Assets	
Non-depreciable	628,458
Depreciable (Net)	<u>4,141,775</u>
Total Assets	<u>\$ 7,437,740</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	<u>\$ 18,644</u>
LIABILITIES	
Accounts Payable	\$ 8,800
Salaries Payable	14,654
Due to Other Governments	1,332
Unearned Revenue	5,267
ISTS Loans	
Due Within One Year	90,046
Due in More than One Year	864,809
Compensated Absences Payable	
Due Within One Year	1,487
Due in More than One Year	7,409
Net Pension Liability	<u>138,690</u>
Total Liabilities	<u>\$ 1,132,494</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	<u>\$ 19,627</u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,770,233
Restricted For:	
Conservation of Natural Resources	414,981
Unrestricted	<u>1,119,049</u>
Total Net Position	<u>\$ 6,304,263</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, 2018

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Culture and Recreation	\$ 151,448	\$ 103,826	\$ -	\$ -	\$ (47,622)
Conservation of Natural Resources	593,660	236,971	34,928	-	(321,761)
Interest	10,690	-	-	-	(10,690)
Total Governmental Activities	<u>\$ 755,798</u>	<u>\$ 340,797</u>	<u>\$ 34,928</u>	<u>\$ -</u>	<u>\$ (380,073)</u>
GENERAL REVENUES					
Property Taxes					\$ 288,879
Payments in Lieu of Tax					3,292
Grants and Contributions not Restricted for a Particular Purpose					11,712
Investment Earnings					5,138
Miscellaneous					57,983
Total General Revenues					<u>367,004</u>
CHANGE IN NET POSITION					<u>(13,069)</u>
Net Position - Beginning of Year					6,410,758
Restatement (See Note 6D)					(93,426)
Net Position - Beginning of Year, as Restated					<u>6,317,332</u>
NET POSITION - END OF YEAR					<u>\$ 6,304,263</u>

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT D-3

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS – BALANCE SHEET
DECEMBER 31, 2018

	General	Ditch Special Revenue	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,835,962	\$ 87,601	\$ 1,923,563
Taxes Receivable	15,693	-	15,693
Special Assessments Receivable			
Noncurrent	708,292	10,000	718,292
Due from Other Governments	9,959	-	9,959
Total Assets	<u>\$ 2,569,906</u>	<u>\$ 97,601</u>	<u>\$ 2,667,507</u>
LIABILITIES			
Accounts Payable	\$ 8,800	\$ -	\$ 8,800
Salaries Payable	14,654	-	14,654
Due to Other Governments	1,332	-	1,332
Unearned Revenue	5,267	-	5,267
Total Liabilities	30,053	-	30,053
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	707,113	10,000	717,113
FUND BALANCES			
Restricted			
Septic/Sewer Loans	327,380	-	327,380
Ditch Repairs and Maintenance	-	87,601	87,601
Assigned			
Flood Control	237,142	-	237,142
Unassigned	1,268,218	-	1,268,218
Total Fund Balances	<u>1,832,740</u>	<u>87,601</u>	<u>1,920,341</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,569,906</u>	<u>\$ 97,601</u>	<u>\$ 2,667,507</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, 2018**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 1,920,341

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. 4,770,233

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	\$ (138,690)
Deferred Inflows of Resources - Pension Related	(19,627)
Deferred Outflows of Resources - Pension Related	<u>18,644</u>
	(139,673)

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. 717,113

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	(954,855)
Compensated Absences	<u>(8,896)</u>
	(963,751)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,304,263

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, 2018

	General	Ditch Special Revenue	Total
REVENUES			
Taxes	\$ 291,709	\$ -	\$ 291,709
Special Assessments	123,691	10,452	134,143
Intergovernmental	46,500	-	46,500
Charges for Services	191,046	-	191,046
Interest on Investments	5,110	28	5,138
Miscellaneous	57,783	340	58,123
Total Revenues	<u>715,839</u>	<u>10,820</u>	<u>726,659</u>
EXPENDITURES			
CURRENT			
Culture and Recreation	132,702	-	132,702
Conservation of Natural Resources	521,870	6,512	528,382
DEBT SERVICE			
Principal	88,272	-	88,272
Interest	10,690	-	10,690
Total Expenditures	<u>753,534</u>	<u>6,512</u>	<u>760,046</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,695)	4,308	(33,387)
OTHER FINANCING SOURCES (USES)			
Loans Issued	142,231	-	142,231
NET CHANGE IN FUND BALANCES	104,536	4,308	108,844
Fund Balances - Beginning of Year	<u>1,728,204</u>	<u>83,293</u>	<u>1,811,497</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,832,740</u>	<u>\$ 87,601</u>	<u>\$ 1,920,341</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, 2018**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 108,844
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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	\$ 717,113
Unavailable revenue - January 1, as Restated	<u>(701,043)</u>
	16,070

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.

Current Year Depreciation	(77,591)
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Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability. (142,231)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 88,272

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	(3,067)
Change in Net Pension Liability	14,524
Change in Deferred Pension Outflows	<u>(24,654)</u>
Change in Deferred Pension Inflows	<u>6,764</u>
	<u>(6,433)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (13,069)</u>
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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT D-7

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 291,709	\$ 291,709
Special Assessments	- -	- -	123,691	123,691
Intergovernmental	- -	- -	46,500	46,500
Charges for Services	- -	- -	191,046	191,046
Investment Earnings	- -	- -	5,110	5,110
Miscellaneous	- -	- -	57,783	57,783
Total Revenues	- -	- -	715,839	715,839
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
Parks	- -	- -	132,702	(132,702)
CONSERVATION OF NATURAL RESOURCES				
Watershed	290,000	290,000	521,870	(231,870)
DEBT SERVICE				
Principal	- -	- -	88,272	(88,272)
Interest	- -	- -	10,690	(10,690)
Total Debt Service	- -	- -	98,962	(98,962)
Total Expenditures	290,000	290,000	753,534	(463,534)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(290,000)	(290,000)	(37,695)	252,305
OTHER FINANCING SOURCES (USES)				
Loans Issued	- -	- -	142,231	142,231
Total Other Financing Sources (Uses)	- -	- -	142,231	142,231
NET CHANGE IN FUND BALANCE				
	<u>\$ (290,000)</u>	<u>\$ (290,000)</u>	<u>\$ 104,536</u>	<u>\$ 394,536</u>
Fund Balance - Beginning of Year			1,728,204	
FUND BALANCE - END OF YEAR				
			<u><u>\$ 1,832,740</u></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, 2018, 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 September 13, 2019. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Board of County Commissioners
Lac qui Parle County

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 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 questioned costs as item 2018-003 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 questioned costs. Lac qui Parle County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 13, 2019



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

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Lac qui Parle County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lac qui Parle County's major federal programs for the year ended December 31, 2018. Lac qui Parle County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lac qui Parle County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 13, 2019

LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION 1 SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 – MATERIAL AUDIT ADJUSTMENTS AND RESTATEMENT

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

Condition: As part of the audit we proposed adjustments to properly state Watershed beginning net position and special assessment receivable totaling \$93,426, to record Ditch expenditures and payables in the amount of \$88,810, to recognize amounts due from other governments totaling \$47,950 in the Ditch Fund and to adjust EDA revenues, expenditures by \$99,999 and loans receivable by \$124,998.

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 AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Jake Sieg, County Auditor-Treasurer-Coordinator

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2019

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002 - LACK OF SEGREGATION OF DUTIES – WATERSHED DISTRICT & EDA

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

Condition: The Lac qui Parle-Yellow Bank Watershed District and EDA lack proper segregation of duties. Throughout 2018, 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 AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Jake Sieg, County Auditor-Treasurer-Coordinator and Trudy Hastad, Lac qui Parle Yellow Bank Watershed District's Administrator

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2019

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-003 – 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 AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Trudy Hastad, Lac qui Parle Yellow Bank Watershed District's Administrator

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2019

**LAC QUI PARLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

SECTION III – MINNESOTA LEGAL COMPLIANCE FINDINGS

2018-004 – 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.

2018-005 – 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: No

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION V – PREVIOUSLY REPORTED ITEMS RESOLVED

2017-005 Insufficient Collateral



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, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 13, 2019. Our report includes a reference to other auditors who audited the financial statements of the Lac qui Parle Economic Development Authority. This report does not include separate results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

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

In connection with our audit, nothing came to our attention that caused us to believe that Lac qui Parle County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the schedule of findings and questioned costs as items 2018-004 and 2018-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the county's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

Board of County Commissioners
Lac qui Parle County, Minnesota

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

CliftonLarsonAllen LLP

CliftonLarsonAllen

Alexandria, Minnesota
September 13, 2019